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REPORT TO THE CONGRESS

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How The United States Finances Its Share Of Contributions To NATO

B-156489

Department of Defense
Department of State

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

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WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This is our report on how the United States finances its share of contributions to the North Atlantic Treaty Organization. Administration of activities discussed in this report is the responsibility of the Department of Defense and the Department of State.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Secretary of State; the Secretary of Defense; and the Director, Office of Management and Budget.

Elmer B. Staats
Comptroller General
of the United States

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ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office
NATO	North Atlantic Treaty Organization

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

HOW THE UNITED STATES FINANCES ITS SHARE OF CONTRIBUTIONS TO NATO

Department of Defense
Department of State
B-156489

D I G E S T

WHY THE REVIEW WAS MADE

The U.S. share of the costs of maintaining the North Atlantic Treaty Organization (NATO) is greater than that of any other member nation. The General Accounting Office (GAO) reviewed U.S. financial support of NATO because

--it involves significant congressional interest,

--the United States has provided in support of NATO large sums of Federal funds from a number of different appropriations, and

--the executive branch had not provided the Congress consolidated information on the cost of U.S. NATO participation.

FINDINGS AND CONCLUSIONS

For 1972, the U.S. contribution to the NATO budgets was about $85 million. The United States expended at least an additional $40 million, incurred incidental to NATO membership, GAO estimates. (See pp. 7 and 8.)

The United States incurred substantial additional costs, such as paying for U.S. Forces committed to NATO, unrecovered costs for prefinanced construction in Europe, and the cost of moving from France. These costs amount to as much as $16 billion annually. They are paid from various appropriations of several departments of the U.S. Government. These costs have not been allocated or directly related to the U.S. participation in NATO. (See p. 9.)

Division of cost among NATO member

The United States is assessed abou 29 percent of the three principal NATO cost-shared budgets: the civ headquarters, military headquarter and construction of military facil ties (infrastructure).

Since NATO's inception, the only significant changes in the relative cost shares of the members have been proportionate decreases for shares taken by new members, o proportionate increases to absorb the share for joint military costs dropped by France. The "willingness to pay" apparently remains the dominant factor in setting cos shares for the NATO members. (See pp. 7, 12, 15, and 16.)

Budgeting and accounting by U.S. agencies

The civil budget, the military bud get, and the infrastructure progra budget cover the necessary operati and capital costs of these NATO ac tivities. These, prepared by the appropriate NATO activities,

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eventually are approved by the North Atlantic Council. (See pp. 20, 23, and 25.)

The Departments of State and the Army present the U.S. share of these costs to the Congress as part of their annual appropriation and authorization requests. U.S. Government agencies obligate the U.S. share. Disbursement is made upon receiving requests from NATO. (See pp. 21, 23, and 30.)

During 1972 the United States contributed about $30 million to the military budget, $5.3 million to the civil budget, and $50 million to the infrastrucure program. (See p. 7.)

NATO credits to the United States

For calendar year 1971, the United States received credits from NATO for a portion of the salaries of U.S. civilian employees working for NATO in an international capacity. These personnel credits amounted to $487,408 for the civil budget and $1,409,377 for the military budget.

Under a special arrangement, the U.S. Government pays these salaries at the U.S. scale for pay and allowances. The United States is credited with the lower NATO wage scale by reducing the U.S. contribution to the NATO civil and military budgets. This arrangement was made to attract U.S. employees to the otherwise unattractive lower paying NATO positions. (See pp. 8 and 35.)

GAO found that the Departments of State and Defense were not verifying the accuracy of personnel credits received from NATO. As a result, the United States may not be receiving full credit. (See p. 42.)

Financial status of infrastructure contributions

At the time the Congress considered the fiscal year 1972 budget request, the U.S. Army estimated that it would have $40.4 million carryover available for infrastructure program contribution. During fiscal year 1972, additional reimbursements and possible carryovers from past unused appropriations were also expected. (See p. 38.)

In its 1972 budget request, the Army took into account some of the carryover. The Army requested total obligation authority of $50 million and requested $20 million in new obligation authority for this purpose.

Although the congressional presentation for Military Construction, Army, explained that the difference of $30 million would be available from appropriation carryover and reimbursements, the full availability of approximately $40.4 million was not disclosed to the Congress in the congressional presentation document. (See p. 40.)

France relocation costs

The United States has submitted a significant dollar claim to France for the cost of relocating in areas outside France. Representatives of France advised the United States that its claim is being considered. (See p. 44.)

RECOMMENDATIONS

The Secretaries of Defense and State should establish procedures to verify personnel credits due from NATO for U.S. employees on its staff and should establish a focal point to correlate information from all U.S. Government sources.

The Secretary of Defense should direct that all funds made available for the U.S. contribution to the NATO infrastructure program--including balances from prior years, amounts collected from the prefinanced projects, and any credits--be included in a statement of the cumulative financial status of the U.S. investment and contribution in the infrastructure program in the appropriation request presented to the Congress. (See p. 42.)

In GAO's view, the costs incurred by the agencies involved are for international security assistance even though some of the costs may also be a national cost of U.S. programs. Therefore, GAO believes that all of these costs should be taken into consideration along with the requests for direct funding of international security programs. (See p. 9.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department of Defense (DOD) agreed with GAO's recommendations concerning the need for procedures to verify personnel credits and the need to provide the Congress a statement of the cumulative financial status of U.S. investment and contributions to the infrastructure program and said that its policies and procedures will be amended accordingly.

DOD also agreed to evaluate the need for a focal point to correlate information from all U.S. Government sources concerning credits due the United States.

DOD stated that U.S. participation in NATO represents funding for the defense of the United States and did not agree with GAO's view that the cost of NATO to the United States is international security assistance. To simplify budgeting, military as sistance program funding of NATO i frastructure and international mil tary headquarters was recently transferred to the DOD budget.

DOD further stated that the Secretary of Defense needs the flexibil ity available by this arrangement to readily adjust the allocation o resources.

The manner in which funds for the direct costs of U.S. participation in NATO are authorized and appropriated is a matter for the Congre to consider. GAO believes that at a minimum a comprehensive consolidated report on all costs of U.S. participation in NATO and other international security assistance programs should be presented to the various congressional committe concerned regardless of the appropriations from which such costs ar financed. (See p. 11.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

To improve the congressional overview and control of the international security assistance program GAO believes that the appropriate congressional committees need consolidated information on the cost of U.S. participation in NATO and other international military organizations. Therefore GAO is recommending that the Congress either

--consider the advisability of authorizing and appropriating the funds needed to finance the direct costs of U.S. participati in NATO and other international military organizations under the Foreign Assistance Act and of requiring the Departments of State and Defense to furnish a report on other costs of U.S.

participation in such organizations financed from other appropriations or, as an alternative,

--require the Departments of State and Defense to provide to the Congress a comprehensive consolidated report on the total direct, indirect, and unallocated costs of U.S. participation in NATO and other international military organizations along with their budgetary requests for international security assistance programs.

CHAPTER 1

INTRODUCTION

The General Accounting Office (GAO) reviewed U.S. financial participation in the North Atlantic Treaty Organization (NATO).

NATO is a political-military alliance of 15 nations committed to develop and maintain the ability to resist armed aggression against members of the alliance. In addition, it provides for cooperation in political, economic, social, and cultural fields.

The North Atlantic Council is the highest authority in NATO, composed of representatives from the 15 member countries including France. Council ministers meet two or three times a year and permanent representatives meet once or twice a week. As a rule, the Council does not discuss defense matters. The Defense Planning Committee, which meets at the same level and as often as the Council, discusses defense.

There is both a civil and a military structure within NATO, subordinate to the Council or the Committee. The NATO civil structure consists of an International Staff, 15 principal committees, and a number of working groups. The Council established the committees and working groups to help achieve NATO's mission. Four of the 15 principal committees directly involved in NATO financial matters are Civil Budget, Military Budget, Infrastructure, and Infrastructure Payments and Progress. Each of the member countries is authorized to be represented on these committees, except that France is not represented when it has no financial interest in the items on the agenda. Iceland has representatives on the Council and the Committee and may participate in any of the various subordinate committees in which it has an interest.

The military structure consists of the Military Committee assisted by its international military staff. Subordinate to the Military Committee are three strategic military commands (Allied Command, Europe; Allied Command, Atlantic; and the Channel Command), the Canada-U.S. Regional Planning Group, and several special or technical organizations. The Military Committee is the highest military

authority in NATO and is composed of military representatives[1] from each member country. The Military Committee meets at least twice a year at the Chiefs-of-Staff level[2] and on a continuous basis at the permanent representative level.

In addition to the civil and military structure, there are several ad hoc cooperative production and logistics organizations. The United States participated in at least five of these organizations in 1972.

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[1] Iceland may be represented by a civilian.

[2] France is represented by the head of the French military mission to the Military Committee.

CHAPTER 2

SCOPE OF U.S. FINANCIAL INVOLVEMENT IN NATO

As a member of NATO, the United States is required to contribute to its operating costs. Such costs are incurred primarily under three annual major NATO budgets; the financial contributions, which are predicated upon cost-sharing agreements, represent an international obligation of the United States.

In addition, there are inherent national costs which the United States also incurs simply by being a member and by choosing involvement in the several NATO-sponsored production and logistics organizations.

For fiscal year 1972, U.S. agencies budgeted $85.3 million for U.S. contributions to the three major NATO budgets. The U.S. contributions represent approximately 29 percent of the total budgets.

NATO budget	U.S. contributions (note a) (millions)
Military	$ 30.0
Civil	5.3
Infrastructure	50.0
Total	$ 85.3

[a]Budget amount.

The above contributions are only part of the total cost of U.S. participation in NATO. The total costs, however, cannot be determined because many costs are scattered throughout the U.S. budget.

The more easily identifiable costs directly related to NATO for fiscal year 1972, not identified as U.S. contributions to NATO in the U.S. budget, amount to $40.12 million.

	Amount (millions)
Contributions to NATO-sponsored production and logistics organizations	$ 3.36
Expenses of DOD military and civilian personnel assigned to NATO	33.05
Expenses for State Department personnel assigned to NATO	3.11
U.S. Air Force research and development related to NATO	.60
Total	$ 40.12

The above costs include salaries of U.S. Government employees assigned to NATO. They retain their status as U.S. employees and are paid from U.S. funds at the U.S. scale of pay and allowances. The NATO wage scale for these employees is considerably lower than the U.S. scale. Therefore the amounts U.S. employees would have been paid under the NATO wage scale are deducted from the U.S. cash contributions to NATO budgets. This arrangement was made to attract U.S. employees into NATO positions.

The source of U.S. funds to pay the U.S. contributions and the other costs listed above come from several different appropriations and authorizations as follows:

Source of funds	Fiscal year 1972 (millions)
Department of Defense:	
Operations and Maintenance, Office of the Secretary of Defense	$ 0.93
Military Construction, Army	50.00
Operations and Maintenance, Army	34.56
Military Personnel, Army	20.13
Operations and Maintenance, Air Force	.33
Military Personnel, Air Force	.88
Research and Development, Air Force	1.10
Operations and Maintenance, Navy	5.80
Military Personnel, Navy	3.28
Department of State	6.60
Agency for International Development (note a)	1.83
Total	$125.44

[a]Under Foreign Assistance Act, section 637 (b).

Finally, other national costs relating to U.S. participation in NATO not included in the above are (1) the costs of U.S. Forces committed to NATO, such as the U.S. 7th Army and the U.S. 6th Fleet, (2) unrecovered costs for prefinanced infrastructure projects constructed in Europe, (3) the cost of U.S. facilities overseas not eligible for NATO cost-sharing including barracks, messhalls, and chapels, (4) other facilities used for NATO purposes in the United States, and (5) the cost of moving from France and the value of assets left there as a result of relocating U.S. Forces. The United States has submitted a claim for these costs to the French Government. (See p. 44.)

It costs the United States as much as $16 billion annually to participate in NATO. The Department of Defense (DOD) considers these as costs of U.S. programs; therefore, they have not been allocated or directly related to the U.S. participation in NATO.

Nevertheless, some of the costs are shown as being directly related to NATO in the congressional presentations, while other costs are shown as national costs of U.S. programs and they are scattered over a number of different agency and department appropriations.

We believe that the necessary appropriations on the direct costs of participation in NATO should be considered along with the other international security assistance programs, and indirect and unallocated costs should be reported for informational purposes.

AGENCY COMMENTS AND GAO EVALUATION

In a letter dated October 13, 1972, DOD stated that:

> "The U.S. no longer participates in NATO or its activities on the basis of security assistance. U.S. participation is our share in mutual deterrence of the Warsaw Pact nations. Funding of U.S. participation therefore represents a portion of the worldwide funding for the defense of the United States."

U.S. participation in NATO as well as other forms of security assistance, such as the military assistance program,

has traditionally been in the interest of both U.S. national security and the security of our friends and allies. Consequently, in our opinion, the direct cost of U.S. participation in NATO should be considered along with other international security assistance programs.

In our draft report, we suggested that, to improve its overview of the U.S. financial support of NATO, the Congress may want to consider having the administration request the funds needed to finance the U.S. direct participation in NATO and other international military organizations in a single appropriation. This could be accomplished by including such requests along with other international security assistance programs.

DOD disagreed with this suggestion and stated:

> "The support of NATO is but one of many responsibilities which must be appropriately supported by the Department of Defense (and the Department of State). The total DoD resources, including military and civilian personnel and money, required to discharge his total responsibilities should continue to be provided directly to the Secretary of Defense, so that he may readily allocate or change the allocation of resources to the various tasks as the situation demands. The bookkeeping task related to the support of NATO can and should be properly performed within the current DoD appropriation framework. Establishment of a separate appropriation, as recommended by GAO, would destroy or dilute essential flexibility in the application of DoD resources. Page 11 of the GAO report identifies nine DoD appropriations as sources of the U.S. contribution to "NATO cost sharing" for FY 1970 in the amount of $103 million and indicates that in addition, the Department of State and AID provided $8.3 million. The report also identifies other U.S. national costs of participating in NATO including the costs of forces committed to NATO - the U.S. 7th Army and U.S. 6th Fleet. Support of these forces involve almost all of the DoD Appropriations."

Our suggestion about requesting funds for U.S. participation in NATO and other international military organizations in a single appropriation related to direct costs of U.S. participation. The suggestion on indirect and unallocated costs included the idea that such costs should be reported for informational purposes along with the budget request.

The way funds are authorized and appropriated is a matter of congressional concern. We believe that a comprehensive consolidated report on the cost of U.S. participation in NATO and other international security assistance programs should be presented to the congressional committees with responsibilities for foreign assistance programs regardless of the appropriations from which such costs are financed.

RECOMMENDATIONS FOR THE CONGRESS

To improve the congressional overview and control of the international security assistance programs, GAO believes that the appropriate congressional committees need consolidated information on the cost of U.S. participation in NATO and other international military organizations. Therefore GAO is recommending that the Congress either

--consider the advisability of authorizing and appropriating the funds needed to finance the direct costs of U.S. participation in NATO and other international military organizations under the Foreign Assistance Act and of requiring the Departments of State and Defense to furnish a report on other costs of U.S. participation in such organizations financed from other appropriations or, as an alternative,

--require the Departments of State and Defense to provide to the Congress a comprehensive consolidated report on the total direct, indirect, and unallocated costs of U.S. participation in NATO and other international military organizations along with their budgetary requests for international security assistance programs.

CHAPTER 3

COST SHARING

The member nations finance the infrastructure program and the military and civilian budgets on the basis of negotiated cost-sharing percentages unanimously agreed to by the member nations. (See app. I for schedule of current NATO cost-sharing percentages.)

Contrary to what has been publicized and understood, the cost-sharing percentages for each of the budgets have not been established by a scientific formula but rather have been arbitrarily arrived at through negotiation and represent each country's ability and willingness to pay.

For example, it has been publicized that NATO draws up the so-called cost-sharing formulas for the infrastructure budget on the basis of three criteria: (1) each member country's capacity to contribute, (2) the advantage accruing to the user country, and (3) the economic benefit to the host country. This is largely fictitious because no exact formula has ever been devised to consider these criteria. Although these and other factors have been referred to in negotiation, we found no evidence that these factors were comprehensively and systematically considered.

In discussions with U.S. representatives to the U.S. Mission to NATO, we were told that the percentages were all negotiated and that in final analysis it came down to each country's ability and willingness to pay.

INFRASTRUCTURE PROGRAM

The infrastructure program, as it became known in 1951, was initiated in 1950 by the five signatories of the Brussels Treaty.[1] While the installations included in this program were to be built principally in France and the Netherlands, all five powers agreed to share in the cost, which came to be known in the NATO vocabulary as the "first slice." This

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[1] Belgium, France, Luxembourg, Netherlands, and the United Kingdom.

is reportedly the origin of the principle of cost sharing, which was adopted by NATO as the basis of financing all future infrastructure programs. The problem of arriving at a basis on which to establish an equitable devision of costs have proven formidable.

When the Supreme Headquarters Allied Powers, Europe, began administering the infrastructure program in early 1951, the problem of sharing the cost of the so-called second slice, or group of projects, was referred to the Council deputies. It is reported that several different ideas as to how it should be done were presented. One suggestion was that each country should contribute on the basis of its capacity to pay. But, it was nearly impossible for nations to agree on a formula to measure this capacity.

Another suggestion was that the "user nation" criteria should be applied, whereby the countries would pay in proportion to the extent to which their forces would use the facilities in question. But this was ruled out as being unmeasurable.

There was also some discussion as to the extent to consider the inherent economic benefits that host countries would derive from projects being built in their territory.

This was countered by the argument that host countries would incur a considerable amount of unreimbursable expense in purchasing land and in providing power, water, and sewage systems. It is further reported that the Council deputies, after protracted discussions, failed to agree to any or all of these criteria as the sole basis for cost sharing. Whatever the basis, a cost-sharing formula for the second slice was eventually negotiated after much hard bargaining.

It is reported that in the fall of 1951, the problem of achieving an equitable sharing of the defense burden was again discussed and the then NATO Financial and Economic Board presented a report which stressed that no simple and generally accepted formula could be devised. It was generally agreed that the complex factors which determine each country's capacity to undertake defense could not be reduced to mathematical terms. The eventual solution to the problem of establishing cost-sharing percentages for the infrastructure budget was achieved in 1953 and is aptly described by

the then NATO Secretary General Lord Ismay, head of the newly created International Staff:

> "They dumped the whole problem in my lap, so I called in three assistant secretaries-general, and each of us drew up our own list of what we thought the percentages of sharing should be, and then we averaged them out. I couldn't for the life of me possibly say on what basis I acted, except I tried to take into account all sorts of things like the ability to pay and whether the building would be going on in a country so that it would benefit from the construction and the money spent.
>
> "Then we got into the Council meeting in April of 1953, and everybody around the table thought it was a jolly good distribution except for his own, which they thought was too high. Anyway we went round the table and finally got agreement of each to take what was given within 1.8 percent of the total, and then we simply divided up that 1.8 percent among the fourteen,[1] and that's all there was to it. That's why all the shares are in those funny percentage amounts."[2]

Also in 1953 annual renegotiation of cost-sharing percentages was discontinued and replaced with agreements covering longer periods. Currently, such percentages are agreed to for a 5-year period.

U.S. participation in the infrastructure program began in 1951 with the second slice (Canada and the United States

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[1]The Federal Republic of Germany became the 15th NATO partner in 1955.

[2]See appendix I.

participated with the five Brussels Treaty countries) at which time the United States pledged 48 percent. However, in 1960, the members agreed to retroactively adjust the paid-in contributions for all slices from II through VIIa, (from 1951 through 1956), as the basis for revised percentages which reduced the total U.S. contribution from 48 to 43.679 percent.

In later slices the U.S. contribution decreased from 43.679 percent to 25.77 percent in 1966, just before France withdrew from the military side of NATO. When France withdrew, each nation agreed to assume a share of what had previously been the French contribution for projects yet to be authorized for funding in each slice group in addition to their respective percentage contribution. The decrease in the U.S. percentage contribution in 1957 and 1961, as shown in the schedule below, is largely attributable to the financial commitments assumed by Germany after its entry into NATO in 1955.

The current cost-sharing percentages for slices XXI through XXV (1970 through 1974) were established in 1970 when it was agreed that the existing percentages would continue unchanged.

Approved slice	Calendar year	Date cost-sharing percentage approved	Percent of U.S. contribution	
			With France	Without France
II through VIIa	1951 through 56	June 1960[a]	43.679	-
VIIb through XI (note b)	1957 through 60	Feb. 1957	36.98	41.96
XII through XV	1961 through 64	Feb. 1961	30.85	35.06
XVI through XX	1965 through 69	Jan. 1966	25.77	29.67
XXI through XXV	1970 through 74	Feb. 1970	25.77	29.67

[a] This formula replaces the shares previously applied in slices II, III, IVa, IVb and V to VIIa.

[b] The expenses up to 50 percent of cost in slice VIIb were agreed to be completely paid by Germany because it was entirely for Germany's benefit.

MILITARY BUDGET

The military budget, or "headquarters" budget, was initiated in 1951 when a cost-sharing formula for financing the Supreme Headquarters, Allied Powers, Europe, and its subordinate headquarters was first agreed upon. It has since evolved to cover a wide variety of NATO enterprises.

There was very little background information readily available on how the cost-sharing formula for the military budget was first established, but it is reported that the deliberations over pro rata national contributions have been as hard fought as those for the infrastructure budget. Members of the U.S. Mission to NATO told us that the percentages for the military budget were arrived at by negotiations, without reference to any economic formula.

The method and percentages for financing the military budget have been changed several times. During the first 4 years the headquarters budget was segregated into two categories, operating and capital expenditures, with a different cost-sharing formula for each. With the entrance of Germany to NATO in 1955, a single cost-sharing percentage was agreed upon. This arrangement lasted until 1957 when the NATO partners found that they could not agree on the division of certain costs between the infrastructure program and the military budget. This dilemma was resolved by resorting to a complex split formula, by which expenditures up to an agreed ceiling would be paid under the headquarters schedule, and any additional amounts would be apportioned according to infrastructure quotas.

This arrangement caused U.S. assessments to increase rapidly when the ceiling had been exceeded as in 1963 and 1964. Representatives for the United States were reportedly satisfied with a slight increase in the U.S. share for the 1966 reapportionment, believing that abolishing the split-ceiling provision would allow the United States to pay less in the long run.

The percentages agreed to in 1966, covering 1965 and succeeding years, are still in effect, except that, with the withdrawal of France at the end of 1966, each country agreed to assume a share of the French contribution (17.10 percent) in addition to their respective contributions to the military

budget. This action increased the U.S. contribution from 25 to 30.16 percent for those items in the military budget in which France does not participate. According to a representative to the U.S. Mission to NATO, France currently participates in and shares costs of about 40 percent of the military budget items.

	Percent of U.S. contributions		
	With France		Without France
	Operating(*) or fixed ceiling(**) cost	Capital costs(**) or cost exceeding(**) ceiling	Consolidated budget
Beginning through 1951	22.5*	40.0*	-
1952 through 1955 (note a)	22.5*	45.0*	-
1955[a] through 1956	24.2	-	-
1957 through 1960	24.2**	36.98**[b]	-
1961 through 1964	24.2**	30.85**	-
1965 through 1966	25.0	-	(c)
1967 through present	25.0	-	30.16

[a]Change in percentage because Germany became a NATO partner in 1955.

[b]Ceiling not exceeded during this period.

[c]France terminated its total participation by the end of calendar year 1966.

CIVIL BUDGET

The civil budget includes the cost of operating the NATO International Staff, furniture, and equipment and several other activities, including scientific affairs research which accounts for about 27 percent of the total. We did not research the origin of the civil budget but we did note that the International Staff dates back to the early fifties.

In April 1952 the present NATO International Staff was formed by merging the international staffs of the Council of Deputies, the Defense Production Board, and the Economic and Financial Board. This amalgamation resulted from the

establishment of the North Atlantic Council and a reorganization of the staffs of its predecessor council and boards.

Little documentary information was readily available on the basis for the percentages used in sharing the costs of the civil budget. In 1951 the NATO partners agreed to apply to the civil budget the same percentages agreed upon for financing the operational expenditures category of the military budget. However, beginning with 1952, available evidence indicates that the cost-sharing percentages for the civil and military budgets were negotiated jointly with the resulting agreed-upon formulas applying to both. It is reported that this was discontinued with the adoption of the "double ceiling" for the military budget in 1957. The civil budget cost-sharing percentages have not changed since May 1955.

The percentages for sharing the costs of the civil budget have been adjusted only twice; in 1952 with the entrance of Greece and Turkey and in 1955 with the entrance of Germany into NATO. In 1952 a common cost-sharing formula employing different percentages for financing operational versus capital expenditures was adopted for financing the civil and military budgets. The United States assumed 45 percent of the capital expenditures while its share of operating expenditures remained unchanged at 22.5 percent despite the entrance of Greece and Turkey that year.

In 1955 the partners agreed to abolish the dual formula for the civil and military budgets in lieu of a single formula worked out on the basis of average contributions made by the older members in prior years. Thus, the U.S. cost-sharing percentage was reduced from 22.5 (operational costs) and 45 (capital costs) percent to an average 24.2 percent. At this same time a separate cost-sharing formula was agreed to for constructing a new permanent headquarters. This was the previous formula for capital expenditures with a proportional reduction for all members resulting from the entrance of Germany into NATO.

Year	Percent of U.S. contribution
Beginning through 1951	22.5
1952 through 1955[a]	22.5 and 45
1955 to present[a]	24.2[b]

[a]The new 24.2% applied from May 6, 1955.

[b]A separate formula was agreed to in 1955 for cost-sharing construction of a permanent headquarters. The United States agreed to share 40.86% of the cost.

CHAPTER 4

MILITARY BUDGET

The NATO military budget for calendar year 1972 amounts to about $114.9 million of which the United States contributed an estimated $30 million. The U.S. portion is computed at the rate of 25 percent for those budget items which France participates in and at the rate of 30.16 percent for the remaining budget items. The U.S. share averages about 26 percent.

SCOPE

The NATO military budget covers the cost (exclusive of military personnel salaries--discussed below) of operating the International Military Staff, the three NATO Strategic Military Commands, NATO subordinate commands, NATO specialized agencies, and certain NATO systems, such as the Satellite Communications System. The budget is a composite of about 32 individual budgets prepared by the various NATO organizations. In addition, it includes three broad categories of estimated additional costs: (1) supplementary expenses recurring annually as a result of previous decisions, (2) retroactive reimbursements for certain NATO activities, and (3) items under consideration but not yet accepted as eligible for the military budget. The three items account for about $20 million of the military budget for 1972.

Salaries for military personnel assigned to the various NATO organizations are not included in the military budget but rather are considered a national expense and must be paid by the providing NATO member.

Estimated costs included in the military budget for the various NATO organizations are divided into operating and capital costs. The operating costs are further divided into civilian salaries, maintenance of premises and equipment, general expenses, communications, transportation, travel, exercises and maneuvers, and representation and hospitality. The capital costs are composed of expenses for construction, furniture, and equipment.

NATO APPROVAL PROCEDURE

The Council/Defense Planning Committee[1] approves the NATO military budget based on recommendations made by the Military Budget Committee. The Budget Committee is a part of the NATO civil structure on which each member country except Iceland is represented. The U.S. representative is an employee of DOD assigned to the U.S. Mission to NATO.

Around May the various NATO organizations financed by the military budget start submitting to the Budget Committee detailed budgets (as many as 170 pages) for the coming calendar year. The Budget Committee meets and reviews the budgets individually and may question representatives of the particular organizations on items and amounts requested. The Budget Committee makes field trips to the Northern and Southern Commands on alternate years to review their budget.

After completing its review of each budget, the Budget Committee issues a report to the Council/Defense Planning Committee showing the amount requested by each organization and the amount the Budget Committee recommends for approval. Normally the Council/Defense Planning Committee meets and approves the military budget in December of each year.

U.S. BUDGETING AND OBLIGATION PROCEDURE

The Comptroller of the Support Group of the U.S. Army, NATO, Supreme Headquarters Allied Powers, Europe (hereinafter referred to as the Support Group), in consultation with the U.S. Representative to the Budget Committee, prepares an estimate of the U.S. portion of the NATO military budget about 8 months before NATO begins budget preparation, or about 16 months before the NATO fiscal and/or calendar year begins.

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[1]The North Atlantic Council approves the budgets for those activities in which 15 nations participate and the Defense Planning Committee approves the budgets for those activities in which only 14 nations participate.

Previously the military budget was financed through a Military Assistance Appropriation; however, currently the estimates are forwarded through channels to the Department of the Army and are the basis for requests for congressional funding under the Army's Operations and Maintenance Appropriation. Moneys appropriated by the Congress during a given fiscal year are used to finance the U.S. contribution to the NATO military budget for the corresponding NATO fiscal and/or calendar year. These appropriation requests are identified as contributions to the NATO military budget.

After the Council approves the military budget, the Comptroller of the Support Group records an obligation for the U.S. share.

PAYMENT OF U.S. SHARE

Contributions to the military budget are requested by the NATO Financial Controller in three installments annually and are known as budget callups. The request by NATO for the U.S. portion is sent to the U.S. Mission and forwarded by the U.S. member of the Budget Committee to the Comptroller of the Support Group, along with instructions for the Comptroller to "take appropriate action to make payment as soon as possible." The Comptroller of the Support Group then instructs his Finance and Accounting Office to make the payment into bank accounts as requested by the NATO Controller. The Finance Office makes the payments or instructs specific other Army Finance Offices to do so.

The requests for the U.S. contribution also show a deduction for "Balances in U.S. Offset Accounts." We were advised that these deductions are for (1) supplies and services rendered to various NATO organizations by about 30 U.S. agencies and (2) the salaries and allowances for U.S. Government civilian employees working as international employees for various NATO organizations. The credits thus earned in calendar year 1971 were about $7.1 million for services and $1.4 million for personnel and totaled $8.5 million.

CHAPTER 5

CIVIL BUDGET

The NATO civil budget for calendar year 1972 totals $21.8 million, of which the U.S. contribution was estimated to be $5.3 million or 24.2 percent.

SCOPE

The NATO civil budget includes the cost of the NATO International Staff and various other activities and programs.

NATO APPROVAL PROCEDURE

The North Atlantic Council approves the NATO civil budget on the basis of recommendations from the Civil Budget Committee which reviews the budget when submitted each fall by the Director of Administration, International Staff. The Budget Committee is a part of the NATO civil structure and each member country except Iceland is represented on the committee. The U.S. representative is a DOD employee assigned to the U.S. Mission to NATO.

Around October the Budget Committee meets and examines the civil budget which is quite detailed in that it shows the estimated costs for items such as telegraphic messages and postage stamps. Upon completing its review, the Budget Committee reports to the Council the amounts requested for the civil budget and the amounts recommended for Committee approval. The Council normally meets and approves the civil budget in December.

U.S. BUDGETING AND OBLIGATION PROCEDURE

The U.S. Representative to the Budget Committee prepares an estimate of the U.S. contribution to the NATO civil budget about 8 months before NATO begins its preparation, or about 14 months before the NATO fiscal and/or calendar year begins. The estimate is based on information provided to him by the NATO International Staff and is forwarded to the Department of State where it forms the basis for requesting

congressional funding through the Department of State appropriation for contributions to international organizations. One exception to this procedure is the contribution to the Defense Support Program (U.S. portion for 1972 is about $67,000) which is financed by the Advanced Research Projects Agency, Defense Research & Engineering, Office of the Secretary of Defense, DOD.

Moneys appropriated to the Departments of State and Defense by the Congress for a given fiscal year are used to finance the U.S. contribution to the NATO civil budget for the corresponding NATO fiscal and/or calendar year.

Obligation of the U.S. share of the civil budget is handled by the Department of State, Washington, D.C., which maintains the pertinent accounting records.

PAYMENT OF U.S. SHARE

Except for the contribution to the Scientific Affairs and Defense Support Programs, the NATO Financial Controller requests the member country contributions to the civil budget three times a year. They request the contribution to the Scientific Affairs Program twice a year, and the contribution to the Defense Support Programs at least once a year.

The request for the U.S. contribution is sent to the U.S. Mission to NATO whereupon the U.S. member of the Budget Committee requests authority from the Department of State to process the request for payment for other than the Defense Support Program. The Department of State then authorizes the U.S. Mission to NATO to pay and identifies the applicable appropriation and allotment. The U.S. member then advises the American Embassy, Brussels, to pay. The U.S. member requests DOD to make the payment for the Defense Support Program.

Credits due for salaries and allowances payable by NATO for U.S. Government civilians working on the NATO International Staff are offset against the contribution requests. The credits offset against U.S. contributions in 1972 which were earned in 1971 and prior years totaled about $0.6 million.

CHAPTER 6

INFRASTRUCTURE

NATO adopted the word "infrastructure" to mean the physical construction of military facilities. For fiscal year 1972, U.S. NATO personnel estimated that the equivalent of about $160 million in infrastructure projects would be authorized for funding and that the U.S. portion--applying agreed-to cost-sharing percentages ranging from 25.77 to 29.68 percent--would total about $50 million.

SCOPE

NATO infrastructure projects include those fixed installations which are necessary for training NATO forces in peacetime and operational use in wartime. Within the infrastructure program, there are 13 main categories of eligible facilities, such as airfields and war headquarters. Not included in the infrastructure program are support facilities (troop billets, exchange facilities, etc.) which are considered national responsibilities. The complete list of eligible categories is shown in appendix II.

Detailed criteria identifying the type and scope of items eligible for common funding within each of the categories are contained in a combination of Infrastructure Committee documents and publications of the Allied Command, Europe and Allied Command, Atlantic.

NATO APPROVAL PROCEDURE

The NATO infrastructure program consists of four major phases: (1) establishing the financial ceiling for a stipulated period, (2) formulating annual infrastructure program slices, (3) implementing projects in each slice, and (4) NAT accepting the completed project.

Financial ceiling

The financial ceiling is the total monetary amount that each member nation, through its representatives on the Council, has agreed to contribute to the infrastructure program during a stipulated period. During the 1950s, the stipulate

period fluctuated. In recent years, however, the financial ceiling has been established for 5-year periods.

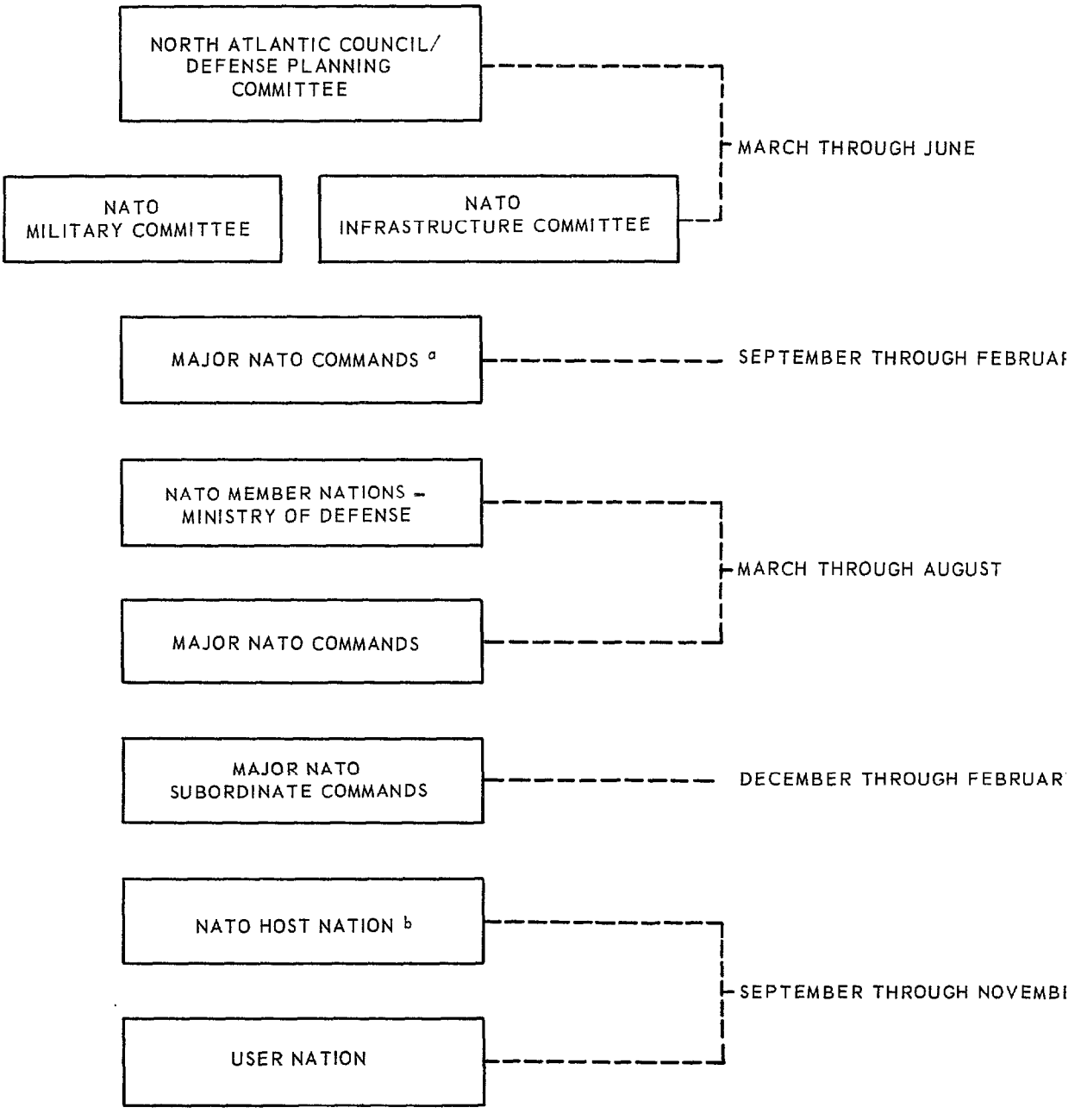
Agreed-upon financial ceilings are further divided into annual increments, or slices. Each annual slice is identified chronologically by a roman numeral and is composed of a list of specific military construction requirements. The cumulative financial ceiling from inception of U.S. participation in the infrastructure program, slice II through slice XXV (calendar year 1974) which the NATO member nations have agreed to as of June 30, 1971, totaled $4.6 billion. The U.S. portion of this total is $1.7 billion. (See app. III.)

Annual infrastructure program slices

The annual programing cycle for all infrastructure slices is scheduled to begin each September and is normally approved 18 months later. In general, the flow of proposed projects from initiation through program approval is illustrated on the chart on page 27.

The infrastructure programing cycle begins with each host/user nation submitting to the Ministry of Defense a list of military construction projects to be included. This is necessary inasmuch as NATO operates under the principle of national sovereignty. Therefore the host nation, which provides the land, access roads, and utility connections at its own expense, must necessarily be included early in the planning and approval process. After reviewing the proposed projects, the Ministries of Defense submit to the appropriate NATO major subordinate command a list of the projects they agree to and are willing to support. The subordinate commands then review the input list and submit to their NATO major command--Supreme Allied Commander, Europe, or Supreme Allied Commander, Atlantic--a list of the projects recommended for inclusion in the slice as well as a list of those projects not recommended.

The projects as proposed are further reviewed by the major commands which subsequently decide on the projects composing the preliminary recommended slice and which are listed and forwarded to the Ministry of Defense of each nation for review and comment. Following this action, the Supreme



[a] Channel command is not involved in infrastructure.

[b] Host nation may also be the user nation.

Allied Commanders hold a conference with representatives of the Ministries of Defense of all member nations to discuss their comments on the preliminary recommended slice.

After the conference the major commands further review and refine the list of projects, consider the comments of the Ministries of Defense at the conference, and issue a final recommended slice to the NATO Military Committee and Infrastructure Committee for review. The Infrastructure Committee, with the assistance of the International Staff, examines the financial and technical aspects of the slice program before the program is sent to the Council for approval. Simultaneously, the proposed slice is examined by the Military Committee, with assistance from its International Military Staff, which makes recommendations to the Council from the military point of view.

Once an infrastructure slice is approved, implementation for the individual projects can begin.

Implementation of infrastructure projects

The NATO Infrastructure Payments and Progress Committee, composed of delegates from all member nations except Iceland and, in most cases, France, authorizes funds for constructing infrastructure projects. The host country implements the project and obtains this Committee's funding authorization.

To obtain Payments and Progress Committee authorization to commit funds, the host country must submit a request for authorization to commit funds, including technical plans, specifications, and cost estimates. Technical experts on the NATO International Staff screen these requests, which are the bases for NATO budgetary control, before the Committee approves them. Committee approval of funds commits NATO member nations to share project costs at their agreed percentage and authorizes the host country to proceed with construction.

Host countries are provided funds in advance of actual expenditures on the basis of their semiannual forecasts of project expenditures for the next 6 months. After the forecasts are approved, a clearinghouse system is used to compute the amounts all countries must pay to each constructing

host country. The NATO members make the approved payments in quarterly installments directly to the host countries. Thus, NATO does not physically hold infrastructure moneys. Funds provided to host countries are subsequently adjusted if necessary on the basis of an audit by the NATO Board of Auditors.

Project completion and acceptance

After a project is completed, a Joint Formal Acceptance Team inspects it and submits to the committee a report which is the basis for technical acceptance of the project. The team is composed of at least one member from the NATO International Staff, the applicable NATO Major Command, and the user country.

Final financial settlement and acceptance is vested in the NATO Board of Auditors. The Board issues "certificates of final financial acceptance" on each project when an audit examination has been completed and all financial adjustments requested by the Board have been made.

We noted that, as of December 31, 1971, the NATO Board of Auditors had audited $2.5 billion, or about 82.1 percent, of the $3.1 billion cumulative expenditures on infrastructure projects at that time. However, certificates of final financial acceptance had been issued on only $1.1 billion, or about 42 percent, of the expenditures audited.

U.S. BUDGETING AND OBLIGATION PROCEDURE

The U.S. Mission prepares the budget estimate for the U.S. contribution to the NATO infrastructure program. We were advised that the budget estimate is computed by considering the total contingent liability for the 13 categories of infrastructure projects which have been included in past slices but not yet presented to and authorized for funding by the Payment and Progress Committee plus the next slice which the Council is expected to approve. On the basis of this universe, the U.S. NATO Mission personnel estimate, by category and slice, the amounts they believe the Payment and Progress Committee will authorize for funding during the particular budget year. The applicable U.S. cost-sharing percentage is then applied against the amount to determine the estimated amount the U.S. Mission needs to meet its infrastructure commitments for the coming year. The estimates are forwarded to the Department of the Army and are the basis for requests for congressional funding under the Army's Military Construction Appropriation--a no-year appropriation. Therefore the Army's Support Group, which performs all accounting functions relating to U.S. participation in the NATO infrastructure program, carries all balances, i.e., unobligated allotments, unliquidated obligations, etc., forward from year to year, liquidating them on a first-in, first-out basis.

The Support Group enters weekly obligations for infrastructure projects in the accounting records from amounts in a decision sheet published weekly by the Payment and Progress Committee. This document shows in detail the projects and related amounts authorized for funding during the report period. Each quarter, the International Staff publishes a report entitled "Financial Status of NATO Infrastructure Authorizations" which shows the cumulative status of infrastructure obligations for all host countries and slices, as authorized by the Payment and Progress Committee. On the basis of this document, the Support Group revises its cumulative obligations for the quarter and enters the final quarterly obligation. During our review the Support Group did not reconcile differences between the cumulative amounts based on the weekly decision sheet and the "Financial Status of NATO Infrastructure Authorizations." We have been informed that as of March 1972 these differences are being reconciled.

PAYMENT OF U.S. SHARE

NATO requests member country contributions to the infrastructure program quarterly. The U.S. Representative to the Payment and Progress Committee forwards the request for the U.S. portion to the Comptroller of the Support Group with instructions for the Support Group to make the contribution "in accordance with enclosed NATO (billing) document." The Comptroller of the Support Group then instructs his Finance and Accounting Office and sometimes other U.S. Army Finance and Accounting Offices to make the payments into various bank accounts specified by the NATO Controller.

The United States receives credits for U.S. Government civilians working as international employees in the NATO infrastructure program; namely, construction of the NATO Air Defense Group Environment System. These credits, as computed by NATO, are offset at the request of the United States against its annual contribution to the infrastructure program. The credits earned in calendar year 1971 totaled $271,225.

CHAPTER 7

U.S. CONTRIBUTIONS

TO ORGANIZATIONS UNDER NATO

Since NATO operates under the principal of unanimity, generally there is no provision for selective participation in projects that are not equally attractive to all NATO members. However, NATO member nations do get together in separate ad hoc groupings if they have an interest in projects of limited appeal. These groupings have been identified as NATO production and logistics organizations which operate under NATO and are governed by a Board of Directors composed of one representative from each participating country and each with one vote.

Information showing which production and logistics organizations the United States participated in and the extent of this participation was not readily available. The United States participated in at least five of these organizations in 1972. We did not review the extent of U.S. participation or how the costs of operating these five organizations is shared, but we understand that they are financed through user fees, monetary contributions, contributions of technical assistance, and specialized equipment, or a combination of these.

During our review we identified about $3,361,000, the net cost to the United States for participation in five organizations in fiscal year 1972.

The functions of three of these organizations and the U.S. contribution were:

1. The NATO Maintenance and Supply Organization's mission is to supply spare parts and maintain and repair equipment necessary for various weapon system programs, such as the F104G aircraft, the NIKE and HONEST JOHN missile systems, and the Early Warning Communication System. The United States initially contributed about $56 million to establish the supply and maintenance capability. In return the United States has received about $48 million in credits and supplies; most were used for further grant assistance.

The United States is one of the 13 member countries, and additional cost is incurred for annual operation. Its budgeted cost for participation in 1972 totaled $466,000 for U.S. contributions to net operating cost and the pay and allowances of U.S. personnel assigned to the NATO Maintenance and Supply Organization.

2. The Central European Operating Agency manages the NATO Pipeline System (established primarily for emergency or wartime purposes), the major part of which is an integrated petroleum network geographically situated in Central Europe, including Belgium, France, Germany, Luxembourg, and the Netherlands. The 15 NATO members shared the construction cost. The United States is one of the eight user countries and the principal user of the system. The estimated contribution by the United States to offset the Agency's 1972 budget deficit is $1,719,000 and the estimated cost for the pay and allowances of the two U.S. civilian personnel assigned to the Agency is $68,000, for which credits of $43,000 were received.

3. The NATO Hawk Management Office helps supervise production of European-assembled Hawk missiles and adaption of the Hawk weapon system to the air environment of the next decade. There are five member countries plus the United States. The estimated costs for U.S. participation since 1960 have been about $140 million. In return the United States has received four Hawk missile systems which were programed to be given to other European countries as grant military assistance.

   The United States incurs additional cost for personnel pay and allowances associated with the organization. For 1972 this amounted to about $23,000, for which credits of $16,000 were received.

CHAPTER 8

IMPROVEMENTS NEEDED IN FINANCIAL REPORTING AND CONTROL OF U.S. CONTRIBUTIONS TO NATO

Our review of the accounting and budgeting for U.S. contributions to the NATO civil and military budgets showed that:

--The Departments of State and Defense were not verifying the accuracy of credits received from NATO.

--In requesting new appropriations for the infrastructure program the Army had not fully disclosed to the Congress the amount of funds already available.

NEED FOR A U.S. CENTRAL OFFICE TO INSURE PROPER CREDITS

Our review at the U.S. Mission to NATO and the Comptroller's Office of the Army Support Group showed that, in accounting for the U.S. contributions to the NATO budgets, the Departments of State and Defense were not verifying the accuracy of credits received for material, services, and personnel they provided to NATO. As a result, the United States may not be receiving full credit.

The civil and military budgets approved by NATO for calendar year 1972 amount to $21.8 million and $114.9 million, respectively. The U.S. contribution has been calculated at $5.3 million and $30 million on the basis of agreed-to cost-sharing percentages. U.S. contributions, however, are made net of personnel credits for U.S. agency personnel assigned to NATO and of credits for materials and services furnished by U.S. domestic and overseas bases which are to be offset against U.S. contributions. The personnel credits relative to the civil and military budgets earned in 1971 about $487,408 and about $1,409,377, respectively. Credits to the military budget for materials and services earned in 1971, $7,131,154.

Under a special arrangement, U.S. civilian personnel employed by NATO in an international capacity are paid by the United States at U.S. wage scales. The corresponding NATO wage scale for these employees is credited to the United States in the form of offset credits against its financial liability to NATO. The amounts of these personnel credits are computed by NATO employees, but at the time of our audit the Departments of State and Defense did not have a central office to verify them.

As described in chapter 4, the Comptroller of the Support Group is responsible for budgeting, obligating, and paying the U.S. contributions to the NATO military budget.

We asked how the Comptroller's office of the Support Group had tried to verify U.S. credits received. According to officials of the Comptroller's office, they do not try to verify the credits because they are not staffed to perform audits and because their only responsibility is to make payments to NATO when requested by the U.S. Representative to the NATO Military Budget Committee.

In an attempt to independently verify the personnel credits to the military budget, we requested the Comptroller' office to provide us with a complete list of personnel for which credits should be received. The Comptroller's office was unable to furnish such a list, and our efforts to obtain a list from other offices we were referred to by the Comptroller's office were also unsuccessful.

Since this first step of verification was unsuccessful, we concluded that the Comptroller's office did not have the information necessary to verify the personnel credits received and that such information was not available to the Comptroller's office.

However, from data which we were able to gather piecemeal, it appeared that the United States may not have receive all entitled credits. According to a comparison of available NATO records against U.S. records, the United States did not receive about $66,000 in credits for U.S. personnel employed at NATO's Atlantic headquarters. We were later informed that these credits were received but not reported and that after our review a procedure was adopted for reporting these credits.

There are a number of U.S. activities involved in providing materials, services, and personnel to NATO, including several activities of the Departments of Defense and State.

We limited our review to the Comptroller's office of the Support Group because that office receives the most credits. We did, however, inquire further at the U.S. Mission about verification efforts. U.S. Mission officials informed us that they were unaware of any verification activities.

Subsequently, the Department of State informed us that the U.S. Mission to NATO confirmed that personnel credit due from NATO for State Department employees assigned to NATO have always been verified. As stated above, we did not review all the organizations involved. At the organization we did review, however, we found that verification was limited to reconciling the amount of credits received with the amount of credits requested. The amounts of credits being requested from NATO were not being verified.

The best way to insure proper credits is for the United States to establish a focal point with specific responsibilities and procedures for verifying and correlating U.S. payments and credits.

The lack of a central control office was previously noted in connection with the infrastructure budget in two prior GAO reports (B-156489, October 10, 1969, and B-156489, June 4, 1965). GAO recommended that a control office be established to coordinate and control credits received from the infrastructure program. DOD subsequently informed us that DOD Directive 2010.5, "DOD Participation in the NATO Infrastructure Program," establishes a central control point for U.S. involvement in infrastructure.

In our current review, however, we noted that the Army was not verifying the infrastructure credits received from NATO and was not insuring receipt of all U.S.-entitled credits.

Our present review and our past reports demonstrate that a number of functions are not being correlated and that various credits due the United States are not being verified to insure that the United States receives the proper credits.

Progress can be achieved by establishing a focal point to correlate this information from all U.S. Government sources.

FULL DISCLOSURE NEEDED OF FUNDS AVAILABLE TO MEET U.S. NATO INFRASTRUCTURE LIABILITY

The Army, in requesting fiscal year 1972 funds for the infrastructure program, had not disclosed to the Congress the full amount of available funds from previous appropriations which had not been obligated or the availability of funds from other sources.

This information should be automatically provided to the Congress when requests for appropriations are made. This would enable the Congress to assess the financial status and future needs of the program before holding hearings.

At the end of fiscal year 1971, the Army estimated that it had $40.4 million in funds available to pay U.S. infrastructure program liabilities. These funds had accumulated from repayments to the United States by other NATO countries for prefinanced infrastructure and relocation projects and from unused appropriations.

For fiscal year 1972 the Army requested $20 million in authorizations and appropriations to meet the estimated liability of $50 million for infrastructure. The Army stated that the difference takes into account unused authorizations and recoupments from prior years; however, the financial status and the availability of an estimated $47.4 million authorization and $40.4 million funds were not disclosed to the Congress.

When the estimated availability of $45.4 million in authorizations was subsequently revealed during hearings, the Congress approved only a $15 million authorization for fiscal year 1972. Moreover, it appeared at that time that the Army would have about $13.4 million in available funds to meet its fiscal year 1973 infrastructure liability, before any new appropriations were considered. The exact amount available depends on (1) the actual amount of funds obligated by the United States to meet its fiscal year 1972 infrastructure liability and (2) the amount of prefinanced project reimbursements that are received by the United States during fiscal year 1972.

In the case of prefinanced projects for which the United States is reimbursed, the projects were originally

justified to, and approved by, the Congress as items in one or another of the U.S. Service's military construction programs for Europe and not as part of the NATO infrastructure program. After prefinanced projects are completed, DOD submits them through the host countries to NATO for cost-sharing purposes under the NATO infrastructure program.[1] When a prefinanced project is accepted for cost sharing by NATO, the United States receives a cash reimbursement throug the appropriate host country. Under a DOD directive, these reimbursements are credited to a special suspense account maintained by the Army for the ultimate purpose of being reprogramed to help pay U.S. liabilities of the NATO infrastructure program. As of April 1972 about $3.9 million of such collections was being carried in the special suspense account from this source.

Relocation projects are facilities built by the U.S. Forces in Europe to replace those that were vacated in France during 1966-67. By a special agreement with NATO, the United States was reimbursed for the cost of certain relocation projects that would otherwise not be eligible for regular NATO infrastructure financing. Unlike the cash reimbursements for prefinanced projects, the reimbursements for U.S. relocation projects were made in the form of credit to the United States which reduced its infrastructure payment liability at the time of NATO's quarterly call for fund NATO has now agreed to fund about $68 million of the $96 mil lion total relocation project not yet funded by the United States, beginning January 1, 1971. Consequently, no further payments will be made by the United States and no repayments will be received for these projects in the future.

The Army's total obligation of funds allotted from the military construction appropriation for infrastructure purposes during fiscal year 1971 was $56 million, which represented the total actual liability of the United States. How ever, since $31.3 million of this amount was offset in the

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[1]For further information on the prefinancing of projects by the United States, see GAO's Report to the Congress entitle "U.S. Policies and Procedures for Obtaining NATO Cost Sharing of Military Construction Projects in Europe," dated October 10, 1969.

form of recoupments received from NATO for relocation projects and prefinanced projects in fiscal year 1971 and $24.7 million was carried over from prior-year unused appropriation and recoupments, none of the $33.5 million fiscal year 1971 appropriation was actually needed.

In presenting its fiscal year 1972 requirements to the Congress, the Army estimated that its infrastructure liability would be $50 million for that year.

In its presentation the Army requested $20 million in new obligational authority and stated:

> "The request for FY 72 takes into account unused authorization and funds as well as recoupments received from projects previously prefinanced by the United States and now considered eligible for common funding."

Full disclosure of the financial status of authorization, appropriations, recoupments, and obligations, however, was not presented.

At the time the Congress considered the fiscal year 1972 budget request, the financial status of authorizations and appropriations for fiscal year 1968 through fiscal year 1973 was as follows:

	Fiscal year					
Authorizations	1968	1969	1970	1971	1972	1973 (note a)
	(millions)					
Carryover	$ -	$29.4	$40.1	$ 61.9	$47.4	$17.4
Authorized	60.0	55.0	50.0	41.5	20.0[b]	47.0
Available authorization	60.0	84.4	90.1	103.4	67.4	64.4
Obligated	30.6	44.3	28.2	56.0	50.0[a]	55.0
Balance	$29.4	$40.1	$61.9	$ 47.4	$17.4	$ 9.4
Funds						
Carryover	$ -	$ 6.9	$14.6	$ 35.8	$40.4	$13.4
Appropriation (note c)	37.5	47.0	34.0	33.5	20.0[b]	20.0
Recoupments	-	5.0	15.4	27.1	3.0[a]	30.0
Total available	37.5	58.9	64.0	96.4	63.4	63.4
Obligated	30.6	44.3	28.2	56.0	50.0[a]	55.0
Unobligated balance	$ 6.9	$14.6	$35.8	$ 40.4	$13.4	$ 8.4

[a]Estimated.

[b]Requested.

[c]New obligation authority.

Hearings before the House Committee on Armed Services on military construction authorization for fiscal year 1972 were held in June 1971, which considered authorization and appropriations for NATO infrastructure. During questioning the army witnesses estimated that $45.4 million in authoriz tions was expected to be available at the beginning of 1972 If the Army's $20 million request had been approved, betwee $60 and $70 million would have been available to cover the estimated $50 million obligations and $10 to $20 million would have been carried over for 1973.

As a result, the House Armed Services Committee recommended that the $20 million requested by the Army be reduce to $10 million. An appropriation bill (H.R. 9844) to provi $10 million for NATO infrastructure was introduced in the House of Representatives on July 15, 1971. The bill (H.R. 9844), subsequently modified, raising the authorizati back up to $20 million, was introduced in the Senate on July 30, 1971. In conference the Senate and the House agre on authorizations of $15 million which were passed by both Houses, and appropriations of $14 million were later approv

The above events point out the need the Congress has for information on the infrastructure financial status, and in our opinion the status should be made a part of the data supporting the presentation of congressional requests.

CONCLUSIONS

There is no focal point within the Departments of Defense and State to insure that the United States receives proper credit for all DOD and State Department civilians who work for NATO in an international capacity, all services furnished by U.S. domestic and overseas bases, and other credits which may be due the United States. Consequently, the United States may not be receiving all the credits to which it is entitled.

Existing procedures do not provide for responsible U.S. agencies to be furnished the data necessary to verify the accuracy and totality of offset personnel credits allowed by NATO. Verification is not being made of credits received and we believe that the United States may not be receiving all the credits to which it is entitled.

In our opinion the Congress should know the status of funds appropriated for U.S. financial participation in the NATO infrastructure program. At the beginning of fiscal year 1972, funds were available up to $40.4 million, an amount that the Army had not clearly revealed to the Congress that it had (or might reasonably estimate to have) to meet its fiscal year 1972 infrastructure liability.

RECOMMENDATIONS

We recommend that the Secretaries of Defense and State establish procedures to verify personnel credits due from NATO for U.S. employees on its staffs and that a focal point be established to correlate information from all U.S. Government sources.

We also recommend that the Secretary of Defense issue appropriate instructions directing that all funds made available for the U.S. contribution to the NATO infrastructure program--including balances from prior years, amounts collected from prefinanced projects, and any credits--be included in the Department's budget request and be clearly disclosed to the Congress. This procedure would provide information which would enable the Congress to more precisely consider immediate and long-term financial needs against available resources.

AGENCY COMMENTS

In commenting on our draft report, the Acting Deputy Director, Defense Security Assistance Agency, in a letter dated October 13, 1972, agreed with our proposal regarding verification of personnel credits:

> "DoD agrees with the GAO finding regarding the problem of validating personnel credits due the United States from NATO and with that part of the recommendation that procedures be established to verify such personnel credits. DoD Instruction 2010.1, 'Support of International Activities' is presently being updated. Provision will be made in the reissuance to verify personnel credits due from NATO for U.S. Department of Defense employees on its staff."

DOD agreed also with our recommendation for providing infrastructure program financial data. DOD stated:

> "These data will be requested by memorandum for the FY 1974 budget, and Budget Manual 7110-1-M will be modified subsequently to require submission of the data indicated as part of the Army's annual budget submission."

On our proposal that a focal point be established to verify that all the various credits due the United States from NATO are actually received, the Acting Deputy Director stated that the need for a central control point will be evaluated during revisions of DOD Instruction 2010.1 which will be made to establish procedures to verify personnel credits.

CHAPTER 9

FINANCIAL ARRANGEMENTS AND CLAIMS[1] RELATING TO WITHDRAWAL FROM FRANCE

In January 1969 the NATO Defense Planning Committee approved a procedure whereby the United States and Canada would be partially reimbursed for certain "relocation" costs they incurred in withdrawing from France. In addition, the United States and NATO have presented France with bilateral claims for costs incident to their withdrawal from that country. These claims are significant in terms of potential dollar reimbursements, and the United States has been advised that its claim is being considered.

U.S. RECOUPMENT FROM NATO

Because of the French decision necessitating the exodus of NATO military headquarters and military forces of NATO members from France, the United States and Canada were required to prefinance the relocation of their forces and the provision of new facilities. In recognition of the inequity of the United States and Canada having to build operational military facilities for a second time due to a situation over which they had no unilateral control, the 14 member countries[2] agreed to reimburse the United States and Canada from common infrastructure funds for construction of facilities not normally eligible for common funding. The maximum amount approved on behalf of the United States was established as a ceiling by the United States.[3]

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[1]The amounts of claims were deleted from this report because the amounts were classified by DOD.

[2]This should be 13 as Iceland does not participate in cost sharing of the infrastructure program. However, to avoid confusion with the now well-accepted designation of "14" as all the allies excluding France, we will refer to this group as 14 countries.

[3]The historical background leading up to this decision is explained in GAO's October 10, 1969, report to the Congress entitled "U.S. Policies and Procedures for Obtaining NATO Cost Sharing of Military Construction Projects in Europe," pp. 50 to 54.

It was agreed that this significant amount would be cost-shared by the 14 member nations in the same ratios as used for the infrastructure program without France. Since the U.S. cost-sharing ratio in the infrastructure program is 29.68 percent (without France) for those slices in which the relocation costs are scheduled to be programed, the U.S. share will be restricted to its cost-share ratio and the other member countries will share in the remainder. The recoupment to the United States was to be made on the condition that the United States build a certain value of eligible projects.

Terms and method of recoupment

The types of relocation costs agreed to by the Committee to be cost-shared were defined as those which are:

> "*** directly connected with military operations but are not covered by present eligibility criteria, e.g. airfield workshops and depots over and above the types and areas covered in the Airfield Construction Criteria."

Specifically excluded from eligibility were (1) facilities normally eligible under the regular NATO infrastructure program, (2) nonmilitary operational facilities, such as dependent housing, theaters, post exchanges, commissaries, recreational facilities, etc., and (3) those facilities which could not be proved as having replaced like facilities in France. The NATO Payments and Progress Committee, with the assistance of the NATO international staff and military staffs, will make the final determination of eligibility of relocation projects for common funding.

The Defense Planning Committee agreed to a U.S. recoupment by crediting $28 million to the U.S. infrastructure liability account over a 1-3/4-year period. This would credit $4 million a calendar quarter, beginning with the quarter ended June 30, 1969, and would continue for seven consecutive quarters culminating with the quarter ended December 31, 1970.

As of December 31, 1970, the United States had recouped from NATO about $28 million for France relocation projects.

NATO has now agreed to fund directly the remaining relocation projects not yet funded by the United States. The direct funding was scheduled to begin effective January 1, 1971, with payments at the rate of $5.6 million per quarter. Because of this direct funding by NATO rather than by the United States, no further recoupments will be received by the United States.

U.S. BILATERIAL CLAIM AGAINST FRANCE

In September 1968 the U.S. Government requested the Government of France to reply when negotiations could be initiated to enable the United States to present to France its claims relating to the withdrawal of U.S. Forces from that country during 1966-67--otherwise known by the acronym, FRELOC.

In mid-January 1969, the United States advised France that it considered itself entitled to compensation. The compensation consists of (1) the value of the remaining useful life of the assets, facilities, and improvements which the United States financed and France withdrew from U.S. use, and (2) the cost the United States incurred in closing down facilities and moving men and materiel from France to other countries.

The status of actions regarding residual value and costs to the United States arising from the relocation is discussed in greater detail in the GAO report to the Congress entitled "Policies and Procedures Used in Disposal of United States Military Property in France." (B-161507, Mar. 18, 1969, classified CONFIDENTIAL.)

Representatives of France advised the United States that its claim is being considered.

Relationship to payment of relocation costs by NATO

DOD estimated U.S. out-of-pocket relocation expenses would include a provision of operational military facilities replacing those left in France, materiel movement costs, personnel movement costs, closure and liquidation costs, and personnel movement costs for community support facilities. A final figure has not as yet been accumulated, but the

current figure is much higher than the amount NATO agreed to fund.

In this regard the House Committee on Appropriations recently stated that military construction costs alone, identified by DOD as made necessary by relocation, amounted to $255 million.

In accordance with the stipulation made by NATO's Defense Planning Committee, the ratio at which any receipts by the United States in its claim against France are to be shared with NATO is to be adjusted on the basis of the final determination of the U.S. out-of-pocket relocation costs.

NATO BILATERAL CLAIM AGAINST FRANCE

NATO has also presented France with a claim for about $293.4 million due to the withdrawal of NATO forces from that country. After a study by both legal and financial experts, the 14 other member nations of NATO concluded that they had a valid basis to claim compensation from France. In this regard, a claim has been presented to France.

CHAPTER 10

SCOPE OF REVIEW

We examined U.S. financial participation in NATO. We talked with agency officials and examined applicable documents and records.

Our work was performed primarily at the U.S. Mission to NATO at NATO headquarters in Brussels, Belgium, and at the Support Groups of the Supreme Headquarters Allied Powers, Europe, a subordinate command of the U.S. Army, Europe, near Casteau, Belgium. Certain financial data was verified at the U.S. Army 18th Finance Section and the U.S. Army Engineer Command, Europe, both in Frankfurt, Germany.

Work was also performed at DOD offices in Washington, D.C.

CURRENT NATO COST-SHARING PERCENTAGES

	NATO infrastructure (note a)		Military headquarters (note b)		Civil headquarters (note c)
	With France	Without France	With France	Without France	With France
Belgium	4.6	5.30	2.95	3.56	2.86
Canada	5.48	6.31	5.80	6.99	5.80
Denmark	3.07	3.54	1.74	2.10	1.65
France	13.16	-	17.10	-	17.10
Germany	21.86	25.18	16.10	19.42	16.10
Greece	0.65	0.76	0.39	0.47	0.39
Iceland	-	-	0.05	0.06	0.05
Italy	6.58	7.57	6.12	7.38	5.96
Luxembourg	0.18	0.20	0.09	0.11	0.09
Netherlands	4.23	4.87	2.94	3.55	2.85
Norway	2.59	2.98	1.20	1.45	1.15
Portugal	0.30	0.35	0.65	0.78	0.65
Turkey	1.10	1.26	1.65	1.99	1.65
United Kingdom	10.42	12.00	18.22	21.98	19.50
United States	25.77	29.68	25.00	30.16	24.20
Total	100.00	100.00	100.00	100.00	100.00

[a]France now contributes to small overruns or continuing expenses of infrastructure projects to which France was a party prior to withdrawal in 1966. France generally does not participate in, or contribute to, new projects.

[b]France does not contribute to operating and maintenance costs of the integrated military headquarters, but does contribute to about 40 percent of the expenses funded under the "military budget" including selected NATO agencies, forward scatter communications, the early warning and air defense net, plus lease of civil circuits for some long-distance NATO civil communications.

[c]France continues to participate in financing the NATO civil headquarters.

NATO INFRASTRUCTURE PROJECTS PROGRAMED THROUGH SLICE XXIII AND AUTHORIZATIONS THROUGH JUNE 30, 1971

Categories eligible for infrastructure	Amounts programed	Amounts authorized
	(000,000 omitted)	
Airfields	$1,276	$1,203
Communications	717	582
Petroleum, oil, and lubrication	638	529
Naval bases	314	285
Navigation aids	31	31
Radar	136	112
Training	74	74
War headquarters	175	135
Surface-to-air missile	252	243
Special ammunition	102	102
Surface-to-surface missile	58	25
NATO air defense ground environment	308	301
Other	65	16
U.S. relocation	96	42
	$4,242	$3,680
U.S. share (estimated)	$1,560	$1,399

FINANCIAL STATUS OF THE NATO INFRASTRUCTURE PROGRAM

AS OF JUNE 30, 1971

Slice group	NATO Program ceiling	NATO Total authorized	NATO Unauthorized balance	U.S. Share Program ceiling	U.S. Share Authorizations	U.S. Share Balance	Percent of NATO
	(millions)						
II-VIIa 1951-56	$1,799.3	$1,807.7	$ -8.4[a]	$ 785.9	$ 785.9	$ -	43.68
VIIb-XI 1956-60	838.4	819.9	18.5	290.6	286.5	4.1	36.98 41.96[b]
XII-XV 1961-64	737.0	652.0	85.0	227.4	204.3	23.1	30.85 35.06[b]
XVI-XX 1965-69	556.6	369.4	187.2	164.5	108.8	55.7	25.77 29.67[b]
XXI-XXV 1970-74	700.0	30.2	669.8	207.8	9.0	198.8	25.77 29.67[b]
Total	$4,631.3	$3,679.2	$952.1	$1,676.2	$1,394.5	$281.7	

[a]A USNATO official advised us that the Council approved a transfer of $37 million from slice group II-VIIa to slice group XII-XV, thereby causing the negative balance to be funded in slice group II-VIIa. Also it was planned that this deficit would be eliminated by transferring $10 million back to slice II-VIIa because the latest cost estimates are less than the amount previously authorized. However, the United States will not participate in cost sharing of the $10 million.

[b]Represents U.S. cost share for infrastructure projects without French participation.

BEST DOCUMENT AVAILABLE

DEPARTMENT OF STATE

Washington, D.C. 20520

July 10, 1972

Mr. Oye V. Stovall
Director
International Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Stovall:

We have reviewed the draft report dealing with "U.S. Financial Support of NATO Activities" forwarded with your letter of May 9, 1972. We have been working closely with DOD on specific comments, and have reached a point where there is general agreement.

Because the report suggests actions which lie primarily within the jurisdiction of DOD, the coordinated reply will be furnished by that Department, with the following exceptions: With regard to the recommendation on page 4 of the draft report, the U.S. Mission to NATO has confirmed that personnel credits due from NATO for U.S. employees on its staff who are on the State Department payroll have always been verified by our Mission, and USNATO will continue to perform this function. The tenure of office of Ambassador Ellsworth was from May 1969 to June 1971, and Appendix VII of the report should be corrected to reflect this.

Sincerely,

Richard W. Murray

Richard W. Murray
Deputy Assistant Secretary
for Budget and Finance

DEFENSE SECURITY ASSISTANCE AGENCY
WASHINGTON, D. C. 20301

OCT 1 1972

In reply refer to:
I-12526/72

Mr. Oye V. Stovall
Director, International Division
U.S. General Accounting Office
Washington, D.C. 20548

Subject: GAO Draft Report, 9 May 1972, "United States Financial Support of North Atlantic Treaty Organization Activities" (OSD Case #3456)

Dear Mr. Stovall:

The report has been reviewed.

Comment on all of the recommendations and on each of the major findings of the report (keyed to the page of the report on which they appear) is contained in the attachment to this letter. As indicated in the letter dated 10 July 1972, from the Deputy Assistant Secretary for Budget and Finance, Department of State to the Director, International Division, GAO, the Department of Defense has been working closely with the Department of State on the specific comments attached and general agreement has been reached.

The results of the DoD review of the tentative security classification of the paragraphs of the subject report will be furnished separately.

In accordance with DoD Directive 5200.1, you are authorized to distribute the final report to appropriate Congressional Committees, individual members of Congress and Executive agencies.

It is requested that this reply be published in the Appendix to the final report.

Sincerely,

Acting Deputy Director
Defense Security Assistance Agency

Attachment
a/s

ATTACHMENT
12 OCTOBER 1972

COMMENT BY THE DEPARTMENT OF DEFENSE
ON THE GAO DRAFT REPORT, DATED 9 MAY 1972

"UNITED STATES FINANCIAL SUPPORT OF
NORTH ATLANTIC TREATY ORGANIZATION ACTIVITIES"
(OSD CASE #3456)

1. GAO RECOMMENDATION: The Secretaries of Defense and State establish procedures to verify personnel credits due from NATO for U.S. employees on its staff and, that a focal point be established to correlate information from all U.S. Government sources. (pgs 4 and 51)

COMMENT: DoD agrees with the GAO finding regarding the problem of validating personnel credits due the United States from NATO and with that part of the recommendation that procedures be established to verify such personnel credits. DoD Instruction 2010.1, "Support of International Activities" is presently being updated. Provision will be made in the reissuance to verify personnel credits due from NATO for U.S. Department of Defense employees on its staff.

2. GAO RECOMMENDATION: The Secretary of Defense issue appropriate instructions directing that all funds made available for the U.S. contribution to the NATO infrastructure program, including balances from prior years, amounts collected from the prefinanced projects and any credits, be included in a cumulative financial status of the U.S. investment and contribution in the infrastructure program in the appropriation request presented to the Congress. (pgs 4 and 51)

COMMENT: DoD interposes no objection to the GAO recommendation. The data identified by GAO is essential to decision making and should be routinely provided to the Office of Management and Budget, the Congress, and interested OSD staff elements. This information was provided to Congressional Committees during the FY 1972 and FY 1973 Hearings on NATO Infrastructure. These data will be requested by memorandum for the FY 1974 budget, and Budget Manual 7110-1-M will be modified subsequently to require submission of the data indicated as part of the Army's annual budget submission.

3. GAO CONCLUSION: The cost incurred by the Agencies involved are in essence international security assistance even though some of the costs may also be a national cost of U.S. programs. Accordingly, it is the opinion of the GAO that the necessary appropriations and reports on costs of participation in NATO should also be included and considered along with other international assistance programs rather than in the appropriations of U.S. Agencies. (pgs 5 and 12)

COMMENT: DoD does not agree with the GAO conclusion. The U.S. no longer participates in NATO or its activities on the basis of security assistance. U.S. participation is our share in mutual deterrence of the Warsaw Pact nations. Funding of U.S. participation therefore represents a portion of the worldwide funding for the defense of the United States. It was for this reason as well as for greater practicality and simplification of budgeting that U.S. funding for the NATO infrastructure budget was transferred from MAP to the DoD budget in FY 1968 with the approval of Congress. Funding for the U.S. cost share of the International Military Headquarters followed in FY 1970, again with the approval of the Congress.

It would be neither desirable from a U.S. defense viewpoint nor practical to fund U.S. costs for participating in NATO activities as a security assistance program.

4. "Matters for Consideration of the Congress" The GAO suggests that in order to improve its overview of the U.S. financial support of NATO, the Congress may want to consider the advisability of having the administration request the funds needed to finance the U.S. participation in NATO and other international military organizations in a single appropriation. This could be accomplished by including such requests along with other International Security Assistance programs. (pg 12)

COMMENT: DoD does not concur. The support of NATO is but one of many responsibilities which must be appropriately supported by the Department of Defense (and Department of State). The total DoD resources, including military and civilian personnel and money, required to discharge his total responsibilities should continue to be provided directly to the Secretary of Defense, so that he may readily allocate or change the allocation of resources to the various tasks as the situation demands. The bookkeeping task related to the support of NATO can and should be properly performed within the current DoD appropriation framework. Establishment of a separate appropriation, as recommended by GAO, would destroy or dilute essential flexibility in the application of DoD resources. Page 11 of the GAO report identifies nine DoD appropriations as sources of the U.S. contribution to "NATO cost sharing" for FY 1970 in the amount of $103 million and indicates that in addition, the Department of State and AID provided $8.3 million. The report also identifies other U.S. national costs of participating in NATO including the costs of forces committed to NATO - the U.S. 7th Army and U.S. 6th Fleet. Support of these forces involve almost all of the DoD Appropriations.

DoD does not agree with the GAO suggestion that U.S. funding for NATO activities should be considered along with other International Security Assistance Programs. See paragraph 3 above for additional DoD comment.

5. Miscellaneous Comments:

a. The annual cost of U.S. participation in NATO ($14 billion) appearing on pages 2 and 11 is mentioned in a context leading to the GAO suggestion to the Congress that "the administration request the funds needed to finance the U.S. participation in NATO and other international organizations in a single appropriation." As mentioned in paragraph 4 above, DoD does not concur in this GAO suggestion to the Congress. The current FY 1973 estimated cost of U.S. forces committed to NATO (those in Europe and those in CONUS) and support for these forces is $16 billion. The increase of $2 billion from the earlier estimate of $14 billion is attributable to (1) inflation, (2) selected increases for O&M and procurement, (3) minor changes in committed forces and (4) changes in DoD total force levels.

b. The words "military departments involved" on the penultimate line of page 2 should be deleted and the words "U.S. Army" substituted.

c. The reference on page 19 of the GAO Draft Report to the French participation in the NATO Intergrated Communications Systems (NICS) should be deleted because France has decided not to participate in NICS.

d. The U.S. cost for participation in the Central European Operating Agency is shown as $1,160,000 on page 40 of the GAO Draft Report. This is apparently the U.S. contribution to the annual deficit. Total U.S. costs ($3.6 million) include charges to the Services for use of the pipeline in transporting petroleum products for their use as well as the U.S. contribution to the annual deficit incurred in CEOA operations.

e. The U.S. Mission to NATO has been unable to identify the U.S. Mission officials who were "unaware of any verification activities" (page 44 of GAO Draft Report). The U.S. members of the various NATO Committees do verify all accounts within their cognizance to the extent feasible

f. The report on page 45 tends to confuse the need for centralized control of U.S. involvement in infrastructure with the need described in the subject report for a central office responsible for assuring that proper reimbursements (credits) are received by the U.S. for personnel and services.

DoD Directive 2010.5, "DOD Participation in the NATO Infrastructure Program", establishes the U.S. European Command as the central control point for U.S. involvement in infrastructure. As stated in paragraph 1 above, provision will be made during the revision of DoD Instruction 2010.1, "Support of International Activities", to verify credits due from NATO. The need for establishing a central control point will be evaluated during this revision.

g. The data appearing on page 49 of the GAO draft report are updated as follows:

AUTHORIZATIONS ($ Millions)

	FY 68	FY 69	FY 70	FY 71	FY 72	FY 73 Estimate
Carryover	-	29.4	40.1	61.9	47.3	15.3
Authorized	60.0	55.0	50.0	41.5	15.0	58.0
Available Authorization	60.0	84.4	90.1	103.4	62.3	73.3
Obligated	30.6	44.3	28.2	56.1	47.0(Est)	55.0
Balance	29.4	40.1	61.9	47.3	15.3	18.3

FUNDS ($Millions)

Carryover	-	6.9	9.6	24.7	33.4	11.3
Appropriation (NOA)	37.5	47.0	34.0	33.5	14.0	38.0
Recoupments	-	-	9.3	31.3	10.9	15.0
Total available	37.5	53.9	52.9	89.5	58.3	64.3
Obligated	30.6	44.3	28.2	56.1	47.0(Est)	55.0
Unobligated Balance	6.9	9.6	24.7	33.4	11.3	9.3

h. The percents for Italy and the United States in the column captioned "NATO Infrastructure Without France" on page 60 should be changed to 7.58% and 29.67%, respectively.

i. The percents for the "U.S. Share" of "NATO Infrastructure Without France" for Slices XVI to XX and Slice XXI to XXV presented on page 62 should be changed to 29.67%.

j. The tenure of office of Robert Ellsworth as U.S. Ambassador to NATO, appearing on page 66 of the GAO Draft Report, should be changed to "May 1969 to June 1971" (See Department of State comments dated 10 July 1972 on subject report). The present U.S. Ambassador to NATO David M. Kennedy, took office during March 1972. Mr George Vest, the Deputy Chief of Mission, was Charge de Affaires during the interim period.

k. The data on the tenure of office of the current Assistant Security of Defense (International Security Affairs), Dr. G. Warren Nutter, presented on page 66 (Appendix VII) should be changed to "from March 1969 to present.

PRINCIPAL U.S. OFFICIALS

RESPONSIBLE FOR ADMINISTRATION

OF ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
DEPARTMENT OF STATE		
SECRETARY OF STATE:		
William P. Rogers	Jan. 1969	Present
Dean Rusk	Jan. 1961	Dec. 1968
Christian A. Herter	Apr. 1959	Dec. 1960
AMBASSADOR, U.S. MISSION TO NATO:		
David M. Kennedy	Mar. 1972	Present
George Vest (Charge d'Affaires)	June 1971	Mar. 1972
Robert Ellsworth	May 1969	June 1971
Harlan Cleveland	Sept. 1965	May 1969
Thomas K. Finletter	Mar. 1961	Sept. 1965
W. Randolph Burgess	July 1957	Mar. 1961
DEPARTMENT OF DEFENSE		
SECRETARY OF DEFENSE:		
Melvin R. Laird	Jan. 1969	Present
Clark Clifford	Mar. 1968	Jan. 1969
Robert S. McNamara	Jan. 1961	Feb. 1968
Thomas S. Gates, Jr.	Dec. 1959	Jan. 1961
ASSISTANT SECRETARY OF DEFENSE, INTERNATIONAL SECURITY AFFAIRS:		
G. Warren Nutter	Mar. 1969	Present
Paul C. Warnke	Aug. 1967	Jan. 1969
John T. McNaughton	Mar. 1964	July 1967
William P. Bundy	Nov. 1963	Mar. 1964
Paul H. Nitze	Jan. 1961	Nov. 1963
John N. Irwin, II	Aug. 1958	Jan. 1961

	Tenure of office	
	From	To
DEPARTMENT OF DEFENSE (continued)		
COMMANDER IN CHIEF, EUROPE:		
Gen. Andrew J. Goodpaster	May 1969	Present
Gen. Lyman L. Lemnitzer	Nov. 1962	May 1969
Gen. Lauris Norstad	Nov. 1956	Oct. 1962

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