

## The Funding of the North Atlantic Treaty Organization

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### Abstracts

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This article examines the funding of the budget of the North Atlantic Treaty Organization (NA.T.O.). No scientific studies have ever been published about this subject and for this reason alone the only reference material available to us were the primary budgetary sources. It must also be pointed out that NATO does not prepare an annual report containing an overview of its finances and administrative functioning. The aspects to be investigated are as follows:

- Who finances NATO and on what basis is this done?
- What happens to the funding given to NATO?
- How is NATO's budget prepared and approved?

Finally, this article looks at the development of defence spending by NATO's member states.

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**Keywords:** public budget; NATO; military funding

### Introduction

The NATO (North Atlantic Treaty Organization) was established in 1949 in the first years of the Cold War and the hegemony of the former Soviet Union in Eastern Europe. In that year twelve countries signed up for the new political and military alliance. These were the five signatory countries of the Treaty of Brussels of 1948 (Benelux countries, France and the UK), the United States, Canada, Iceland, Portugal, Norway, Denmark, and Italy. Later in 1952 Greece and Turkey became members of the NATO and West Germany in 1955. Membership then remained the same for almost quarter of a century until Spain joined in 1982.

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The next expansion of the membership came with the end of the Soviet Union's grip and the accession of Hungary, Poland, and Czechia (1999) followed by the three Baltic States (Estonia, Latvia and Lithuania) together with Slovakia, Slovenia and Romania in 2004. The newest members are Albania and Croatia, who joined in 2009. At the present NATO has 28 member states. To be accepted the candidacy of a potential new member must be unanimously approved by all the existing member states. For this reason no agreement has so far been reached about the applications of Georgia and Ukraine for membership. There are a few or no publications about the financing of NATO.<sup>2</sup> For this reason the numerical information in this article has been distilled from primary budget sources from the organization. Besides the general NATO budget there is a different financing system concerning the NATO Parliament.

## 1. The NATO Parliamentary Assembly

Since 1955 there has also been a NATO Parliamentary Assembly in which 257 members of parliament from the legislatures of the 28 member states sit. The NATO treaty does not provide for this assembly. The size of each national delegation depends on the size (population) of the member state as well as reflecting the political composition of the national Parliament<sup>3</sup>. The NATO Parliamentary Assembly<sup>4</sup> is funded primarily by the parliaments of the member states. The following provides an overview of the revenues of the NATO Parliamentary Assembly (2013 figures in euros):

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<sup>2</sup> Ek, C. NATO common funds burdensharing: Background and current issues. CRS paper. 7-5700.Washington DC, Congressional Research Service. February 2012.

<sup>3</sup> In addition to these there are the delegates from the associate countries (Armenia, Bosnia, Moldavia, Montenegro, Macedonia, Finland, Georgia, Austria, Azerbaijan, Serbia, Sweden, Switzerland and Ukraine); and the Mediterranean countries (Algeria, Israel, Jordan and Morocco); observers from other European institutions (OECD and the Council of Europe) and observers from other countries (Australia, Egypt, Japan, Kazakhstan, South Korea, Kosovo, the Palestinian territories and Tunisia). This brings the number of members to 360. The United States has 36 delegates, and the most members in the assembly. The smallest delegation is 3 members. Belgium and the Netherlands both have 7 members each.

<sup>4</sup> NATO Parliamentary Assembly, audited accounts 2013, approved by the Assembly on 30 May 2014 (no. 134 FIN, 14E fin).

**Table I: Funding of the NATO Parliamentary Assembly**

-	Contributions from member states	3,698,825
-	Contribution from NATO:	51,600
-	Switzerland:	45,000
-	Other revenue <sup>5</sup> :	13,919
	<b>TOTAL</b>	<b>3,809,344</b>

This shows that the members provide 97 % of the total revenues of the Assembly. The Swiss confederation is the only non-NATO country that contributes to the budget. The next table shows the largest contributors.

**Table II: Contribution to the NATO Parliamentary Assembly (2013 figures in euros)**

1.	United States	804,102
2.	Germany	539,085
3.	United Kingdom	438,351
4.	France	422,450
5.	Italy	324,158
6.	...	

In 2013 the Netherlands contributed € 118,851 and Belgium € 75,634. The smallest contributor was Iceland with a contribution of € 1,819. In 2013 the Assembly's budget showed a surplus of € 24,818. The expenditure of the 2013 Assembly can be broken down as follows<sup>6</sup>.

**Table III: Expenditures of the NATO Assembly (in euros)**

Personnel	2,744,726
Operational expenses	334,798
Sessions	343,868
Other	361,134
<b>TOTAL</b>	<b>3,784,526</b>

<sup>5</sup> Including interest on bank accounts, gains on foreign exchange etc.

<sup>6</sup> Source: see footnote 4.

From the above it is clear that the personnel bill (72.5 %) is the main item in the expenditure of the NATO Parliamentary Assembly. These personnel costs also include the costs of legal advice (275 euros) and the research programme (74,986 euros). The operational costs (8.8 %) include the costs of the building in Brussels, security, computers and IT, the library (€ 25,272), receptions, and similar. The sessions of the Assembly (9%) are estimated on the basis of the costs of the administrative office, the various commissions and the plenary assembly<sup>7</sup>. The other costs (9.7 %) are related to the costs for media, publicity, seminars, missions and similar. The daily administration of the organization is carried out by a Bureau, which is headed by a President, five vice-Presidents and a Treasurer. It is the Treasurer who is largely responsible for the finances<sup>8</sup>. The Treasurer is appointed for a term of two years (Art. 6, item 7, Rules of Procedure). He is elected by secret ballot from among the members of the Assembly. (Art. 7, item 4 and Art. 17, item 1 of the Rules of Procedure). The "Rules of Procedure" in the NATO Parliamentary Assembly (Art. 17, item 2) also set out the remainder of the budgetary procedure. The Treasurer proposes a draft budget to the standing committee, after consulting the Secretary General, at the spring session of the next budget year. The standing committee then approves this draft. The budget for the next two years is then adopted by the Assembly at the Annual Session. The Treasurer is also responsible for the internal audit and signs all payments.

## 2. The Budget Cycle

NATO's budgets are prepared by the administration at NATO headquarters. NATO's officials are classed as international civilian staff and there were roughly 370 of them in 2014. When budgets are prepared, the ratios of the "common funding" principle are applied (see above, item 3). These were last revised in 2005 and are based on World Bank measurements of national prosperity. The budget is approved by a consensus of the member states in the Council. This is yet another indication that the North Atlantic Treaty Organization is a multinational rather than an international cooperative organization. All decisions of the NAC (North Atlantic Council), which have budgetary implications are submitted to the RPPB (Resource Policy and Planning Board) for an opinion. In the NATO hierarchy the Budget Committee (BC), and the Investment Committee are subordinate to this Board.

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<sup>7</sup> The meetings are not limited to Brussels, which is where the secretariat and headquarters are.

<sup>8</sup> NATO Parliamentary Assembly: Rules of Procedure, May 2014 edition, articles.

The Budget Committee advises on all budgetary matters relating to the civil and the military budget of the alliance. The Investment Committee by contrast is responsible for implementing the NATO Security Investment Programme or NSIP, which is authorized for the financing of the installation and facilities required by the two strategic command centres: SACEUR and SACLANC. All member states are represented in the RPPB and this Board is chaired by a rotating Presidency. The military staff, the two strategic commands, the chairman of the budget committee and the chairman of the investment committee are also members of the RPPB. The RPPB was established in 2010 and is the only financial committee that reports to the NAC.

The Board is also supported by NOR (NATO Office of Resources). The body is chiefly concerned with NATO's military budget. NOR also advises the BC and the IC in this respect. The RPPB works with the policy guidelines of the NAC. The main task of the Resource Policy and Planning Board is to work out a policy regarding resources. To do this the RPPB examines the affordability of choices, makes performance assessments, and determines the planning and resource implications of new initiatives. This board uses what are known as capability packages. The RPPB reviews these packages and endorses them from the point of view of the relevant resource implications as well their eligibility for common funding. Every year the Resource Policy and Planning Board prepares an all-inclusive Medium Term Resource Plan for the forthcoming budget year including a projection of the planned figures for the next four years. The result is an overview of the projected budget for the next five years. This proposal by the RPPB is then submitted to the approval of the North Atlantic Council. The budgetary rules governing NATO are always first approved by the NAC. These rules however may be specific to a single or several institutions, namely,

- International staff funded from the civil budget,
- International military structure funded from the military budget,
- The NATO Security Investment Programme (NSIP),
- The NATO agencies.

The civil and military budgets run concurrently with the calendar year. Each budget is drawn up by the administration concerned. It is the Secretary General who presents the draft budget to the NAC and it is the Council that approves the drafts.

There is no role here for the NATO Parliamentary Assembly and NATO does not have anything like the EU's public financial regulations that set out the budget process in detail<sup>9</sup>. It should be remembered that a consensus is required for agreement, and if the NATO budget is not approved in due time by the NAC, NATO must rely on a system of provisional credits, which is supervised the Budget Committee (BC). This system, which is used by parliamentary budget systems in various Western countries, means that expenditure is limited to the same extent as it was in the most recent approved budget. Such provisional credits are not allowed to run any longer than six months. Afterwards the NAC decides whether the budget can be approved, or whether the provisional credits may be continued or otherwise. The head of each NATO organization, e.g. the Secretary General where the civil budget is concerned, has a degree of freedom when deciding how the budget is implemented as long as he takes account of the relevant financial regulations. An example of this are the rules regarding the transfers between budget items and the rules on the award of purchase tenders. A number of specific rules apply regarding the NSIP. Here the point of departure is the available assets. These are then supplemented to arrive at the requested goods. They are then reviewed and drawn up by the RPPB and approved by the Council. Once they have been approved, the implementation and management is the responsibility of the IC or Investment Committee.

### 3. Auditing <sup>10</sup>

The International Board of Auditors for NATO (IBAN) is responsible for auditing NATO expenditure. The board monitors the efficient and effective use of the disbursements. IBAN has six members, who are designated by the NATO Council for a period of four years. The Council appoints one of them to act as Chairman for a period of two years. The appointment to the Board is not renewable. In practice the members of IBAN are people who are members of a national auditing agency (e.g. the "Cour des Comptes" France, "Rekenhof" in Belgium or the "Rekenkamer" in the Netherlands). They have special independent status in NATO and report directly to the Council. The administrative and secretarial aspects of IBAN are performed by NATO administrative personnel.

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<sup>9</sup> The available internal documents are as follows:

- NATO, NATO Funding, September 2014

- NATO, The Resource Policy and Planning Board, November 2010.

<sup>10</sup> NATO, International Board of Auditors NATO, September 2014.

The two main types of audits carried out by IBAN are as follows:

- Financial audits that look at the legal and reality of the disbursements,
- Performance audits of the various components of NATO, with the emphasis on the so-called three "E's" (Economy, Efficiency and Effectiveness).

#### **4. NATO's Revenue Streams**

The contributions of the member states to the North Atlantic Treaty Organization comprises two forms of financing, namely the common funding and the joint funding. There is also the so-called multinational funding although this falls outside the NATO budget.

##### **4.1. The Common Funding**

First of all the common funding. This part of NATO's funding is used for three budgets, namely:

- The civilian budget,
- The military budget,
- The NATO Security and Investment Programme.

NATO is not a supranational institution, rather a multinational organization, and this is to be seen from the way it is financed. The organization has no resources of its own that can be used for its budget. All NATO members are expected to contribute to all three NATO budgets<sup>11</sup>. The payments are made annually from the budgets of the various states to the three components of NATO. The level of each country's contributions was determined by NATO in 2005 on the basis of the country's Gross National Income (GNI) according to the World Bank. The percentage shares of the member states must be entirely in accordance with the 2005 arrangement as of 1 January 2016. If GNI was the only measure used, the United States would bear a share of the costs close to 50% of the total. However, the table on the following page shows that that European NATO countries have agreed to limit the US share to about 22% of the total.

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<sup>11</sup> N.A.T.O., NATO Funding, o.c., p. 4.

Two reasons are given for this, where the first is that NATO has its headquarters in Europe and second is the large share of defence in the US budget (see below, item 6) and the corollary conclusion that the costs of Europe's military defence have long been borne by the US treasury. The following table indicates the shares (as a percentage) in the three budgets (civil, military, NSIP) in the years 2014 and 2015.

**Table IV: NATO Common Fund**

<b>NATO COMMON-FUNDED BUDGETS &amp; PROGRAMMES</b>			
<b>COST SHARE ARRANGEMENTS VALID FROM 1/1/2014 to 31/12/2015</b>			
<b>Nation</b>	<b>Civil Budget</b>	<b>Military Budget</b>	<b>NSIP</b>
	<b>at "28"</b>	<b>at "28"</b>	<b>at "28"</b>
Albania	0.0870	0.0870	0.0870
Belgium	2.0137	2.0368	2.0368
Bulgaria	0.3247	0.3247	0.3247
Canada	6.0915	6.0915	6.0915
Croatia	0.3066	0.3066	0.3066
Czech Republic	0.9421	0.9421	0.9421
Denmark	1.2113	1.2663	1.2663
Estonia	0.1006	0.1006	0.1006
France	11.1421	10.9682	10.9682
Germany	14.5053	14.6439	14.6439
Greece	1.1029	1.1029	1.1029
Hungary	0.6985	0.6985	0.6985
Iceland	0.0430	0.0430	0.0430
Italy	8.7250	8.7250	8.7250
Latvia	0.1383	0.1383	0.1383
Lithuania	0.2132	0.2132	0.2132
Luxembourg	0.1525	0.1525	0.1525
Netherlands	3.2547	3.2696	3.2696
Norway	1.5486	1.5486	1.5486
Poland	2.6343	2.6343	2.6343
Portugal	0.9497	0.9497	0.9497
Romania	1.0553	1.0553	1.0553
Slovakia	0.4529	0.4529	0.4529
Slovenia	0.2200	0.2200	0.2200
Spain	5.2390	5.2190	5.2190
Turkey	4.1305	4.1305	4.1305
United Kingdom	10.9773	10.4790	10.4790
United States	21.7394	22.2000	22.2000
	100.0000	100.0000	100.0000

Source: NATO, Cost Sharing Arrangements 2014 and 2015

As a result of the downwards revision of the US share the European members have to pay more. The Federal Republic of Germany pays, on the basis of the BNI parameter, the most (14%) followed by France and the United Kingdom.

Add Italy and Spain and we see that these five West European NATO countries contribute more than half to each of the three budgets of the Atlantic Alliance. A striking detail is the low contribution of the many small countries. Canada is the sixth largest contributor, and pays more than Spain and Turkey, who are seventh and eighth respectively.

4.1.1. Civil budget of the NATO

The civil budget is supported by allocations from the Foreign Affairs budgets of the 28 member states. This budget is monitored by the budget commission. These resources are used to pay the international civil servants who work for NATO (about 370), their pensions, operating expenses and the maintenance of the buildings in Brussels<sup>12</sup>.

**Table V: The 2014 Civil Budget of NATO**

Personnel	112.6
Maintenance	34.2
Investment	6.9
Programmes	28.2
Pensions	35.0
TOTAL	216.9

SOURCE: NATO (figures are millions of euros)

Personnel costs (pay and pensions) are clearly the largest item of expenditure and come to almost 70% of the total. Apart from this, maintenance and investment together account for almost 20% of expenditure. These two items are extensive and include matters as diverse as the maintenance of the buildings, public relations and safety<sup>13</sup>. The programmes relate to the support given by NATO to projects involving cooperation between member states. NATO’s civil budget has four “frontline” objectives and four “support” objectives.

<sup>12</sup> The construction of new headquarters for NATO in Brussels was financed largely from funds external to this budget. The value of this off-budget item may be estimated at 1,100 million euros.

<sup>13</sup> As host country it is Belgium which is responsible for the safety of NATO officials, the Secretary General, NATO summit meetings in Brussels and the safety of NATO headquarters outside the site itself. These costs are borne by the Belgian state.

The frontline objectives have to do with the financial and administrative logistic support to active operations, the ability to strengthen the alliance, improving cooperation between member states and public relations. The four support objectives are the maintenance of headquarters, the security of the site, consultations with member states and the general administration of the alliance.

#### 4.1.2. The Military Budget

NATO's military budget concerns the SHAPE component. In practice this budget has about 50 constituent parts. The member states pay their share (percentage) by means of an allocation from the national defence budget. The budget is supervised by the budget commission referred to above. Examples of these 50 separate budgets include the budget for the SHAPE site in Mons, Belgium, the NATO Defence College <sup>14</sup>, and the NATO Airborne Early Warning and Control Force. In 2014 spending under this budget totalled € 1,371,000 million. Of this € 493 million was spent on NATO operations and missions.

#### 4.1.3. The NSIP Budget

The NATO Security Investment Programme (NSIP) concerns the financial resources needed for the construction and administration of strategically important military installations. These are usually too expensive for the smaller member states, which makes a joint NATO approach the favoured option. The NSIP budget provides the funds needed for logistic support (including fuel supplies), port facilities for troop transport, military command structures for operations, air defence systems via the NATO Programming Centre in Glons in Belgium, which is itself a part of the NATO Communication and Information Agency (NCIA) and the administration of NATO C3B (the NATO Consultation, Command and Control Board). This is a NATO agency that advises on cyber defence, data protection and intelligence. The budget is funded from allocations from the defence budgets of the member states. A ceiling of € 650 million has been set on the joint contribution of the member states for 2014.

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<sup>14</sup> The NATO Defence College in Italy and many other training centers and schools.

#### 4.1.4. The Total

When all three budgets are counted together the sum of the civil budget (€ 216.9 million), the military budget (€ 1,371 million) and the NSIP budget (€ 650 million) gives a total of € 2,287.9 million for 2014. The military budget is beyond any doubt the largest of the three. When the various budgets of the member states are counted up, it is seen that the United States pays the most, with € 141.3 million for the NSIP, € 304.3 million for the military budget and € 48.1 million for NATO's civil budget. This means that the total cost to the budget of NATO's largest member state (in 2014 and 2015) comes to € 493.8 million. The Netherlands pays a total of € 73 million (€ 44.8 for the military budget, € 22.1 for the NSIP budget and € 7.1 for the civil budget). Belgium pays € 45.4 million (€ 27.9 m for the military part, € 13.1 m for the NSIP budget, and € 4.4 m for the civil budget). The accession of numerous new European member states means that the percentage paid to NATO's budget by the original members (e.g. Belgium and the Netherlands) has fallen (see also the conclusion under item 7 below).

#### 4.2. Joint Funding

Joint funding is a multinational way of providing resources in a way that accords with the NATO charter. The participating countries themselves determine what is needed and the required resources and set the priorities. NATO nonetheless retains political and financial oversight when this form of funding is used. In practice joint funding leads to the establishment of management organizations in the form of NATO agencies. These may be for the development and/or production of fighter jets, helicopters, information systems, logistic support, air defence communication, research and development, and others. In fact this funding method is an à la carte system, and the number of participating countries can vary sharply. The participating countries determine who is going to pay what among themselves with NATO supervising the process.

#### 4.3. Multinational Funding

This third form of the funding of military activities takes place outside NATO structures. Examples of this are the various bilateral and multilateral agreements on defence between NATO member states.

This thus means that the budgetary resources and the associated policy remains in national hands. Another example of multinational funding are the so-called Trust Funds. In the Trust Fund system NATO members make a voluntary contribution of a certain size for a specific purpose (eg Kosovo, the training of Afghan National Security Forces, etc.). This method of managing funds also makes it possible for non-NATO countries, such as Finland and Sweden, to contribute. A third type of multinational funding takes the form of what are termed contributions in kind. These are contributions by NATO to activities and programmes that are not made in the form of financial contributions. Such contributions by members may take place by making existing infrastructure available (both movable and immovable), personnel, or specialized knowhow in one field or another. Both joint funding and multinational funding may be regarded as ad hoc sharing arrangements and donations.

## 5. Military Expenditure

Military expenditure and troop numbers in NATO states fell sharply after the collapse of the Soviet block and the fall of the Berlin Wall. The tables shown below provide an overview. The first table considers the nominal expenses under the defence budgets concerned and include the pension costs.

**Table VI: Expenses in 2013 (in Millions of euros at Current Prices)**

1.	USA	586,867
2.	UK	48,311
3.	France	39,402
4.	Germany	36,739
5.	Italy	18,983
6.	Canada	13,390
7.	Turkey	9,785
8.	Spain	9,612
9.	The Netherlands	7,777
10.	Poland	6,793
11.	Norway	5,134
12.	Greece	4,275
13.	Belgium	3,964
14.	Denmark	3,436
15.	Portugal	2,501

Source: NATO (Information Defence Expenditures, February 2014)

The figures for the thirteen other NATO countries (Albania, Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuanian, Iceland, Luxembourg, Romania, Slovakia, and Slovenia) are significantly less. The top fifteen account for € 797 billion of all expenditure. During 2013 the NATO countries spent a total of € 816 billion on defence. Europe's share in this spending is only € 215 billion or 26% of the total. Of this the three largest European countries (Germany, the United Kingdom and France) account for over half. It is therefore perfectly correct to say that the United States is the largest source of funding for the military budgets of the NATO countries. Also striking is that in nominal terms Canada spends relatively large amounts on defence. The same applies to Turkey. The medium-sized countries are broadly comparable, although Belgium spends very little on defence compared to the Netherlands, Denmark and Norway. Indeed Belgium with its 11 million inhabitants spends a sum that is comparable to that of Greece, even though the latter country is much poorer. Denmark with a population of 5.5 million spends proportionally far more on defence than either Belgium or the Netherlands. The number of military personnel in each country is shown in the following table. Only countries with more than 100,000 military personnel are shown in both columns.

**Table VII: Military Personnel (x 1000)**

	1990	2013
1. USA	2,181	1,370
2. Turkey	769	494
3. France	548	213
4. Italy	493	186
5. Germany	545	184
6. the United Kingdom	308	174
7. Spain	263	122
8. Greece	201	109
9. Poland	--	100
10. Belgium	106	31
11. the Netherlands	104	43

Source: NATO (Information Defence Expenditures, February 2014)

The two reference years are 2013 and 1990. The latter was the last year in which the Cold War situation still applied. The numbers have fallen back from 5.7 million in 1990 to 3.3 million in 2013. The main reason for this steep fall is the abolition of compulsory military service in many countries. Conscription existed in the past in the United States, Canada and the United Kingdom but was abandoned long before the years under consideration. The US furthermore is the country with the largest number of military personnel within NATO.

Here we may remark on the size of the Turkish armed forces, with Turkey having the second largest army in NATO. Indeed the Turkish army is larger than the armies of France and the UK combined. From the budgetary point of view, we see that Europe's armies have severely cut back on personnel numbers. The following table considers military expenditure as a percentage of Gross Domestic Product (GDP). Here too the reference years are 1990 and 2013.

**Table VIII: Military Expenditure as a Percentage of Gdp**

	1990	2013
USA	4.5 %	4.4 %
UK	3.6 %	2.4 %
Greece	3.9 %	2.3 %
Estonia	--	2 %
France	3.3 %	1.9 %
Turkey	2.8 %	1.8 %
Poland	--	1.8 %
Portugal	2.3 %	1.5 %
Croatia	--	1.5 %
Romania	--	1.4 %
Bulgaria	--	1.4 %
Norway	2.8 %	1.4 %
Denmark	1.9 %	1.4 %
Albania	--	1.4 %
Germany	2.1 %	1.3 %
the Netherlands	2.3 %	1.3 %
Italy	2 %	1.2 %
Czechia	--	1.1 %
Slovenia	--	1.1 %
Canada	1.8 %	1 %
Slovakia	--	1 %
Belgium	1.9 %	0.9 %
Hungary	--	0.9 %
Latvia	--	0.9 %
Spain	1.6 %	0.9 %
Lithuania	--	0.8 %
Luxembourg	0.7 %	0.4 %
Iceland <sup>15</sup>	--	--

Source: NATO (Information Defence Expenditures, February 2014)

Defence budgets in Europe have fallen on average from 2.5% of GDP in 1990 to 1.6% of GDP in 2013. The average for all NATO member countries declined from 3.4 % of GDP to 2.9 % of GDP. That the average is not lower is due of course to the continuing high level of defence spending in the US.

<sup>15</sup> Iceland does not maintain a standing army.

In fact there is not one European country that spends as much as the NATO average (2.9% of GDP) on defence. If we take the European average (1.67 % of GDP) as our point of departure, we see that only six member countries (the United Kingdom, France, Greece, Estonia, Turkey and Poland) actually spend that much. At the most recent NATO summit, held in Cardiff in Wales 2014, it was decided that defence budgets must return to at least 2% of GDP within ten years. Moreover a request was made to increase investment in defence to at least 20% of the national defence budget. This call for a minimum of investment is related to the need to modernize existing equipment. Should this NATO guideline be applied to the 2013 figures, only the Americans, British, Greeks and Estonians currently comply!<sup>16</sup> Another delicate aspect for Belgium is the fact that the country is the host nation for both NATO and SHAPE. Is it not to be expected that these organizations might start thinking of moving their activities to another country that spends more on defence? The *Two per cent defence expenditure guideline* was initially set out at the 2006 NATO summit largely in response to the terrorist attacks in New York in 2001, Madrid in 2004, and in London in 2005 and the ongoing NATO mission in Afghanistan. The Cardiff NATO summit merely reaffirmed what had already been agreed in this respect. The reaffirmation of the guideline also coincided with the worsening of international stability in 2014 with conflicts in Ukraine, Iraq, Syria, and elsewhere). The expectation is that compliance with the 2 % of GDP guideline should be achieved within a decade, or in other words by 2024!

## 6. Conclusion

NATO has been in existence since 1949 and is an organization that has become militarily active primarily after the end of the Cold War in Europe (with actions for example in Afghanistan, and former Yugoslavia). It is not an international cooperative body, rather it is a multinational one. NATO is therefore a consensual organization and this is apparent from its budget procedures. In other words all the member countries must agree to the draft budget. From the democratic point of view it is striking that the NATO Parliament does not have any role to play in the budget procedure. Contrary to what one might expect in a normal public budget system, there is no annual financial report, or financial regulations such as used by the EU. There is thus still much to be done if transparency is to be improved.

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<sup>16</sup> The problems concerning the military investments are also a topic in the NATO annual rapport 2014 of the secretary general, pp. 11-13.

The core of the funding of the North Atlantic Treaty Organization is a system that is based on the Gross National Income of the member states. In this connection it may be noted that the United States benefits from favourable arrangements for the civil, military and NSIP budgets. This may be explained by the fact that the US spends far more on defence than do its European partners. The accession of numerous new European members after the end of the Cold War, has meant that the share paid by the original members has fallen. With respect to the development of NATO's civil and military budgets over the years, it may be pointed out that these budgets have seen zero nominal growth, in other words they have declined in real terms. The NATO Security Investment Programme has by contrast experienced considerable change. In the nineteen-fifties and later on in the Cold War, the average annual NSIP budget came to about € 4 billion. This fell to an annual average of € 2 billion during the sixties and to roughly € 1.2 billion in the seventies.

This decline had to do with the détente of the later decades of the Cold War and the development of infrastructure at its outset. Infrastructure of course made demands in terms of operating costs, but required less investment in capital equipment. In the nineteen-eighties the NSIP budget climbed again to an annual average of € 2.4 billion. This was the consequence of turbulent East-West relations in the period, and the introduction of information technology in military installations. After 1995 though the NSIP fell to below € 1 billion a year. The final part of this article clearly shows that NATO's European membership have made enormous economies in their defence budgets in recent years. Indeed it is safe to conclude that the United States have been financing Europe's military defence for years. Should the European Union ever become responsible for the defence of the European continent, European countries would have to make a great deal more money available for their defence. The renewed call at the NATO summit in Wales in 2014 for members to devote at least 2% of GDP to national defence constitutes a very considerable challenge to many NATO countries particularly in view of the ongoing slimming down of public expenditure. One striking element of these figures is the exceptionally low defence budget of Belgium, particularly as this country is the host country of both NATO and SHAPE. In view of the fact that NATO has existed since 1949 and has made a historically significant contribution to a long period of peace in Western Europe, it is also remarkable that so little academic or scientific studies have been made of the costs and the budgets of this organization.