**Introduction by Chairman Of NSPO**

I am delighted to provide a few introductory words to the 2013 NSPA Annual Report. After little more than one year of operation, I am happy that it reflects well on the achievements of the NATO Support Organisation (NSPO) and its executive body, the NATO Support Agency (NSPA).

The Organisation provides a focus for nations to cooperate on logistics issues in their many and varied forms. Where nations have a common requirement, they can have this met within the solid framework that NSPO provides. There is no need to devise anything new. Multi-national cooperation is at the heart of NATO and in the work of NSPO and NSPA the themes of working together and achieving results through consensus are highly visible and a proven success.

I am pleased to say that during its first one and half years the Agency has given NATO and nations the greater effectiveness, efficiency and savings sought through Agencies Reform. This is exactly what the Heads of State and Government had envisaged when the Reform was launched at the Lisbon Summit on 20 November 2010. Nations have been impressed that while going through this major transition process with its inevitable organisational instability, the Agency has not faltered in delivering high standards to its customers. This has been a significant achievement. The Agency Supervisory Board (ASB) is proud of this and grateful to each individual for his or her effort and dedication.

While the future is difficult to predict, particularly over the extent of NSPA involvement with Afghanistan post-International Security Assistance Force (ISAF) and in Shared Services and the future Procurement Agency, this is nothing new for NATO. As I write, it is clear that unfolding world events could have unforeseen consequences for the Alliance. I am confident that the Organisation is prepared and flexible enough to meet whatever may arise. While this Agency’s Reform is not yet complete, it is fully on track. The young Organisation and Agency have shown their agility and we have taken our first sure steps.

Per Christensen
Chairman NSPO Agency Supervisory Board

**Foreword by the General Manager**

It is my pleasure to report to you NSPA accomplishments in 2013. A high point of the year was the celebration of NSPO’s 1st Anniversary on 1 July 2013!

The Agency continued to pursue the NAC goals of increased effectiveness, efficiency and savings while working through Phase 2 – Rationalization – of the Agency Implementation Plan. As part of this the Agency achieved its 2013 savings target and reduced its overhead by more than 5%. The contributions of the NSPA support functions were key enablers in this progress.

Agency planning was guided by the new Strategic Direction 2017 which was approved by ASB. The Strategic Direction ensures that we maintain the existing support and service delivery while concurrently pursuing new lines of action to keep the Agency relevant to customer and stakeholder needs in the future. NSPA’s portfolio of products and services are grouped into five Capability Areas: Support to Operations, Weapon System Support, Fuel Management, Strategic Transportation and Procurement. The Strategic Direction also drives the Agency’s annual planning. In 2013 the first Business Plan and Annual Financial Plan were produced.

Support to Operations remained our top priority, particularly at our major operations in Kabul and Kandahar, Afghanistan. In 2013 however, the level of this support began to decrease as the ISAF mission ends in December 2014. A key activity throughout the year was working with Stakeholders to determine the Agency’s potential role in any follow-on NATO mission. Looking beyond Afghanistan, Allied Command Operations (ACO) designated the NSPA as its Contract Integrator for support to future NATO exercises and operations.

Under Strategic Transportation, the Agency demonstrated its responsiveness by delivering over 2700 hours of airift support to operations in Mali through the Strategic Airlift Interim Solution (SALIS) capability.

NSPA was also one of the first organisations in NATO to complete its SMART DEFENSE initiative, number SD 1.22, Dismantling, Demilitarization and Disposal (D3), as reported on page 14 of the Secretary General’s Annual Report 2013.

The other areas— Weapon System Support, Fuel Management and Procurement—all made equally valuable contributions to the Agency’s mission.

The NSPA team is grateful to its Nations and Stakeholders for their superb support throughout the year. This support was instrumental in the outstanding service that NSPA delivered in 2013. The team is also indebted to its customers for the trust and confidence that they place in the Agency every day as it pursues its vision of being “NATO’s premier logistics and services provider team.” Finally, my thanks go to all of the dedicated team members of the NSPA who make it happen! Thank you.

Mike Lyden
General Manager
NATO Support Agency
Corporate Governance

Agencies Reform placed emphasis on improving corporate governance of the NATO Agencies. The NATO national representatives in the NSPO Agency Supervisory Board (ASB) have been active in guiding, overseeing and supporting the General Manager of NSPA. The Board assisted the Agency in establishing its administrative rules, processes, resources and operational plans. A new Procurement Regulation was approved to supersede the former CEPMO, NAMO and NAMSO Procurement policies. The ASB noted the Agency’s Road Map for delivering Greater Effectiveness, Efficiency and Savings. During the approval process of the Annual Financial Plan for 2014, the Board considered the Agency’s plans for Business, Training and Investment, Information Systems and IT Projects. The Board also approved the Agency’s Strategic Direction from 2013 to the year 2017.

Regular updates and briefings are provided to the Board on the possible implementation of Shared Services.

An important task for the ASB was the approval for NSPO to enter into contracts and agreements on support cooperation with NATO and non-NATO nations and entities. A new Support Partnership for the Sidewinder Missiles Weapon System was agreed. Importantly, they also approved a NSPO policy on Support Cooperation with NATO Partners and a draft standard text agreement between NATO Partners and NSPO on Support Cooperation.

Logistics Operations

In the context of the Agency’s Organisation and Personnel Establishment, the ASB approved a number of organisational changes including the realignment of former Logistics Operations and Programmes into a Logistics Operations business unit, with its subordinate Programme Management Offices, and the integration of the HAWK Programme into the Air Defence Programme. The potential organisational and staffing implications for NSPA post-ISAF were carefully considered, although planning was very difficult in the light of changing information on NATO’s future role.

Airlift Management

The NATO Airlift Management (NAM) Programme continued to support its customer, the Strategic Airlift Capability (SAC) Programme. The NAM Programme Board (PB) oversaw the management and execution of a number of projects; most notably infrastructure developments at Pápa Air Base to include a C-17-sized hangar; and new Foreign Military Sales (FMS) cases for the acquisition of the Large Aircraft Infrared Countermeasures (LAIRCM) system and for the follow-on sustainment of the SAC C-17 fleet. The NAM PB also considered strategic planning issues to achieve further efficiencies in the SAC Programme operations and support.

Central Europe Pipeline System (CEPS)

The CEPS Programme continued to operate and manage the pipeline network as one integrated system. The CEPS PB approved its Terms of Reference, as well as those for three standing subordinate bodies. Following the revision of the CEPS Business Model and the approval of a new system layout in 2012, the CEPS PB also approved the respective implementation plan and granted contract authority for the foreseen pipeline deactivation projects. The revised system, called Smart CEPS, is expected to generate significant savings after full implementation by 2017. It will not affect the NATO Bulk Fuel Strategy established in 2010. The CEPS PB initiated an assessment of potential savings and further consolidation for the CEPS Programme Office in the framework of NATO Agencies Reform.
Agency relevance to NATO Goals, Objectives and Priorities

The NSPA contributes directly to NATO’s Core Tasks¹ of Collective Defence, Crisis Management, and Cooperative Security, by providing logistic support across the full spectrum of NATO activities.

ISAF Mission

NSPA remains a key enabler to NATO and national military authorities in support of the ISAF mission in Afghanistan. Almost 30% of the Agency commitments in 2013 were in the Operational Support Programme providing services primarily in Kabul and Kandahar, Afghanistan. The Agency provided for acquisition and management of infrastructure projects as well as contracted services that provide Real Life Support (RLS), Airport of Debarkation (APOD) services, Base Operations Support (BOS), and tactical and strategic transportation.

NATO Agency Reform

The Agency continued to successfully execute its Road Map toward the corresponding NAC goals of increased Effectiveness, Efficiency and Savings. The majority of Phase 2 dealt with the rationalization of support functions and was completed in 2013. As part of this, the Agency realized the 5% savings target in its overhead account.

Smart Defence

NSPA acted as the lead nation/host nation for the Dismantling, Demilitarization and Disposal (D3) initiative, Number SD 1.22. In October 2013, NSPA was one of the first to report completion of a Smart Defence initiative.

Connected Forces Initiative (CFI)

In 2013 NSPA was designated as Contract Integrator (CI) for Allied Command Operations (ACO) for exercises and operations. The associated planning capability is ready to integrate contract services for NATO Response Force (NRF) preparation, for other larger exercises and in support to capability development. Services include the delivery, management and transport of small, medium and large headquarters deployable camps and services. The CI team also provides embedded participation in the Joint Task Force (JTF) and Joint Logistics Support Group (JLSG) Headquarters and is developing Rapidly Useable Enabling Contracts (RUECs), to meet a 2010 Lisbon Summit initiative.

As a core function, the NSPA provides cooperative logistic support services for a number of weapon and equipment systems to all NATO nations. It develops business relations with interested Euro-Atlantic Partnership Council (EAPC) Partners as well as other international logistic organizations, subject to approval of the Alliance on a case-by-case basis.

Security of energy supplies is also one of NSPA’s core functions; providing fuel storage and transportation capability across Western Europe and in the Balkans.

The Agency also contributes to the cooperation aspect of International Security through Partnership for Peace initiatives including Trust Fund Projects supporting EAPC and the NATO-Russia Council (NRC).

¹Strategic Concept for the Defence and Security of the Members of the North Atlantic treaty Organization, November 2010.
**Capability Area Achievements**

**Support to Operations**

**OPERATION SUPPORT**

The Agency continued to support the ISAF mission with RLS, infrastructure development and management, and APOD services. NSPA also received tasks for additional support enabling Nations to reduce their logistic footprint. The ability to provide additional logistic capability has been improved by progressive implementation of theatre-wide contracts in areas such as Laundry, Ablution Cleaning, Bulk Transportation, Vehicle Rental and Translation Services.

Infrastructure tasks continue at historic levels with major works including force protection projects at ISAF HQ, construction of a Communications and Information Systems (CIS) depot, a hardened HQ building at Kandahar Airfield (KAF) and the Counter Improvised Explosive Device Training facility at Mazar-e-Sharif (M-e-S). Additionally, airfield projects included the restoration of the runway at Herat and the upgrade of the main taxiway at KAF.

New agreements included the new KAF power contract with three main power stations, distribution grids and multiple standalone generators. A new KAF utilities contract dealing with bulk water and the management of liquid, solid and hazardous waste has allowed stringent environmental standards to be followed even in this challenging environment.

The United States Air Force (USAF) delegated a major supply project for direct support of two USA donated Afghan National Army (ANA) C-130 H aircraft in the Afghan theatre in the order of 37 MUSD.

The USA Non-Standard Rotary Wing Aircraft (NSRWA) Project Management Office is delegating overhauls/mods/upgrades of ANA Mi-17 helicopters. NSPA is working with SHAPE and the NATO Training Mission-Afghanistan to identify how the Afghan Trust Fund will be utilized for this major project of 30 MUSD.

Whilst outside the purview of the D3 Partnership, in-theatre solutions are in place for the safe disposal of military equipment with sites at KAIA, KAF, M-e-S, Herat and Bagram. Mobile teams for forward operating bases are also supported.

The Agency also provided logistic support in Kosovo. Preparatory action is underway to establish Base Support for Camp Novo Selo, and to replace the existing FRA logistics Lead Nation support.

Planning for the Resolute Support Mission (RSM) has begun in force within the Agency. Firm details of the expected RSM environment and resulting operational logistic requirements have yet to be fully established by NATO and framework nations. Some contractual ISAF arrangements already have option periods for post-2014 to facilitate RSM planning and transition. The Agency is an active member of the Airfield Transition Working Group to enable Afghan control.

**TRUST FUND PROJECTS**

The Georgia III and Jordan II projects reached successful completion whilst significant progress was made in eight other projects. Planning and feasibility phase work began on further new projects (see table 2).

Projects under implementation are described in Table 1 below:

<table>
<thead>
<tr>
<th>Host Country</th>
<th>Trust Fund Project</th>
<th>Lead Nation(s)</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Albania III</td>
<td>USA</td>
<td>Disposal of approx. 17,000 tons of obsolete ammunition</td>
</tr>
<tr>
<td>Jordan</td>
<td>Jordan MANPADS</td>
<td>USA</td>
<td>Disposal of obsolete stocks of rockets and short-range missiles</td>
</tr>
<tr>
<td>Mauritania</td>
<td>Mauritania</td>
<td>ITA</td>
<td>Disposal of obsolete ammunition stocks, training and establishment of a storage depot</td>
</tr>
<tr>
<td>Moldova</td>
<td>Moldova II, Phase 3</td>
<td>ROU</td>
<td>Disposal of 1,269 tons of obsolete pesticides</td>
</tr>
<tr>
<td>Ukraine</td>
<td>Ukraine II, Phase 2</td>
<td>USA</td>
<td>Disposal of 76,000 tons of ammunition and 366,000 small arms and light weapons</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>Tajikistan</td>
<td>GBR</td>
<td>Disposal of confiscated and unsafe ammunition stocks and associated training</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>Azerbaijan - Joyanchel</td>
<td>USA</td>
<td>Explosive ordnance clearance of 19 square kilometers</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>Afghanistan</td>
<td>DEU</td>
<td>Provision of intermediate-level maintenance training and spare parts</td>
</tr>
</tbody>
</table>

Details of the projects launching or in preparation are provided in Table 2 below:

<table>
<thead>
<tr>
<th>Host Country</th>
<th>Trust Fund Project</th>
<th>Lead Nation(s)</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>Armenia</td>
<td>D3 &amp; Mine Education</td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>Georgia IV</td>
<td>CZE, LTU</td>
<td>EOD Clearance</td>
</tr>
<tr>
<td>Jordan</td>
<td>Jordan</td>
<td>CZE, NOR</td>
<td>Development of Servicemen</td>
</tr>
<tr>
<td>Russia</td>
<td>Russia</td>
<td>EOD Clearance and ammunition disposal</td>
<td></td>
</tr>
<tr>
<td>Serbia</td>
<td>Serbia IV</td>
<td>UK</td>
<td>Ammunition stockpile management</td>
</tr>
<tr>
<td>Ukraine</td>
<td>Ukraine</td>
<td>DEU</td>
<td>Radiological Waste</td>
</tr>
<tr>
<td>Egypt</td>
<td>Egypt</td>
<td>NATOIS</td>
<td>Unexploded Ordnance and Landmines</td>
</tr>
<tr>
<td>Montenegro</td>
<td>Montenegro</td>
<td>UK</td>
<td>Ammunition stockpile management</td>
</tr>
<tr>
<td>Morocco</td>
<td>Morocco</td>
<td>CHE, ESP</td>
<td>To be defined with host country</td>
</tr>
<tr>
<td>Tunisia</td>
<td>Tunisia</td>
<td>CHE, ESP</td>
<td>To be defined with host country</td>
</tr>
</tbody>
</table>

Table 1 - under implementation projects

Table 2 - launching or in preparation projects
CAPABILITY PACKAGES (CP)

NATO CP acquisition and follow-on support saw high activity levels. A number of new projects were approved or completed for the deployable camps under CP 0A0149, CP 5A0156 and CP 9A0109. The upcoming procurement of furniture, force protection equipment, and a crane will make the Deployable Air Control Centre / Recognized Air Picture Production Centre / Sensor Fusion Post (DARS) Deployability Support Package operational. The NSPA also continued to provide Follow-On Support for deployable HQ assets stored at the Southern Operational Centre (SOC), NATO Signals Battalions (NSBs), Deployable Joint Staff Elements (DJSEs), and DARS Nieuw Milligen, as well as supported NATO Response Force exercises.

The participation in the two major exercises CAPABLE LOGISTICIAN 13 and STEADFAST JAZZ 13 allowed for the training of SOC technicians on the laundry washing equipment during the deployment to Latvia.

SOC has commissioned and accepted new equipment, helipad matting and distribution capability for water, fuel and waste water. The workshop also manufactured lighting systems for supported deployable camps. Emergency tent lights and walkway illumination were successfully tested in Exercise STEADFAST JAZZ.

OPERATIONAL LOGISTICS PLANNING

The CI capability requirement was developed with ACO and work began in July 2013. Delivery of complex RUECs began with concept definition of three priority projects: Fuel, Strategic Aeromedical Evacuation and BOS/RLS for deployable headquarters.

KEY SUCCESSES

Unmanned Aerial Systems (UAS)

Logistic support for small UAS continues with more systems under specific Sales Agreements. The nations are considering an Agency proposal of merging all support requirements under a dedicated UAS Support Partnership.

Demilitarization, Dismantling & Disposal (D3SP)

This NATO Smart Defence project was successfully completed with the establishment of the D3 Support Partnership. This will be used for the safe disposal of vehicles and other military items.

Self-Propelled Howitzer (PzH2000)

The Workshop started repair of the main computer and command control unit after technical data, test equipment and spare parts were transferred. A project under the Land Combat Vehicles (LCV) Support Partnership was created for PzH2000 user countries.

Patriot

Patriot workload increased by 50%, well above planned figures. The current system deployment to TUR demonstrated NSPA responsiveness to customer demands.

The Weapons System Support capability is currently being rationalised and consists of 12 Programmes that support numerous customer funded Support Partnerships and Sales Agreements. The Agency experienced a normal annual mix of growth in some areas and reductions in others in line with the requirements of the customers. Underlying trends in a few key areas are being monitored as these are potentially linked to the reductions in operational commitments in Afghanistan. Considerable effort has also been expended to create new capabilities to match developing needs. The corresponding adjustments in national membership of Support Partnerships are illustrated at Annex II.

Extensive support was also provided to NATO Command and Force Structure exercises as well as directly to nations. Activities culminated in Exercise STEADFAST JAZZ, with NSPA personnel engaged at SHAPE, the deployed JTF and JLSG Headquarters in the Baltic States. Support was also provided to Headquarters ARRC in testing of the Integrated Land Component concept.

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After successful management of the Poligono sperimentale e di addestramento interforze Salto di Quirra (PISQ) range in Sardinia, ITA, the Agency has additionally been tasked with logistic services for the Air Weapons Training Installation (AWTI) located nearby.

Naval Logistics Support Partnership (NLSP)
The Agency is investigating options to support common naval systems such as the LM 2500 Gas Turbine and the Oto Melara Naval Gun family, including the 76mm gun.

AWACS
In support of NATO-wide force re-structuring, NATO Airborne Early Warning and Control Programme Management Organisation (NAPMO) and NATO Airborne Early Warning and Control System (NAEW&C) Force Command are significantly reducing their operating costs and personnel establishment. Studies are being carried out to outsource their supply, logistics information systems and intermediate level aircraft maintenance activities, supported by the Agency. The NSPA received the NAEW&C Cargo and Airlift Services contract management providing cargo and passenger airlift to the NATO E-3A Component through the NATO Airborne Early Warning and Control Programme Management Agency.

Cooperation with other Agencies
NCIA-NSPA Partnering Board discussions on the delineation of roles and responsibilities between both agencies with respect to CIS follow-on support continued. For common Information Technology (IT) a roadmap was established and the NCIA-NSPA combined actions for 2013 were achieved. There was mixed progress with the support to customer IT solutions. While the integration of the Air Command and Control, HAWK and CIS Support will bring synergies and more flexibility there will be a negative impact on staff providing CIS Support, e.g. NATO Depot & Support System (NDSS). The decision to discontinue NDSS support will require immediate action to resolve the personnel impact.

Radar and CIS System Support
The implementation of an Intermediate Maintenance Activity (IMA) for Firefinder radars and development of new Interactive Electronic Technical Manuals (IETM) viewer and browser was successfully achieved. Two major modifications to NATO radars were also successful and the TUR GAREX Voice Communication Systems (VCS) was recovered. The In-Service Support for the Counter Battery Radar (COBRA) exceeded customer expectations in the areas of performance and the system’s operational availability.

A400M
A Service Level Agreement is in place since early 2014 to support three Nations, i.e. FRA, SPA and TUR with additional user nations possibly joining later.

BOXER
The NLD and DEU tasked NSPA to provide full logistics support for the BOXER Protected Vehicle systems. Support will include Engineering, Configuration Management, Maintenance and Supply.

Alliance Ground Surveillance (AGS)
Following NSPA engagement, preparations with nations, NATO Alliance Ground Surveillance Management Agency and Supreme Headquarters Allied Powers Europe, the NATO AGS project started in Jan 2014.

LEOPARD
The LEOPARD-Benutzerstaaten (LEOBEN) Cooperative Logistic Working Group with 16 NATO, Partnership for Peace (PfP) and non-NATO LEOPARD user nations focused on a NSPA feasibility study with some NATO and EAPC/Istanbul Cooperation Initiative (EAPC/ICI) Nations expressing firm interest. The aim is a common Logistic Support structure for the LEOPARD 1 & 2 Main Battle Tanks and its wide range of family vehicles. Final decision is expected to be taken by the next LEOBEN Steering Committee in Spring 2014.

Medium Extended Air Defence System (MEADS)
NSPA was tasked to manage the transfer of DEU MEADS project development results (hard- and software) from the NATO Medium Extended Air Defence System Management Agency (NAMEADSMA) to NSPA at the end of the project. Provision of storage and maintenance support is expected to start at the end of 2014 and it is envisaged that this support will develop into a Support Partnership with other interested nations.
**Fuel Management**

**KFOR Fuel Support**

KFOR fuel support continued growing with new customers using this service. Project development to deliver fuel services at Kabul began in July 2014 and will expand to Herat and Kandahar in December 2014. These contracts will facilitate RSM transition in 2015 if required.

**NAVAL LOGISTICS SUPPORT PARTNERSHIP**

The NLSP service use has increased to 41 MEUR, 47,500 Metric Tons (mostly African and Nordic ports), primarily through greater fuel uplifts taken under world-wide contracts. A new initiative was launched to extend the current services provided to include specific oils, greases and lubricants used in the maritime world.

**CENTRAL EUROPE PIPELINE SYSTEMS**

CEPS performance through the year for closely matched the predictions of the NSPA 2013 Business Plan and services rendered as well as revenues received remained fairly stable. The Neutralization Phase three (NP3) started implementation with the granting of contract authority for the majority of the planned deactivation projects.

Transport volumes reached a total of 11.74 Mm³ (against a forecast of 11.8 Mm³), reflecting a variation of -0.69%. For storage, the average available net capacity was 900,000 m³, of which 869,686 m³ were rented out to military and non-military clients (fill rate of 96.6%).

The forecast operational revenues from storage, transport and specific services to military and non-military clients was 93.2 MEUR (an increase of 1.95%).

A key success was the renewal of an important non-military fuel transport contract - supply of Amsterdam Airport Schiphol, which secured significant revenues for the next 25 years.

In order to streamline business related data, a new IT system (CEPS Integrated Operations Management System (GIOC)) is being procured. This is expected to be operational by 2015.

**STRATEGIC AIRLIFT INTERIM SOLUTION**

The SALIS broke another record supporting over 200 missions for a total of over 6,600 flying hours proving again to be a reliable concept and tool for its customer nations. For the MALI operation AN-124, IL-76 and AN-225 aircraft flew more than 2,700 flying hours.

**STRATEGIC AIRLIFT CAPABILITY**

The NATO Airlift Management Programme significantly increased its business volume with more flight hours produced and funds for some major investments committed in 2013. The Heavy Airlift Wing (HAW) produced 3165 flight hours for SAC Nations last year. For the first time since the beginning of operations with the full fleet (2009) the unit achieved the desired annual steady-state flight hour output. The NAM Programme Office and contracted partners ensured a 93.8% mission capability rate for SAC C-17 fleet in 2013. They also achieved the significant milestone of 12,000 accumulated SAC flight hours in November 2013. More than 80% of missions flown by NAMP C-17s were conducted in support of NATO’s ISAF mission in Afghanistan. Missions were also performed to support the operations in Mali.

In 2013 the NAM Programme Board committed significant funds for LAIRCM system for the C-17s; follow-on sustainment (maintenance and spares) contracts; a mission planning and monitoring software for HAW; and design of the SAC hangar with associated offices and maintenance shops. An Interim Cargo Facility was constructed which will significantly increase capabilities of Pápa Air Base.
The NSPA Procurement Division, operating for the first year as a single pan-agency organisation, committed to contract a record level of 2,383 MEUR. The volume of transactions also reached their highest level in the Logistics Operations Business Unit. The complexity of requirements brought to the Agency also increased and this has followed a pattern of rising complexity over the last few years.

Adding to the complexity of business this year was the Procurement Division engagement in some high profile disputes (with significant financial stakes) mostly related to the support of operations in Afghanistan.

Close-out of the contracted support for ISAF will be initiated in 2014, which will include contractor demobilization. Special attention will be paid to the handling of any contractual claims resulting from the end of the performance period by the creation of a dedicated contract draw-down team.

The ASB approval of the NSPO Procurement Regulations in 2013 constituted a major milestone in the functional integration of the Procurement function throughout the Agency.

The Agency also increased and this has followed a pattern of rising complexity over the last few years.

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The Agency proposed the adoption of the NSPA as NATO’s lead for General Procurement as a Shared Service, and e-procurement through active participation in the NATO Working Group, assisting in data collection and analysis.

Procurement will continue to work with the Office of Shared Services (OSS) with the objective of taking on some of these requirements from a NATO wide perspective.

To promote engagement with industry, the Agency organized a total of 17 Industry Days at Capellen, and in various countries. The aim of these engagements was to broaden the Agency’s supplier base and enhance international competitive bidding. In total 466 companies were engaged through these events.

Throughout the development of new and management of existing business, care was taken to monitor the balance of payment and trade with individual nations. The balance of business with nations is illustrated at Annex I.

**NATO GENERAL PROCUREMENT**

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In 2013, major progress was achieved in Information and Communication Technology (ICT) convergence within the Agency. Secure connectivity between Business Units was established and the integrated ICT support organization was fully engaged in significant business improvement efforts such as Financial Harmonization, Central Invoice Management, and NATO Deployable Assets. The ICT organisation also implemented SAP Logistics/Procurement capabilities, completed the deployment of Voice over Internet Protocol (VoIP) technology, and provided engineering NATO Restricted (NR)-accredited iPad’s for use by HAW aircrews. The five-year Future Information Systems Architecture Project (FISA) was closed out after successfully delivering a service-oriented architecture to support the NSPA eCommerce platform and implement several workflow applications such as electronic Temporary Duty (eTDY) and eLeave. Video Tele-Conferencing (VTC) has seen tremendous growth and is becoming an indispensable tool to efficiently manage across several locations including theatre and Brussels. Lastly, work with NCIA has steadily intensified and good progress has been made in executing the roadmap for common ICT services.

**INFORMATION AND COMMUNICATION TECHNOLOGY**

During 2013, NSPA hosted more than 50 official, high-level visits (General or Flag-Officer, Ministerial, Ambassadorial and industry) and participated in several international conferences, seminars and exhibitions. This included a visit by the NATO Secretary General to the NAM Programme in Pápa in July 2013. The NATO Investment Committee, the NATO Deputy Secretary General and the NATO Resource Planning and Policy Board also visited NSPA (Capellen).

**COMMUNICATION MANAGEMENT**

An NSPA Representative position at NATO HQ was established in March 2013. The post has ensured heightened representation of the NSPA at NATO HQ and increased situational awareness for the Agency.

**HUMAN RESOURCES**

Analysis of the results of the first NSPA organizational climate survey conducted in 2012 identified two focus areas for 2013: enhancing performance management capability and expanding opportunities for recognition. The Mutual Expectations Review (MER) process was instituted to increase dialogue between managers and staff about expectations for their position, barriers to performance and future objectives. In addition, employee-led work groups were formed to identify potential alternative systems for performance management. This effort led to the development of a prototype Employee Performance Management System (EPMS), building on the MER, which will be piloted in 2014. An expanded portfolio of recognition options was also introduced. The survey was repeated in October 2013 and showed that a general level of satisfaction was maintained across the range of questions and that continued focus was required to maintain momentum on the earlier initiatives.
Financial Report - 2013 Results

A synopsis of 2013 results by Programme, as compared to 2012, is depicted in Table 3 below:

<table>
<thead>
<tr>
<th>Programme</th>
<th>2012 Commitments made in year</th>
<th>2013 Commitments made in year</th>
<th>Increase/Decrease</th>
<th>% Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation Support Programme</td>
<td>800,400</td>
<td>693,405</td>
<td>-106,995</td>
<td>-13.4%</td>
</tr>
<tr>
<td>Transportation and Warehousing Division</td>
<td>144,380</td>
<td>352,542</td>
<td>207,162</td>
<td>143.2%</td>
</tr>
<tr>
<td>General Services Programme</td>
<td>421,533</td>
<td>335,052</td>
<td>-86,481</td>
<td>-20.5%</td>
</tr>
<tr>
<td>Aviation Support Programme</td>
<td>164,182</td>
<td>192,244</td>
<td>28,062</td>
<td>17.1%</td>
</tr>
<tr>
<td>NATO Cooperative Logistics Programme (including NATO Logistics Stock Exchange)</td>
<td>167,563</td>
<td>143,148</td>
<td>-24,415</td>
<td>-14.6%</td>
</tr>
<tr>
<td>Air and Land Combat Systems Programme</td>
<td>123,639</td>
<td>111,255</td>
<td>-12,384</td>
<td>-10.0%</td>
</tr>
<tr>
<td>A400M and NH90/Tiger Programme</td>
<td>195,188</td>
<td>173,779</td>
<td>-21,409</td>
<td>-11.0%</td>
</tr>
<tr>
<td>Patriot Programme Office</td>
<td>66,659</td>
<td>57,412</td>
<td>-9,247</td>
<td>-13.9%</td>
</tr>
<tr>
<td>Airborne Surveillance Systems Programme</td>
<td>94,463</td>
<td>104,572</td>
<td>10,109</td>
<td>10.7%</td>
</tr>
<tr>
<td>Air Defence Programme</td>
<td>47,168</td>
<td>51,280</td>
<td>4,112</td>
<td>8.7%</td>
</tr>
<tr>
<td>Communication and Information Systems Support Programme</td>
<td>28,842</td>
<td>29,360</td>
<td>518</td>
<td>1.8%</td>
</tr>
<tr>
<td>Central Europe Pipeline System Programme (CEPS)</td>
<td>130,666</td>
<td>126,855</td>
<td>-3,811</td>
<td>-2.9%</td>
</tr>
<tr>
<td>NATO Airlift Management Programme (NAMP)</td>
<td>61,855</td>
<td>121,743</td>
<td>59,888</td>
<td>98.8%</td>
</tr>
<tr>
<td>Total Operational Commitments 2013</td>
<td>2,447,138</td>
<td>2,492,647</td>
<td>45,509</td>
<td>1.9%</td>
</tr>
<tr>
<td>Total Net NSPA Administrative Commitments</td>
<td>131,235</td>
<td>131,122</td>
<td>-113</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Total NSPA Commitments 2013</td>
<td>2,578,373</td>
<td>2,623,769</td>
<td>45,396</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

The former NATO Airlift Management Agency (NAMA) fully committed all credits for its FMS cases in the year in which they were signed. The last sustainment case was signed in 2008 and covered the period through 2012.

Financial Overview

In terms of operational funding commitments reflected an increase of 1.9% in 2013 over the previous year, to just under 2,500 MEUR. Despite this slightly-increased business activity, total net administrative expenses remained level, while Agency overhead costs, excepting ICT costs and costs of the Agency’s Financial Harmonization Project associated with Agencies Reform, were reduced by 1.9 MEUR (5.3%) below the 2010 baseline level, which is well in line with the assigned savings target emanating from the NATO Agency Reform initiative, as outlined at the Lisbon Summit.

Since NSPA’s annual business volume is driven by collective customer requirements, it is not unusual to observe upward and downward fluctuations within various programmes (and specific projects) from one year to the next. 2013 was no exception, and when decomposed the 1.9% cumulative increase reflects the results of numerous requirements fluctuations throughout the Agency’s diverse services portfolio.

As a prime example, SALIS, operated within the Transportation & Warehousing Division, saw a dramatic 143% increase in activity in 2013, with commitments of 353 MEUR. This was strongly influenced by support provided to FRA for its mission in Mali. Other areas experiencing increases in business volume, albeit less dramatic, were: the Aviation Support Programme (+17.1%), mainly due to its increased support to Fixed Wing Aircraft; the Airborne Surveillance Systems Programme (+10.7%), which increased its support to the E3A Component; and the Air Defence Programme (+8.7%) and Communication and Information Systems Support Programme (1.8%).

Tuning to some of the downward fluctuations in 2013, it is notable that the declining ISAF in-theatre footprint already began to impact the Operations Support Programme’s business volume, which decreased from a peak of over 800 MEUR in 2012 to just under 700 MEUR in 2013. The same can be said for the General Services Programme, where reductions in the ammunition requirements of Nations contributed to a decrease in commitments from 422 MEUR in 2012 to 335 MEUR in 2013. The NATO Cooperative Logistics Programme, which manages the NATO Logistics Stock Exchange, returned to its 2011 level, after experiencing a peak volume of almost 170 MEUR in 2012. A similar trend occurred with the A400M/NH90/Tiger and Patriot Programmes which saw lower volumes in 2013 compared to their 2012 levels but still higher than their 2011 experience. The 12 MEUR decrease in Air and Land Combat Systems Programme business is primarily due to a lower support requirement for the PzH2000 Land Combat Vehicle.

The commercial revenues of CEPS remained relatively stable at 94 MEUR for 2013, while its costs for the running the system were reduced by 4 MEUR to 127 MEUR. This included investments funded by the CEPS Member Nations of 19 MEUR. Additionally, the NATO Security Investment Programme (NSIP) funded CEPS Infrastructure Projects totalling just over 2 MEUR.

The 2013 commitments for the NAM Programme saw an increase to 122 MEUR from the 2012 level of 62 MEUR. This includes recognition of a 20% portion of the five-year, 260 MEUR FMS Sustainment case and (LAIRCM) Foreign Military Sales case.

The former NATO Airlift Management Agency (NAMA) fully committed all credits for its FMS cases in the year in which they were signed. The last sustainment case was signed in 2008 and covered the period through 2012.
It is also interesting to note the diversity of Agency income sources by type of customer, as well as the magnitude of the participation of each type. As the illustration in Figure 1 demonstrates, 15% of the Agency’s funding in 2013 emanated from customers funded by the 28 Nations (i.e. common-funded sources), and the remaining 85% derived from other customer groups (i.e. multi-national, bilateral, Support Partnerships, etc.).

**BACKGROUND**
As part of the approval for the establishment of the NSPO and NSPA in June 2012, the NAC approved financial continuity measures for 2012. Further, in the initial ASB meeting in July 2012, the ASB members agreed for the Agency to delay implementation of new financial measures until 2014, including production of consolidated financial statements, to allow the Agency to integrate and rationalize the processes, systems and policies of the three former Agencies. In response to this guidance, the Agency prepared separate, segment financial statements for 2012 for each of the former Agencies.

**AUDIT OPINIONS**
The International Board of Auditors for NATO (IBAN) was able to issue an unqualified audit opinion on whether, in all material respects, the financial transactions and information contained within the segment financial statements were in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations. The audit report included a “disclaimed audit opinion” on the Financial Statements of the NSPO. Following guidance from both the NAC’s financial continuity measures and the ASB, NSPA issued three financial statements for Logistics Operations, CEPS and NAM covering the whole of 2012. The IBAN considered that these segmental financial statements did not reflect the financial position and performance of the whole of NSPO since it was formed on 1 July 2012.

In summary, the “disclaimed audit opinion” was for reasons beyond the control of NSPA management which performed its financial reporting based on instructions given by Council.

**AUDIT RECOMMENDATIONS STATUS**
The IBAN presented 10 new observations for the 2012 financial year and of the 32 recommendations made in previous years 21 remained outstanding. A Key Performance Indicator used by NSPA management is the number of open recommendations received from the IBAN and the status of their resolution. All new and previous recommendations are being actively reviewed by NSPA. Although it is projected that as many as eight open recommendations will be positively impacted in the next two financial years due to changes in the NATO Accounting Framework and the implementation of a consolidated NSPO Financial Statement.
Longer-Term Outlook

Challenges and Opportunities

The key challenge over the next 12-24 months will be adapting the Agency to the significant reductions expected related to the end of the ISAF mission on 31 December 2014. Since this has represented a significant portion of the NSPA workload over the last few years, careful planning will be required to continue to satisfy remaining residual customer requirements in-theatre while prudent de-scoping the associated contracts and drawing down our Agency and contractor personnel associated with the mission, in-theatre and back in Capellen.

Concurrently, the Agency must remain engaged with its customers to identify and define any continuing or new support requirements resulting from any potential follow-on engagements including the RSM. The risk is that critical contract timeline milestones for development of new contracts; or modification of existing contracts to the new, lower levels; will pass prior to decisions being made by NATO and national leadership on their future engagement in Afghanistan. Contract actions after these milestone dates could entail significantly increased risks and cost.

Another challenge is also an opportunity. The Agency must rapidly adapt as NATO and the Nations transform to new missions post-Afghanistan. The Agency’s Strategic Direction 2013-2017 provides the framework for this transformation. Using the concept of a Capability Portfolio, the NSPA will work closely with its customers and stakeholders to build new capabilities to meet their anticipated needs in the future. Figure 2 illustrates the five capability areas that comprise the portfolio. All of this must also be accomplished while preserving the Agency’s other existing capabilities which will continue to be relevant in the future.

Customer Satisfaction

Customer focus is a central theme in the NSPA business model and customer satisfaction is measured at several levels within the Agency.

Given the priority of Agency support to ISAF, the General Manager and senior leadership travelled three times to Afghanistan during the year to meet with senior military and civilian leaders as well as customers to assess the effectiveness of the Agency’s operations. The appreciation in the field for the services the Agency provides was clearly evident throughout the theatre and expressed by customers.

At the tactical level, the Agency regularly maintains contact with its 1600-plus individual customers. Several of the Logistic Operations programmes and projects performed Customer Value Management (CVM) through tailored questionnaires (for Radar System Performance checks, Calibration services, NDSS users) with very good results. Performed mainly by Support Partnerships the questionnaires provide better understanding of customer requirements and their rational for choosing existing services while offering information concerning further improvement. The CEPS and NAM Programmes engaged their customer nations through their governance processes and associated committees.

At the strategic level, the General Manager maintained communications with key stakeholders across NATO and the Nations. In particular, more than 320 letters were sent out after the first anniversary in July 2103 to update stakeholders and solicit feedback regarding the initial year of operations. A significant number of positive responses were received expressing satisfaction with the services provided and optimism about the future of the Agency.
In its first full year of operations, the NSPA achieved broad success in each of its Business Units and Support Functions. Of particular note is the sustained, outstanding support that has been delivered to NATO and the national forces in Afghanistan, which remains the Agency’s top priority. This was accomplished while concurrently executing the full implementation of the new Agency and expanding its other lines of business and capabilities to match evolving customer requirements.

Financial growth in 2013 was modest compared to previous years as the support requirements of the ISAF mission began to decrease as part of the drawdown. One notable growth area was with the SALIS project, where increased flight hours provided essential transport of forces and equipment in support of operations in Mali beginning early in the year. Growth was also experienced in the Fixed Wing Support Partnership, the Airborne Surveillance Systems, Air Defence and Information Systems Support. At the same time, administrative costs were reduced, particularly with the achievement of the 5% overhead savings target set by the NAC.

While maintaining focus on existing work throughout the year, considerable progress was accomplished in developing new capabilities in 2013 and for the future. These include A400M aircraft, AGS, LEOPARD Main Battle Tanks and the MEADS. There has also been very positive collaboration between the NCIA and NSPA through a Partnership Board which has identified an array of opportunities and potential synergies between the Agencies.

The key future challenge will be to prudently execute the drawdown of NSPA operations in Afghanistan while maintaining focus on continuing support requirements in 2014 and remaining ready to address any potential new requirements from a follow-on NATO mission, if approved. Careful management of NSPA’s valuable team members is, and will remain, a key element of this planning.

The Agency must also focus on transforming its operational support capabilities to be ready for the new requirements associated with NATO’s CFI and its focus on interoperability and readiness of the NRF. As ACO’s Contract Integrator, the Agency will play a central role in advising future NATO operational planning on the available options for logistics and contractor support.

The NSPA has established itself as a key contributor to the ambitions of NATO and the nations with its broad portfolio of capabilities and ability to rapidly adjust to new requirements. In 2013 the NSPA built the foundation that will ensure it remains a critical enabler in the future as “NATO’s premier logistics and services provider team.”

### Conclusion

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SMART DEFENCE

Responsiveness
Procurement
FLEXIBILITY

KNOW-HOW
Rationalization

DEVELOPMENT
Pooling

Support
Opportunities

STRA
NSPA
NATO SUPPORT AGENCY

SMART SUPPORT
Services

INTEGRATED SOLUTIONS

Efficiency
Accountability

SECURITY
CONTRUENCY

Better value
Improvement
VISION
Synergies

Cooperation
Logistics
FOCUS

COMBINATION
WORKING TOGETHER

ORGANIZATION
ASSETS

CONSOLIDATION

Sharing

Efficiency
Accountability

Savings

Best practices

Effectiveness