# Table of Contents

## Introduction 4-9
- Introduction by the NSPO ASB Chairperson 4
- Foreword by the General Manager 5
- Corporate Governance 6-7
- Agency relevance to NATO Goals, Objectives and Priorities 8-9

## Capability Area Achievements 10-23
- Support to Operations and Exercises 12-14
- Systems Procurement and Life-Cycle Management 15-17
- Fuel Management 18-19
- Strategic Transport and Storage 20-21
- Logistics Services and Project Management 22-23

## Performance 24-34
- Support and Management Development Achievements 24-26
- Customer and Stakeholder Outreach 27
- Procurement 28
- Financial Overview 2017 29
- Audit Opinions on the NSPO Financial Statements 2016 30
- Performance Measurement 31
- Risk Management 32
- Quality 33
- Longer Term Outlook – Challenges and Opportunities 34

## Conclusion 35-36
- Conclusion 35
- Annex I – NSPA Contracts in 2017 36
Introduction by the NSPO ASB Chairperson

On behalf of the NATO Support and Procurement Organisation (NSPO) Agency Board (ASB), it is my privilege to introduce NSPA’s 2017 Annual Report by highlighting our collective and continued success in bringing nations together in support of the Alliance’s strategic goals and objectives.

In fulfilment of one of the provisions of the NSPO Charter, the General Manager and I recently briefed the North Atlantic Council on the operation of the Agency, both from a governance and executive management perspective respectively. From a governance standpoint, I emphasized that the ASB and its subordinate bodies have continued to provide effective oversight of the Agency’s service delivery through cohesive policies and well-established governance processes.

I further underscored that our collective success in exercising sound corporate governance has been predicated on active engagement between and among national representatives, the Chairperson’s Office, and the Agency. It is my view that as these relationships have grown stronger, through open dialogue, consultation and mutual understanding, our consensus-based decision-making process has become better informed and more transparent.

In providing pragmatic institutional cooperative frameworks at various governance levels within NSPO, the Agency has been able to continue to enhance the readiness of nations’ and NATO’s defence postures, which in turn has contributed to the solidarity and strength of the Alliance.

Notwithstanding the positive outcomes regarding our accomplishments in moving forward and growing as an Organisation during 2017, the ASB continued to focus on the Agency’s ability to adapt to its ever-evolving and growing portfolio of capabilities, while remaining vigilant in ensuring its administrative overhead costs are kept to a minimum. In order to do so, the Board has approved and will continue to monitor key performance indicators to effectively address the Agency’s business activities and the associated complexities inherent with large international organizations, such as ours.

With the ASB’s approval of the Agency’s 5-year Strategic Direction last spring, and following the ASB endorsement of the comprehensive Business Plan proposal for 2018, I am encouraged by the positive and steady direction that our Organisation has taken. The ASB is poised for the future and is well positioned to enhance its oversight of the Agency’s strategic objectives and actively monitor its performance.

The work of the ASB Strategic Role Review Working Group provided a unique opportunity for Nations and the Agency to step back and take a fresh look at our structures and processes. Last June, the ASB agreed to the Working Group’s recommendations, which set the stage for the updated Strategic Direction and a realignment of the annual objectives established for the General Manager with more formal performance monitoring and feedback mechanisms.

With the successful completion of Agencies Reform objectives in 2016, I believe that 2017 marked an important crossroads in terms of maintaining momentum and seizing opportunities ahead. It is particularly important, in a customer-funded environment, that the ASB continually ensures that the Agency is resourced appropriately to adapt to growing business levels and the ever-increasing complexity of nations’ future requirements.

In summary, I am pleased to congratulate the ASB, its subordinate governing bodies and the Agency on the commendable progress made in achieving mutual objectives.

Jennifer Claire Hubbard
Chairperson,
NSPO Agency Supervisory Board
Foreword by the General Manager

It is my pleasure, once again to introduce the Annual Report for the NATO Support and Procurement Agency (NSPA) after another very busy and successful year.

The NSPA is NATO’s premier logistic service provider and in 2017 saw a major uplift to 4.8 Bn EUR of support to operations and exercises, acquisition, life-cycle support and logistic services delivered to NATO, its member nations and partners. However, it should be noted that 1.1 Bn EUR of this relates to the acquisition of NATO Multi-Role Tanker Transport (MRTT) aircraft.

The most important focus of the Agency continues to be delivering support to operations in Afghanistan, Kosovo, Mali and Iraq. This is achieved by managing the products and services delivered by contractors. Despite the planned draw-down of the RESOLUTE SUPPORT mission, the NSPA continues to deliver many services in Afghanistan, especially in Hamid Karzai International Airport, and an increasing number of projects to support Afghan forces on behalf of the Combined Security Transition Command-Afghanistan (CSTC A). A new success is the new medical facility in Film City, Pristina, delivered in 2017 and opened in January 2018. This offers turn-key, contracted, medical and surgical care to more than 4000 NATO Kosovo Force (KFOR) personnel. The Agency also continues to support National Forces in Mali and Iraq as well as delivering support to Exercise Trident Javelin 17 and the US Marine Corps Exercise Sabre Strike.

The NSPA has continued to arrange practical support to Deterrence and Defence particularly in the Baltic States and Poland. It is supporting enhanced Forward Presence and Very High Readiness Joint Task Force (VJTF) units arranging standby fuel support for the UK in VJTF17 and preparing to support Italy with fuel, food and transportation in VJTF18.

There was considerable development in acquisition, particularly with contracts signed in partnership with the Organization for Joint Armament Cooperation (OCCAR) for five additional MRTT aircraft. A further aircraft was added to this contract in early 2018. The NSPA has also made good progress in developing the Concept Phase of the Alliance Future Surveillance and Control (AFSC) project, which defines the follow-on capabilities for after current Airborne Early Warning fleet (AWACs) goes out of service. The transition of the NATO Alliance Ground Surveillance system to full life-cycle management and the establishment of the contractual framework and processes for its in-service phase also remain a focus in cooperation with Allied Command Operations (ACO) and the NATO Alliance Ground Surveillance Management Agency (NAGSMA).

Life cycle and service support for nations is provided through 30 multinational support partnerships, delivering engineering and logistics services to more than 90 weapon systems. There was sustained growth in both participating nations and workload in the majority of these partnerships. Agency projections see this trend continuing.

Looking forward, the future is bright for the NSPA with continued growth across the majority of the current Agency Programmes and several nations have approached the Agency interested in acquisition projects. This growth, while welcome, comes with a set of challenges for the Agency in span of control and strategic development. To give the Agency the direction to lead this growth, the Senior Management Team develop a revised strategic direction for 2018 – 2022 and an Optimization proposal regarding the Management Team. These were approved by the Agency Supervisory Board and will be implemented in 2018.

Special thanks are due to all the host nations of the NSPA; France, Hungary, Italy and Luxembourg, where considerable assistance has been provided in new infrastructure. A new security gate is developing well and the Agency is making full use of the data centre in Luxembourg, new hangar and office facilities in Hungary, and storage and training facilities in Italy. These facilities greatly improve the effectiveness and efficiency of the Agency’s day to day operations.

Finally, I would like to thank the Agency’s customers, stakeholders and governance board for their continued support and guidance.

Peter Dohmen
General Manager
NATO Support and Procurement Agency
Corporate Governance

General
The NSPO ASB reports directly to the North Atlantic Council and is composed of all NATO nations, with each nation having decision making authority. The ASB is responsible to provide strategic guidance, as well as to oversee the activities and monitor the performance of its executive body, NSPA. The ASB is also responsible to define the policies to be adhered to by the Agency, conclude agreements, and to approve the Agency’s annual budgets, financial statements and its organisation and personnel establishment. In addition to the 29 national representatives participating in meetings of the ASB, a representative of the Secretary General and the NATO Military Authorities, attend meetings in an advisory capacity. The ASB is supported by two subordinate committees: the Logistics (LOG) Committee and the Finance, Administration and Audit (FAA) Committee, both of which provide the ASB with respective expert advice. There are two NSPO Programme Boards overseeing the NATO Airlift Management Programme and the Central Europe Pipeline System Programme, as well as 30 active NSPO Support Partnership Committees, all of which share in the juridical personality of NATO.

As one of the highlights of 2017 within the governance policy domain, the ASB approved the NSPO Financial Rules and Procedures in the spring, which was a result of a concerted effort made by the FAA Committee. In doing so, the ASB also agreed to the Agency’s detailed Transition Plan to achieve compliance with the NATO Financial Regulations.

Logistic Operations
There are thirty Support Partnerships established as subordinate governing bodies under NSPO. Support Partnerships are established subject to precise terms and conditions, on the initiative of two or more NATO nations wishing to organize in common the support and services of activities within the scope of the NSPO’s mission. The Agency is responsible to provide services and capabilities to manage the requirements of both NATO and Partner Nations choosing to participate in the NSPO Support Partnership Committees. In doing so, the Agency manages a diverse spectrum of defence logistic, service and procurement activities, ranging from land vehicles, aircraft, missiles, radars, ammunition and infrastructure, through the provision of Real Life Support services in theatres of operation. Under separate bilateral or multinational arrangements, there are also a number of assured access services available for land and sea transportation, as well as Rapidly Useable Enabling Contracts to support deployed exercises and operations when needed.

During its spring meeting, the ASB approved the establishment of a new “Support to Operations” Directorate and agreed to rename the current Logistics Operations Directorate to the “Life Cycle Management” Directorate. The establishment of these two separate business directorates is a reflection of continued growth and ensures the Agency is effectively organized to meet future challenges. To support NSPO’s acquisition mission, the ASB also agreed to create and fund an Acquisition Planning and Development Office under the Life Cycle Management Directorates.

Agency Supervisory Board 2017
Directorate. Finally, following the ASB’s endorsement and Council’s approval of the documents governing the Alliance Future Surveillance and Control Support Partnership, this Partnership was established in December 2017.

**Airlift Management**

The NAM Programme Board (PB) is the governing body within NSPO responsible for the guidance and oversight of NAM Programme activities in support of the Strategic Airlift Capability (SAC) Program. During 2017, the NAM PB approved the acquisition of a C-17 Aircrew Training System (simulator) to be located at Pápa Air Base, Hungary. Its delivery in 2021 will increase aircrew availability and further enhance mission readiness for the Heavy Airlift Wing. Following the expression of intent by two member nations to increase their number of annual flight hours, an ad hoc Working Group was established to review the impact of such an increase to the current missions and personnel establishment, and to further recommend guidelines and criteria for the accession of new Member Nations into the Programme. In addition, the Strategic Planning Working Group, a dormant advisory body reporting to both the NAM PB and the SAC Steering Board (SB), was re-activated for a limited duration to jointly analyse and refine the strategic direction of the NAM Programme and the SAC Program respectively. The NAM PB noted that the Council had authorised a special allowance for the Agency’s B-grade staff located in Hungary, which would remain in effect until the necessary adjustments to the salary scales of NATO International Civilians were approved. Finally, draft Financial Rules and Procedures (FRPs) that implemented the NSPO FRPs and covered NAM Programme-specific matters were under review in the end of 2017, with a view to have those take effect 1 January 2018.

**Central Europe Pipeline System (CEPS) Programme**

The CEPS Programme Board (PB) is the governing body within NSPO that is responsible for the guidance and oversight of the CEPS Programme, which was established to operate, manage and finance the CEPS network as one integrated system. During 2017, the Board adopted a number of measures on key strategic areas that will influence the future of the system. More specifically, the Board approved a new Strategic Directive for the non-military use of the CEPS, recalling the principles for this commercial use and defining the services provided and the objectives pursued, in order to be able to meet the challenges of an evolving market. A new financing mechanism was approved for the next five years, which included setting nations’ contributions, applying a single cost share key and merging the existing operating funds into a single fund. The Board further approved the CEPS Programme Specific Financial Rules and Procedures (FRPs) that implemented the NSPO FRPs and covered CEPS Programme-specific matters. Finally, the Board noted that, through the concerted efforts by the Agency and the CEPS National Organisations, the pipeline system’s infrastructure assets were recorded for the first time within the NSPO Financial Statements (2016).
NSPA continues to support the NATO Strategic Concept, which outlines three core tasks: collective defence, crisis management and cooperative security. Renewed emphasis has been placed upon deterrence and defence in Europe while NATO also continues to be actively engaged in projecting stability. NSPA contributes to all of these tasks and initiatives. The majority of this activity is described in the following sections of this report, in particular the Support to Operations and Exercises chapter and the Logistics Services and Project Management chapter. A brief summary of the key activities is mentioned below.

Deterrence and Defence

Within the NATO activity to strengthen its deterrence and defence posture, the NSPA contributed to the logistics planning capability, arranged Rapidly Useable Enabling Contracts (RUEC) and provided support to the Host, Framework and Troop Sending Nations. A particular focus was on Battle Group and Very High Readiness Joint Task Force (VJTF) support.

The Agency has also delivered logistics support both to host nations and deployed forces engaged in the enhanced Forward Presence (eFP) activity in the Baltic States and Poland. The Operational Logistics Support Partnership (OLSP) has organised access to these services for many nations. In addition, the NSPA continues to assist the United States of America’s European Reassurance Initiative (ERI) with engagement in a high number of infrastructure projects.

In the maritime domain, the Agency offers port services globally in over 600 locations through the Naval Logistics Support Partnership (NLSP) ensuring fuel and food availability at agreed cost. These services now include a broader range of fuels to meet the developing needs of member nations.

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1 Strategic Concept for the Defence and Security of the Members of the North Atlantic Treaty Organization, November 2010.
Improving Capabilities

A number of strands of work led by the Agency continue to develop multinational interoperability and support, capacity and capability building. Particular examples include the NATO codification process, fixed wing fleet sustainment, helicopter acquisition, GPS system sustainment and Land Combat System acquisition, Multi-role Tanker Transport acquisition and support to the Danish led initiative on Precision Guided Munition procurement. These have all brought multiple nations together under a common banner to support agreed capability goals.

Projecting Stability

Delivering logistics support to operations continues to be the number one priority for the Agency. There is strong supporting action for NATO in Afghanistan and Kosovo, while logistic support is also provided to member nations for activity in Mali and Iraq. This level of current activity also allows the Agency to be prepared to support future NATO and national operations as and when required. The NSPA also delivers deployable headquarters capability packages for operations and exercises.

The Agency continues to work closely with Partner nations through its host nation responsibility for many NATO Trust Fund projects.

NATO also leverages Agency expertise in the development of Defence capacity building efforts to enhance security in specific regions including Ukraine, Afghanistan and Iraq.

European Focus

The NSPA provides services and acquisition support to all NATO member nations and establishes partnerships between nations to carry out common activity. These partnerships can be Euro-Centric or contain a wider spread of nations. A current major success is the rapid development and expansion of the MRTT acquisition for a collaborating group of European nations.
Capability Area Achievements

The NSPO’s Strategic Direction 2016-2020 provides a framework encompassing five key capabilities that is used as the structure for this report. The figure below reflects that Capability Portfolio.

Key elements of the Capability Portfolio include:

- **Support to Operations and Exercises**: Reflects the importance of support to collective defence and associated deterrence and defence initiatives, including the increased emphasis on exercises and training.

- **Systems Procurement and Life Cycle Management**: Expanded to include acquisition and full life cycle management.

- **Fuel Management**: Continues as a growing area managing fuel across the Central Europe Pipeline System, fuel provision in Afghanistan and Kosovo, aviation fuel cards for NAM and almost globally for naval shipping.

- **Strategic Transport and Storage**: Providing a full range of transport options including for the deployment of forces.

- **Logistics Services and Project Management**: Captures the broad array of logistics services provided by NSPA including e-Procurement and turnkey project management.

The Agency reviewed and refreshed its Strategic Direction in the first half of 2017 and, with the advice and guidance from the NSPO ASB, has simplified the model above for the 2018 to 2022 timeframe. Future annual reports will reflect the new model.
Support to Operations and Exercises

Key Successes and Growth Areas

Projecting Stability

The provision of support to current operations remains the most important focus of the Agency. Throughout the year, NSPA continued to deliver significant support to NATO operations in Afghanistan and Kosovo as well as to NATO member nations in Mali and Iraq. The current financial trend indicates a falling level of activity, which is being closely monitored by the Agency. While this decline show the Euro value of the activity, it must be remembered that the span of the portfolio remains undiminished. This financial trend reflects the closure of the ISAF mission in 2014 and transfer to the RESOLUTE SUPPORT (RS) Mission. NATO Common funding for infrastructure was greatly reduced and the drawdown in troop numbers led to a decrease in real life support activity. In addition, contracts for support to Kandahar were transferred from NSPA in 2017. Since then, and in line with the enduring nature of the RS Mission, common funding for infrastructure was agreed in 2017. At the same time, close cooperation with the CSTC-A organisation is bringing numerous high value projects to the Agency. NSPA has been preparing throughout 2017 for a number of large infrastructure projects that will be executed over the next three years. It is expected that this will reverse the downward trend in Support to Operations revenue. At the same time, operational support fuel activity within Afghanistan, the Baltic States and other theatres has increased significantly. This fuel support revenue work will be included in the Operations area in the future.

For the RESOLUTE SUPPORT Mission, NSPA organised a wide spectrum of support to operations in the Kabul area, Kandahar, Herat and Mazar-e-Sharif. Of particular interest for NATO is NSPA’s support to Hamid Karzai International Airport (HKIA) in close cooperation with the Framework Nation, Turkey, where the Agency manages airfield services, fuel, infrastructure, base support and real life support. NSPA also delivered a wide variety of trust fund projects to support Afghan Security Forces on behalf of the Combined Security Transition Command-Afghanistan (CSTC-A). These include Mi-17 helicopter overhaul and maintenance, with two overhauled aircraft delivered back to the Afghan Air Force. Other CSTC-A projects include purchase and support of Counter-Improvised Explosive Device (C-IED) equipment, infrastructure projects, delivery of winter clothing as well as medical support including vaccines and pharmaceuticals.

In Camp NOVO SELO, Kosovo, NSPA continues to provide base and life support for 1100 deployed troops from 11 nations. Of particular note, in less than eight months the Agency provided a contracted NATO role 2 Basic Medical Treatment Facility in Camp Film City to support the KFOR multinational force and service started on 1 January 2018.

The Agency continued to organise and manage operational support including camp services, real life support and infrastructure to NATO member nations on operations in Mali and Iraq. NSPA also actively assisted major NATO and multinational exercises including NATO’s Exercise Trident Javelin 17. This was the largest command post exercise in the last two decades, testing command and control of NATO in high-intensity conflict at multiple Army Corps level. Of note, the Agency supported US Marine Corps exercise Saber Strike in Latvia as well as NATO Deployed Air Component Command and Control Centre exercises in addition to other NATO and national exercises. Support for these exercises included planning, contracted logistics advice and supplying deployable camps.
Key Messages

- Expertise in support of NATO and national operations and exercises
- Full spectrum of operational capabilities
- Contribution to NATO / national Deterrence & Defence planning and execution
- Responsible for NATO Deployable Infrastructure Capability Packages

Support to Operations and Exercises (MEUR)

<table>
<thead>
<tr>
<th>Year</th>
<th>FACILITIES MANAGED</th>
<th>MEALS DELIVERED</th>
<th>DRINKING WATER PRODUCED</th>
<th>POWER GENERATED</th>
<th>FACILITIES MANAGED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>743</td>
<td>8,000 People</td>
<td>Equivalent to a 25m swimming pool every 2 weeks</td>
<td>180 MWh</td>
<td>750,000 m²</td>
</tr>
<tr>
<td>2013</td>
<td>651</td>
<td></td>
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<td>2014</td>
<td>476</td>
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<tr>
<td>2016</td>
<td>328</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>204</td>
<td></td>
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</tr>
</tbody>
</table>

Note that this graph does not include operational fuel activity, which is included within the Fuel Management capability area.

Achievements

AFGHANISTAN AND KOSOVO

- MEALS DELIVERED
  8,000 People fed per day

- DRINKING WATER PRODUCED
  Equivalent to a 25m swimming pool every 2 weeks

- POWER GENERATED
  180 MWh

- FACILITIES MANAGED
  750,000 m²

EX SABRE STRIKE 17 (US MARINE CORPS)

- 2 X LARGE CAMPS
  1500 personnel
  2 locations in Latvia
**Deterrence and Defence**

The Agency is recognised as a key enabler for contracted logistics support to deterrence and defence initiatives. NSPA is supporting logistics planning as well as working on solutions to meet the need for rapid reinforcement and to sustain troops once deployed to assist in enabling SACEUR’s Area of Operational Responsibility. To achieve this the NSPA gave logistics planning support to NATO Military Authorities, including the establishment of a pre-prepared Rapidly Useable Enabling Contract for multimodal transport and advice on contracted options for fuel support.

**Enhanced Forward Presence and Very High Readiness Joint Task Force**

As part of NATO’s deterrence and defence posture, nations agreed to the permanent stationing of enhanced Forward Presence (eFP) forces on a rotational basis in the Baltic States and Poland. Those eFP forces are in place and NSPA delivers support to both host nations and eFP sending nations. Services provided include fuel to a number of nations, delivery of permanent infrastructure as well as supplying deployable and temporary accommodation.

The Operational Logistics Support Partnership (OLSP) has been the entry point for many nations to access the Agency’s operational support expertise and membership has now grown to 19 nations. The OLSP organised stand-by fuel support to the UK-led VJTF 17 and plans are underway to support Italy with fuel, food and transportation as they take the lead with VJTF 18.

**Improving Capabilities**

In the NATO Smart Defence projects related to Precision Guided Munitions (PGM), NSPA has supported the Lead Nation, Denmark, in their technical and administrative development. Nine nations signed a Memorandum of Understanding on PGM support naming NSPA as the Executing Agent. As a result, the NSPA established an agreement with the US Government, which allows greater flexibility and visibility for NATO nations wishing to pool and share PGM resources collectively. The Agency also delivers considerable support to nations on bilateral PGM cases, managed under direct commercial sales.

**New Programmes and Projects**

Further work to support Deterrence and Defence is expected in 2018, including development of fuel support options for enabling SACEUR’s AOR as well as wider support to the VJTF forces.

The Agency may see an expansion in support to eFP host nations and Framework/sending nations particularly in the areas of deployable and permanent infrastructure, temporary camps and fuel.

The Medical Role 2 facility in Kosovo was procured and delivered within an exceptionally short period in 2017 with Agency staff providing close contractual oversight. As of 1 January 2018 reached full operational capability.

Finally, Exercise Trident Juncture will be NATO’s high visibility event in 2018. The Agency will take part in this ambitious exercise and will meet customer requirements by arranging real life support to exercising troops as required.

The new Support to Operations Directorate was established in January 2018 providing a dedicated focus for the Agency’s key work in this area.
Systems Procurement and Life-Cycle Management

Key Successes and Growth Areas

The Agency has continued to see growth along with increased national requirements in many Support Partnerships covering the lifecycle spectrum from acquisition, development, through in-service support to final disposal. Membership growth statistics can be found at Annex 1.

Major Systems Projects

Multinational Multi Role Tanker Transport (MRTT) Fleet (MMF)

The aim of the MMF Support Partnership is to procure, field, maintain and sustain, a fleet of A330 aircraft to strengthen NATO’s capabilities. Eight aircraft are now on contract for delivery in 2020 with effect January 2018. Acquisition is achieved in partnership with OCCAR. A Directed Infrared Counter Measures (DIRCM) contract has been awarded and the Support Partnership expanded with Belgium and Germany joining.

Alliance Future Surveillance and Control (AFSC)

The Agency has made significant progress since the NAC approved the initiation of Phase 1 of the AFSC Concept Phase in February 2017. The Concept Stage project management plan provides a detailed roadmap to ensure coherent and timely delivery. The Project Office in NSPA was established and five positions filled with NATO Civilians and Voluntary National Contributions (from Germany and Italy) by the end of 2017. Additional positions will be recruited in 2018. NCIA delivered initial AFSC capability architecture views with the involvement of national subject matter experts. The Netherlands and Italy are conducting important studies in parallel to the capability architecture development. The governance and management arrangements are established and the NAC has approved the AFSC Support Partnership Agreement and Programme Directive. Following this approval, on 20 December 2017 the AFSC programmatic governance transitioned to a full Support Partnership Committee.

Alliance Ground Surveillance (AGS) Core System Life Cycle Management

The Agency has made good progress in preparation for the In-Service Support of the AGS Core System once delivered by the NATO Alliance Ground Surveillance Management Agency (NAGSMA). A Post Design Services (PDS) contract and an AGS Logistics Information System maintenance contract were established. Contracts for the procurement of initial spare parts are also under negotiation. The AGS Transition Plan was approved by the NAC. At the same time, the AGS Support Partnership approved the Life Cycle Configuration Management Plan. NSPA has also been actively engaged with the Italian MOD to establish the airworthiness framework. Finally, planning is underway for AGS to benefit from the Agency’s ability to automate supply chains, such as that for A400M.

Air Domain

Support to the air domain continued to expand rapidly across the spectrum. National demands in both the Fixed Wing and Helicopter Support Partnerships considerably exceeded forecast demand. It is expected that this will be repeated in 2018 and will be a focus of management attention. Noteworthy air projects included the acquisition and delivery of two Super Puma helicopters for the Spanish Airforce as well as the overhaul, battle damage repair and maintenance of Afghan Mi-17 helicopters in support of CSTC-A. In addition, the Agency is supporting a variety of other complex rotary and fixed wing projects including training simulator, avionics and electronic upgrades. The Agency continued to deliver essential and timely in-service support and lifecycle management for all of NATO’s 40 ground-based Air Defence radars, as well as expanding its portfolio to support additional systems such as MISTRAL.
NSPA continued to provide depot level maintenance to the NATO Airborne Early Warning and Control Force E3A aircraft and reactivated the Leonardo S.p.A maintenance facility. The Agency’s workload has increased and become more complex as these aircraft age and it becomes progressively more difficult to source spares and industrial support. Cooperation with all stakeholders is excellent with work continuing to further support the force.

**Land Domain**

In the land domain, the picture is similar with increased workload in many Support Partnerships and expanded membership. Increased work across the full lifecycle of many systems included land combat vehicles, artillery systems, missiles and rockets as well as within the workshop. Significant activities included support to acquisition of armoured vehicles for one nation as well as support to BOXER, where further growth is expected. Additionally, the Agency was focussed on the overhaul of PzH2000 systems, refurbishment of Light Armoured Vehicle turrets, support to DINGO vehicles, the development of a Modern TOW2 Test Set and the completion of test facilities for SPIKE. The Multiple-Launch Rocket System (MLRS) has also seen a continuing high level of work.

The Unmanned Aerial Surveillance Support Partnership is an expanding and innovative area that is generating considerable interest among nations. It has expanded the range of equipment it supports and its membership with Belgium joining.

**Other Areas**

In other areas, a new Cryptographic, Communications and Electronic Equipment (CCE) Support Partnership has been established with Belgium, the Netherlands and Spain. The Demilitarisation, Dismantling and Disposal Partnership has grown by one member and expanded its turnover while the Ammunition Support Partnership has seen total requirements exceed EUR 500M.

The Agency is also supporting NATO common-funded capability development. For example, NSPA is Host Nation for the acquisition of eight x 300 man common-funded deployable headquarters as part of Capability Package 1101.

**New Programmes and Projects**

The Agency expects to see continued steady growth in the Systems Procurement and Life-Cycle Management capability area. In the air domain, for example, Luxembourg joined the Helicopter Support Partnership early in 2018 and there is potential expansion of the Patriot Support Partnership as well as expected growth in membership of other Support Partnerships. In addition, the first meeting of the AFSC Support Partnership is planned for March 2018.

An option remains for an additional three MRTT aircraft should the need arise. The Agency will also develop a project to test air surveillance radars, which will expand NSPA’s capability in this area. Similarly, other radar projects are planned such as support to national radar procurement projects including Portugal’s short-range Air Defence programme. Potential national acquisition projects are also being investigated in Land Combat Vehicles and Rotary Wing areas.

NSPA will acquire deployable infrastructure to support NATO, national forces and HQs. It is expected that 2018 will see a continuation of acquisition of the CP 1101 NATO camp, a camp for the Luxembourg Army, an HQ camp for the 1 German/Netherlands Corps as well as a study into a possible deployable camp for the United Kingdom.

Growth is also expected in the Unmanned Aerial Surveillance as well the Land Combat Vehicles Partnerships and an exciting potential high value project is the acquisition of BV206 replacement vehicles for a number of nations. Following the success of the business model for precision guided munitions (PGMs), support to the ‘Land Battle Decisive Munitions’ initiative is also foreseen for 2018.

The new Life Cycle Management (LCM) Directorate was established in January 2018 to provide dedicated focus on the Agency’s key work in this area.

The Acquisition Planning and Development Office (APDO) will also be established in 2018 with an ambitious programme of work to further develop the Agency’s full acquisition capability.
Key Messages

- NATO’s Acquisition and Life Cycle Management Agency
- Coverage of all Life Cycle Management Phases ("Cradle to Grave")
- Platform for effective and efficient multinational cooperation
- Key enabler for NATO / Nations’ Capability Development

Systems Procurement and Life-Cycle Management (MEUR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (MEUR)</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
<td>569</td>
</tr>
<tr>
<td>2013</td>
<td>528</td>
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<td>2014</td>
<td>635</td>
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</tr>
<tr>
<td>2016</td>
<td>1,454</td>
</tr>
<tr>
<td>2017</td>
<td>2,272</td>
</tr>
</tbody>
</table>

Achievements

- SUPPORT PARTNERSHIPS: 30
- WEAPON SYSTEMS SUPPORTED: 90+
- NEW MEMBERS OF PARTNERSHIPS: 42
- GROWTH IN ACTIVITY: 820 MEUR 56%
Fuel Management

Key Successes and Growth Areas

Central Europe Pipeline System (CEPS)

The Central Europe Pipeline System Programme is an integrated, cross-border fuel transport and storage system in support of NATO operational military requirements. Once again, the CEPS achieved a very high level of performance in 2017.

The volume of fuel transported, (12.4 Mm³), at almost record levels, exceeded estimates by 8.6%. This unexpected level of activity was also due to a disruption on a major rail track in Germany, which resulted in the shift of some of the demand to the CEPS. The capacity to handle unplanned demand on short notice is a clear demonstration of the CEPS flexibility and responsiveness, which is of extreme value for the support of NATO operations. In terms of storage, the average volume rented out to both military and non-military clients reached 891 573 m³, a small 0.2% increase in relation to the forecast (890,000 m³). This reflects a fill rate of 99.1% of the system’s net storage capacity.

The operational revenues reached 108.5 MEUR, an increase of 8.5% against the forecast (100 MEUR). Most of those revenues come from providing services to civilian customers, which covers a significant proportion of the Programme’s budget. The CEPS operational costs (O&M and other operational activities) reached an amount of 134.5 MEUR (including the CEPS PO cost of 4.9 MEUR). The corresponding operating deficit was fully covered by the financial contributions of the six CEPS member nations.

Logistics Operations

The volume of fuel provided in both Afghanistan and Kosovo increased, with volumes rising by 25% from the previous year. This activity included assisting nations executing NATO Air Policing missions in support of Deterrence and Defence. Due to increased NATO Train and Assist missions in Southern Afghanistan and constrained ground lines of communication, increased quantities of fuel were delivered by air using IL-76 and L-100 aircraft to forward operating bases. NSPA fuel support to KFOR enters its eighth year, and like Afghanistan, there has been an increase in fuel activity to include being a support base for East European missions and exercises with some nations executing NATO Air Policing missions and training.

The Global Aircard Services (GAS) contract grew by 109% in terms of volume provided with three new nations signing onto services. The implementation of GAS into the NSPA Fuel Management System was also delivered in 2017, allowing better access and tracking of customer requests with customer transactions increasing markedly. Annual turnover for GAS was 32M USD. This is projected to exceed 40 M USD in 2018. GAS currently allows users to have access to over 2,700 airports around the world. Ground Handling services were added in 2017 and allow GAS users to request various services such as stairs, ground power units, catering and water services in addition to fuel.

Support to nations engaged in Enhanced Forward Presence (eFP) marks the newest fuel project. From March, the Agency initiated services in the Baltics supporting two nations, the United Kingdom in Estonia and Norway in Lithuania and this support will continue in 2018. The NSPA will also support the Italian MoD with a standby contract for VJTF18.

In the maritime domain, the Agency provides port services globally in over 600 locations through the Naval Logistics Support Partnership (NLSP).

New Programmes and Projects

The GAS card has allowed the Agency to provide cost effective fuel services to a number of nations at multiple civilian airfields throughout Europe and the Middle East. This use of the GAS card system is expected to grow since it offers nations wide geographical support as well as economies of scale.
Key Messages

- Support to multinational / national operations & exercises
- Support to “Deterrence & Defence” and Very High Readiness Task Forces
- Global maritime fuel provisioning capability
- Record level results in fuel transportation by the CEPS in 2017; positive outlook for 2018
- Significant steps taken for an improved approach to non-military activity of the CEPS; to be continued in 2018

Fuel Management (MEUR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Fuel Management (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>134</td>
</tr>
<tr>
<td>2013</td>
<td>273</td>
</tr>
<tr>
<td>2014</td>
<td>167</td>
</tr>
<tr>
<td>2015</td>
<td>381</td>
</tr>
<tr>
<td>2016</td>
<td>412</td>
</tr>
<tr>
<td>2017</td>
<td>495</td>
</tr>
</tbody>
</table>

Achievements

- **CEPS TRANSPORT**: > 12,374,691 m³
- **KOSOVO ISSUED**: 28,000 m³
- **CEPS STORAGE**: 891,573 m³
- **BALTIC NATIONS ISSUED**: 1,500 m³
- **AFGHANISTAN ISSUED**: 282,000 m³
- **GAS CARD ISSUED**: 50,000 m³
Key Successes and Growth Areas

NSPA is a transport provider through air, sea and land as well as providing multimodal transport solutions. The assured access airlift and sealift contracts, together with a network of worldwide freight forwarders and rapid access to the market, provide a solid basis to fulfil NATO and National transport requirements.

**NATO Airlift Management (NAM)**

Over the year the high availability of aircraft provided to the Strategic Airlift Capability allowed 2959 Flying Hours to be achieved. This was 200 less than the planned figure of 3165 due to low demand in the early months of the year. The lost hours could not be fully recovered during the rest of the year. Average Mission Capability rate during the year stayed very high at 91.5%.

A Strategic Planning Working Group (SPWG) was established to develop proposals on the future and possible expansion of the SAC Program. Many possibilities were being explored in close cooperation between the Strategic Airlift Capability (SAC) nations and the NAM and Heavy Airlift Wing (HAW). A report is expected in the spring of 2018.

After occupation of the new permanent infrastructure in 2016, 2017 was used to optimize the new facilities and to maximise its use. A package of minor works improvements was approved for the new facilities, in particular, to mitigate a humidity risk in the new IT-rooms. A Vehicle Staging Area and an expanded Security Fence around the operations area and aprons were also completed. These infrastructure improvements will be finalized in 2018.

Logistics Operations

The Agency enhanced the Strategic Airlift International Solution (SALIS) contract to include additional aircraft types for the user nations. This contract is likely to be extended to the end of 2021 to meet the nations’ requirements.

The establishment of a multimodal strategic transport RUEC in support of deterrence and defence significantly improves the NATO Command Structure’s ability to deploy a NATO HQ and staff. Importantly this RUEC could also be used by nations - with SHAPE’s agreement - to support national deployment requirements.

The Assured Access Sealift contract remains in place until the end of 2019. Currently five Nations benefit from assured access to three Roll-On Roll-Off (RORO) ships for worldwide shipments beginning in Europe.

New Programmes and Projects

NSPA’s expertise in warehousing operations (more than 45,000 line items processed per year) could be leveraged to support Deterrence and Defence pre-positioning or depot/warehouse operations throughout Europe.

SAC-nations decided to acquire a C-17 Aircrew Training System (ATS) or simulator. The aim is to have the simulator fully operational by the end of 2021.

Management attention was concentrated within SAC, HAW and NSPA elements to optimize internal business processes. The aim was to stabilize the business processes and organization of the SAC. This effort was supported by an appraisal of Airworthiness related processes and a full manpower review.
Recognized transport provider for Air, Sea and Land
Established multimodal transport solution
Capabilities for strategic pre-positioning

Key Messages

Achievements

<table>
<thead>
<tr>
<th>Company</th>
<th>Flying Hours</th>
<th>Container Moves</th>
<th>Transport Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAM</td>
<td>2959</td>
<td>963</td>
<td>7,725 tons 16,594 passengers</td>
</tr>
<tr>
<td>SALIS</td>
<td>2918</td>
<td></td>
<td>16,300 tons</td>
</tr>
<tr>
<td>C-17</td>
<td></td>
<td></td>
<td>2,114 tons</td>
</tr>
</tbody>
</table>

Strategic Transport and Storage (MEUR)

<table>
<thead>
<tr>
<th>Year</th>
<th>NAM</th>
<th>SALIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>197</td>
<td>137</td>
</tr>
<tr>
<td>2013</td>
<td>438</td>
<td>174</td>
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<td>2015</td>
<td>174</td>
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<tr>
<td>2016</td>
<td>230</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Aerial view of new SAC compound at Papa Airbase
Loading of a SALIS Aircraft
Container ship
C-17
Key Successes and Growth Areas

The management of Trust Fund projects is a key aspect of NATO’s ‘Projecting Stability’ initiative. Increasingly complex and multiyear tasks were delivered. These include projects ranging from professional development of service women in Peace and Security roles, radiological waste management, medical rehabilitation to support injured servicemen, Explosive Ordnance Disposal (EOD) and support to Logistics System reform. NSPA also serves as Executing Agent for two NATO Ukraine Trust Funds: standardization of the Ukraine logistics system, and medical rehabilitation for Ukraine service members.

Infrastructure and engineering projects and their ongoing support continue to be very important lines of work. The Agency absorbed additional commonly funded construction projects at the six NATO Airfields in Afghanistan and accepted a substantial programme of NATO Trust Fund projects in support of the Afghanistan Security Forces. These have planned implementation over the next three to five years. In addition, NSPA established new Engineering Services contracts in Kabul and continues to provide Engineering Services to the USA across Afghanistan as well as NATO forces at Camp Novo Selo in Kosovo and the German Camp at Erbil, in Iraq.

In Europe, NSPA continued to develop and implement US-funded European Reassurance Initiative projects linked to Deterrence and Defence in Latvia and Lithuania, and more recently in Poland. It has also continued to work with the US Navy Command in Europe on construction projects in Sicily. The Agency is also delivering the AGS Core Civil Works Infrastructure in Sicily on behalf of Italy. The design and the launch of the solicitation for the construction works were also completed. This project will be implemented over the coming 3 years.

There is continued interest in the Agency’s ability to provide cost-effective and efficient ‘e-procurement’ for customers. Three further nations joined the Common Item Materiel Management (COMMIT) Support Partnership Committee, bringing its membership to 23 nations. Supply activity through COMMIT together with Random Brokerage supply and services exceeded 200 MEUR.

Based on this capability, NSPA continued to develop the General Procurement Shared Services (GPSS) to support NATO entities with administrative functions including utilities, office equipment and supplies, transportation and travel, as well as other services. The Customer Agreement and Programme Directive were both signed, marking a major milestone in the development of this initiative. New customers have joined including NATO HQ, NCIA, (The Hague) and NSPA SOC and new capabilities added to the portfolio.

NSPA also supports the NATO Codification System committee AC/135, a key enabler of standardisation. AC/135 held a very successful World Codification Forum in Australia attended by 280 participants from around the world.

New Programmes and Projects

Looking to the future, expansion in the use of GPSS is expected. In addition, the Agency will continue to support a variety of NATO trust fund initiatives. Growth is foreseen in the delivery of infrastructure support to operations and for Deterrence and Defence, while opportunities to use the Agency’s capabilities to support other national and NATO funded projects in Europe and elsewhere will be pursued.
Key Messages

- Provider of NATO Trust Fund projects
- Well established e-business solutions

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**Logistics Services and Project Management (MEUR)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<td>Value</td>
<td>700</td>
<td>592</td>
<td>675</td>
<td>790</td>
<td>796</td>
<td>1052</td>
</tr>
</tbody>
</table>

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**Achievements**

- **2017 TRUST FUND PROJECTS (NON-CSTC-A)**: 9
- **2017 CONTRIBUTIONS**: 8.1 MEUR
- **2017 DONOR NATIONS**: 17
- **2018 PROJECTS PLANNED**: 12

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**Calibration for US Navy**

**Handling of Hazardous Products**

**Infrastructure**

**General Procurement Shared Services**

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**INVITATION**
Join us on the 21st - 22nd of April for the NATO eSHOPPING CENTRE OP
Support and Management Development Achievements

Enhance Human Resources (HR) Management

Striving towards a mature Performance Management culture, the Agency completed its second full EPMS cycle. This cycle is shown in the graphic.

The technical application was updated to achieve a more user-friendly interface and the communication strategy enhanced the content of information to both managers and staff.

Lessons learned from the 2017 cycle will entail further improvements for the 2018 cycle. These will change the cycle to coincide with the calendar year starting the Planning Phase in January, the Review Phase from April to August and completing the Appraisal Phase by December.

The number of recruitment activities increased even further due to the creation of an additional 146 posts. Therefore, the HR Recruitment team received three additional staff, which allowed increased capacity to conduct simultaneous interviews and tests. The recruitment figures are shown in the graph below.

The Agency advertised 287 positions, an increase of 20% from 2016 and 44% increase compared to 2015. A similar trend appears in the number of interviews conducted. In 2017 the HR team conducted 242 interviews, 24% more than in 2015.

Not all positions were filled from an interview. Some positions were filled by pre-selection of candidates who were qualified from previous interviews. In 2017, 116 Selection Committees convened for selection on file. This is a decrease of 55% compared to 2016, indicating that the number of qualified candidates retained from an interview process decreased. It also reflects changes to the transfer policy.

The influx of new staff reached an unprecedented 136 newcomers. This was a significant increase in workload for the HR Division, in particular for the Administrative team that provide the in-processing and on-boarding of new staff members.

HR processes were also reviewed to achieve efficiencies and effectiveness. A new electronic workflow for Contract Confirmation and Renewal was finalised in 2017 and will be actively used from the beginning of 2018. This will eliminate paper coordination, improve the tracking and monitoring of the process, achieve substantial time reduction, capture reporting statistics and reduce the need for manual intervention. Further HR processes will convert to electronic workflow in 2018, including an e-Recruitment application.
People

Training activities also surged during the year. The number of outsourced training courses conducted in Capellen increased by 50% (from 55 in 2016 to 83 in 2017). An 88% increase appeared in the number of participants (from 476 in 2016 to 895 in 2017). These increases are partly due to the increased staff numbers but primarily driven by the need for risk management and EPMS related training. The overall workload in this area has reached a level where an additional staff member will be needed to cope with future workload.

Organisation and Personnel Establishment

The 2017 O&PE included the approval of the Agency optimisation study. This introduces two new Directorates, Life Cycle Management and Support to Operations from the beginning of 2018. An additional 146 posts were also added, reaching an unprecedented total establishment of 1325. The 2018 O&PE submission introduced a 3% budget factor giving the General Manager room for manoeuvre in establishing post within the overhead funded area. The approved total establishment for 2018 is 1,369.5 posts.

An electronic workflow was introduced in 2017 for the creation and revision of Position Descriptions (PD). This application eliminated the need for paper-based coordination, with each PD remaining in electronic from initiation until validation.

The Agency sickness statistics continue to decrease due to the Agency proactive absenteeism policy. This improvement is shown in the graph. The medical team continues to actively support managers and staff with information and preventive medical advice. Close cooperation with the Agency Health and Safety organisation will further strengthen the attention to the wellbeing of our staff and thereby provide the basis for a further reduction of the overall sickness ratio within NSPA.
Support and Management Development Achievements

**Advance Information & Communication Technology (ICT) Capability**

Demand for ICT services reflected the dramatic business growth across the Agency. This manifested through growth in the workload associated with the delivery of traditional services and through demand for the creation of new services to meet the expanding scope of the business.

The IT support organization saw a growth in requests from the business for advice in support of a number of major business acquisition or procurement projects. Examples included the IT preparations for Capability Package 1101 (the storage facilities at SOC), office cabling and IT for new buildings as well as analysis and advice to de-risk the MRTT ICT. Internally, IT delivered a business status portal to manage project status and risk across the Agency and facilitated improved finance and control processes. In addition, notable improvements were made to existing business areas including, the NATO Logistics Stock Exchange, COMMIT Support Partnership, the SAC Electronic Document Management System and initial asset management and accounting for the AGS-Logistics Information System (ALIS).

Under the ‘consolidation’ theme, the underpinning technology for the SAP Backbone was replaced to ‘future-proof’ SAP and deliver significant performance improvements. The Disaster Recovery Programme, is now an optimized technical solution with the NSPA private cloud, successfully increasing resilience and extended capacity. From Versailles, CEPS PO is now able to backup and restore the SAP application from the NSPA private cloud in Luxembourg. With robust network layers and the application layer synchronization, the resilience of the business has now been much improved.

The NATO Computer Incident Response Capability (NCIRC) was extended with deployments at Versailles, Pápa and Betzdorf. The NSPA Cyber Protection Plan has proved an effective response to cyber threats and has ensured no infection from high profile malware. Thanks to NSPA’s resilient design, cyber-attacks against the Agency this year have been mitigated, with no impact on users and with the ICT support organization able to maintain services for all sites.

**Management Focus Areas**

**Knowledge Management**

Knowledge Management (KM) tools, in particular a Task Management System (TMS), now renamed Coordination Management System (CMS) were developed to enhance business efficiency. The CMS system will undergo trial use in early 2018.
Customer and Stakeholder Outreach

NSPA carried out an increased programme of external communications and stakeholder engagement throughout the year. This was directed at key audiences and stakeholders to increase awareness of NSPA’s growing capability portfolio and expanding support to NATO policies, missions, operations and exercises.

Agency outreach activities consisted of more than 40 Official Visits to NSPA, which included many General/Flag Officers, NATO, EU and National Ambassadors and Defence Ministry staff. The Official Visit Programme and additional working level visits enhanced the positive and professional reputation enjoyed by the agency and highlighted our support to NATO Allies and partners.

An extensive stakeholder engagement programme was organized through which our logistics and programme staff hosted many working level visits with Nations, NATO HQs, agencies and other organisations. This included formal and informal sessions in Capellen and across NATO countries with a broad range of our customers and stakeholders. These sessions were designed to promote our expanding portfolio of products and services, to maintain an up-to-date understanding of customer requirements and to facilitate strong cooperation between the Agency and its stakeholders.

The Logistics Operations directorate continued to engage closely with customers, particularly in areas where the Agency could provide even greater support. Particular focus was given to developing the AFSC programme of work as well as actively pursuing aspects of Deterrence and Defence where the Agency could support NATO and individual nations. The Agency also engaged with Turkey, Germany, Italy, USA, Portugal and Finland on both AFSC and Deterrence and Defence as well as other potential areas of support including Air Defence, aircraft and land vehicles.

The key customers of NAM are the Heavy Airlift Wing (HAW) and the 12 member nations of the SAC. NAM continued to increase visibility of the SAC programme to external entities, including potential new member nations. Visits were conducted to principals at NATO HQ on the International Staff, National representatives and to Supreme Headquarters Allied Powers Europe (SHAPE), where discussions focussed on their potential assured access to the C-17 capability of SAC. Outreach for cooperation extended to the European Air Transport Command (EATC) and European Defence Agency (EDA).

The CEPS Programme maintained close coordination with its member nations through three Programme Board meetings per year. These board meetings were supported by several meetings of the relevant subcommittees. Each new delegate to the Programme Board receives a full face-to-face introduction to the Programme by the CEPS PO, contributing to a better and faster understanding of the Programme characteristics, opportunities and challenges. The CEPS Managers Meetings, that bring together the leadership of the CEPS PO and the National Organizations three times a year, also proved invaluable for improved coordination and stronger commitment to the common goals of the Programme.

Additionally, NSPA hosted sixteen industry events organized for NATO Nations both in nations and at NSPA in Capellen. These events contributed to the addition of 1048 new sources of services and supplies. Furthermore, the Capellen team hosted more than sixty individual contractor visits.

The Agency continued to expand its public affairs external communication efforts through increased use of internet-enabled social media tools: Facebook and LinkedIn. Reach through social media continues to grow – exposure through Facebook is up more than 12% (from 6800 to 7600 fans) and 42% through LinkedIn (from 3700 to 5235). Furthermore, visits to the NSPA internet webpage remained stable at approximately 176K visitors, and the NATO homepage twice featured NSPA activities in the context of Trust Funds last year.

NSPA has initiated an electronic newsletter to increase stakeholder awareness of key projects, logistics and procurement capabilities and services. To subscribe to this newsletter click on the link here: https://tracker.nspa.nato.int/SitePages/Subscriptions.aspx

Global effort in communication has also resulted in an overall increase in mainstream media interest in the agency as demonstrated by bi-monthly media queries about agency activities.
Procurement

The high pace of NSPA Procurement activity was sustained throughout the year with almost 35,000 contractual arrangements made. Purchase Orders were placed with a total committed value exceeding 4.35 Bn EUR. This value is the sum of direct commitments made by NSPA and excludes the value of CEPS activities, A400M and Tiger commitments made by NSPA on behalf of OCCAR, which contribute to the 4.8 Bn EUR mentioned in the General Manager’s introduction. Balance of trade figures are included at Annex 2. The largest value contract was for the MMF project. Single-source contracting amounted to 3.22% of the total value placed during the year.

The total value of savings achieved in price negotiation of all sole and single-source contracts exceeded 105 MEUR. This provides a direct saving to the customer against estimated budgets. Additionally, implementation of the competitive Reverse Auction Process during 2017 directly resulted in savings of 23.21 MEUR during the course of the year.

The Procurement function established a number of major contractual commitments during the year, with notable business growth in SALIS, Capability Packages and Foreign Military Sales (FMS) cases. The highlights include:

**KFOR Role 2B Medical Treatment Facility (MTF)**

As Germany was ending its role as Lead Nation for medical support in KFOR, NSPA was tasked by the Role 2B MTF Participants Board to provide a turnkey solution to ensure continuity of services effective 1 Jan 2018. This complex project was subject to a competitive solicitation and awarded with a mobilization plan to allow for delivery of a completed facility at Camp Film City, Pristina, Kosovo with full operational capability by the required date.

**MMF acquisition & DIRCM equipment**

Following signature of the MoU by Germany & Norway, NSPA and OCCAR negotiated with Airbus Defence & Space to order a further five MRTT aircraft for the MMF. A further five Directed Infra-Red Countermeasure (DIRCM) systems were ordered from Elbit Systems Electro-Optics (Elop) to equip the additional aircraft.

**Fuel**

A number of major fuel service contracts were competed and awarded to provide fuel across the globe, and notably in Afghanistan, Kosovo and the maritime domain.

**F-15 Conformal Tanks**

A multimillion USD contract was awarded for initial integration, testing and support of the fuel tanks on Air National Guard (ANG) F-15 aircraft. Accelerated delivery of these tanks gave the ANG an ability to evaluate the tanks in increasing mission ranges and durations and reduce the ANG fleet reliance on tanker refuelling support.
Financial Overview 2017

This proved to be another excellent year financially for the Agency. Total business volume of 4.8 Bn EUR (which includes projects for OCCAR) built on the previous year’s figure of 3.6 Bn EUR. The figure was boosted by commitments to purchase Multi-Role Tanker Transport for a number of customers. Since the establishment of the Agency in 2012, turnover of the Agency has increased by 84 per cent. This increase in business volume continues to demonstrate the attractiveness of NSPA capabilities and the trust that customers have in the Agency’s services.

The administrative cost of running the Agency

The Agency’s internal administrative costs of delivering goods and services to customers was 152 MEUR (compared to 139 MEUR for the previous year). Internal administrative costs have risen by only 12 per cent since the founding of the Agency, compared to the increase in total turnover of 84 per cent.

Taking the administrative costs as a percentage of total business volume is a rough measure of the cost effectiveness of the agency to its customers; the ratio of 3.2 per cent compares favourably to the previous year ratio of 3.8 per cent. This ratio has been steadily falling as the Agency grows.

Operational highlights

Most of the Agency’s programmes benefited from a strong customer demand. There are five programmes that are the main drivers of the financial results; each contributing commitments of over 250 MEUR:


While there were reductions in previous strong business performers such as Real Life Support and infrastructure projects, the fuel programme continued its robust growth.

Aviation Support Programme (2017: 1,613 MEUR, 2016: 852 MEUR)

The programme’s turnover increased from 192 MEUR in the year the Agency was formed. The significant increase in turnover came from commitments to purchase eight Multi-Role Tanker Transport aircraft (two ordered in 2016, five in 2017 and the eighth ordered January 2018).

General and Cooperative Services Programme (2017: 748 MEUR, 2016: 514 MEUR)

The programme’s commitments increased by almost 50 per cent. The Ammunition project continues to be the major driver of the programme’s success with an increase in turnover from 308 MEUR in 2016 to 530 MEUR in 2017.


The programme’s business volume continued to increase with support for the Panzer Howitzer 2000 (PzH2000) and SPIKE being the main drivers in turnover.

A400M and NH90/Tiger Programme (2017: 500 MEUR, 2016: 548 MEUR)

This programme contributes a significant part of the business volume of the Agency by creating a link through which customers such as OCCAR and the NATO Helicopter Management Agency (NAHEMA) can commit their funds directly with industry. There were minor reductions in business turnover supporting the NH90 for NAHEMA, while for OCCAR there was increased support for the A400M project but reduced support required for the Tiger project.

Looking Forward

It will be challenging for the Agency to match the results of 2017, which were in part caused by the excellent performance of the Aviation Support Programme. Much will depend on the operational needs of customers. However, early indicators are that 2018 will also prove to be another excellent year in financial volume terms for the Agency and its customers.
Audit Opinions on the NSPO Financial Statements 2016

Opinion on Compliance

The IBAN found that there had been much improvement in the preparation of the 2016 NSPO Financial Statements compared with previous year. However, the IBAN issued a “qualified audit opinion” on whether, in all material respects, the financial transactions and information contained within the NSPO Financial Statements for 2016 were in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations. This qualification was due to insufficient internal controls over the production of the Financial Statements. Internal control over the production of the Financial Statements has steadily improved since the creation of the NSPA. The Agency is optimistic that this qualification will finally be removed with the issuance of the NSPO Financial Statements for 2018.

Opinion on Financial Statements

The IBAN issued a “qualified audit opinion” on the numbers presented in the NSPO Financial Statements for 2016. There were three factors contributing to this opinion:

- Foreign Military Sales (FMS) prepayments (asset) and related liabilities were overstated by 58 MUSD. The Agency will correct this presentation in the NSPO Financial Statements for 2017.
- Central Europe Pipeline System assets in the course of construction could not be supported at the German National Organisation. This qualification should be removed with the issuance of the NSPO Financial Statements for 2018 when the NATO Accounting Policy on Property Plant and Equipment comes into effect.
- The financial statements did not include comparative information with respect to the Statement of Change in Net Assets, Note 3 Property, Plant and Equipment (PP&E), and Note 4 Intangible Assets and inter-business segment eliminations. The Agency will correct this presentation in the NSPO Financial Statements for 2017.

Audit Recommendations Status

The IBAN made seven new recommendations in its 2016 audit report. The Board noted that 12 of its previous year outstanding observations had been settled, seven had been superseded by a current year observation and 18 remained outstanding. The Agency works hard to implement IBAN recommendations and observes that the majority of new and outstanding observations should be closed with the issuance of the NSPO Financial Statements 2017.

Vision on the Way Ahead

The financial and audit priority of the Agency will be to reduce outstanding audit recommendations and strong effort will be applied to achieve this through the issuance of the NSPO Financial Statements 2018.

A second financial priority will be to implement the NSPO Financial Rules and Procedures. There are a number of rules and procedures, which will be complex to implement and the Agency Supervisory Board has given its support to the Agency for implementing the most complex of these by the end of June 2019.

The final objective for finance will be to continue its planning to enhance its financial procedures and processes. This will include updating the financial system when the current Enterprise Resource Planning System is upgraded or changed. The current system becomes obsolete in the middle of the 2020s.
Performance Measurement

The General Manager and Agency Executive Leadership use a dashboard of seventeen Key Performance Indicators on a monthly basis to monitor activity and achievement as well as tracking trends. This allows the Agency to take action to correct any underlying problem before this has a negative effect on the customer nations. The KPIs tracked are indicated in the diagram below.

Agency Business Process

The main processes of the Agency are based on the workload forecast of the nations. These workloads are difficult to predict over long periods and hence the forecasts tend to lack accuracy. Within the Agency staff numbers are based on the workload predictions given, which results in many areas becoming insufficiently manned. This under-estimation of the workload forecast also led to an increase in the backlog and delay in the processing of some customer requirements. The Agency reacted to this developing backlog with the recruitment of additional procurement staff, but this has not been possible in all areas.

In the IT field, the Agency also faced increasing numbers and sophistication of cyber-attacks. New measures were implemented to protect against these attacks both to decrease and avoid any negative effects on NSPA activity.

Customer

The Agency continues to be an attractive business proposition for the nations so the number of Support Partnership members continues to grow, reaching 305 at the end of the year. In total, 42 new members joined either existing partnership or one of the two newly created Support Partnerships: the Cryptographic, Communications and Electronic (CCE) Equipment and the Alliance Future Surveillance and Control (AFSC).

The NAM programme continues to produce high availability for the C17 aircraft, achieving an average of 91.5% availability for the HAW.

People

There was continued focus and action on levels of reported sickness among staff. The short-term sickness ratio has stabilized for the last 3 years at 3.4% due to close monitoring of this indicator.

The Agency continues to grow and 283 recruitments were achieved with 131 newcomers, 52 internal transfers and 100 promotions.

Financial

The level of commitments has continued to grow, now over 4.8 Bn EUR. Noting, however, that this is positively affected by the 1.1 Bn EUR purchase of MRTT aircraft. Because of this increase the Agency efficiency ratio continues to improve, reaching 3.2% at the end of the year.
**Risk Management**

The main effort in the risk management process was the training of key members of staff in this process. This was followed by the capture of key project related risks within the Programme area as this relates most to customer business. An Operating Procedure was developed from the pilot experience and this, together with an updated policy, provided the basis for the training scheme. Two levels of training were developed, an initial introduction on the concepts for all members of staff, and an advanced course for managers regularly involved in the day-to-day process. A high proportion of staff attended the training and this will continue in 2018 to ensure all staff have adequate risk management knowledge. All high level risks have been captured with treatment action planned within the various projects and an escalation process designed to bring risks to the appropriate level. A similar procedure is also underway for process related risks in the support areas.

<table>
<thead>
<tr>
<th>Risk Heat Map</th>
<th>Likelihood</th>
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<td>3</td>
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<tr>
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<td>2 6 1</td>
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<tr>
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<td>5 2</td>
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<tr>
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<td></td>
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</tbody>
</table>

At the Enterprise level the results of treatment actions were monitored and new activities identified as the level of risk changed through the year. These risks were presented to the Governing Body and sub-committees of the Organisation, and this is now a routine procedure within the annual meeting schedule of the NSPO. An updated risk heat map is included to show the level of current Enterprise risk within the Agency.

In the Enterprise risks the effect of the mitigation and treatment actions has reduced the level of risk in all cases other than that of inadequate resourcing. In that case, a number of emerging problems related to the rapid growth of the Agency have increased the likelihood of that risk having a significant impact on Agency activity. Examples in this area are the lack of office space and challenges in recruitment.
Efforts have been made by the Agency to maintain its Quality Management System compliant with NATO Requirements. A particular focus has been set to develop training on Quality Standards and to strengthen the Quality Focal Point network across the different organizational layers. The Agency successfully passed the ISO9001:2015 surveillance audit. The Agency has also improved communication and feedback with National Quality Assurance Authorities and this will continue. There will be even greater challenges in the near future, following the update of AQAP2131, AQAP2310 and AQAP2105, the transition to AQAP2110EdD as well as the rapidly increasing complexity of NSPA business.

Occupational Health and Safety (OH&S)

The Agency is currently focusing effort on updating its approach to OH&S to ensure the safety of staff working within the organisation and to minimise potential risks in the working environment. The aim will be to maintain standards equivalent to or above those of the Host Nation.

Agency Infrastructure

With the full support of the Luxembourg Government, the Agency is reviewing the infrastructure at the Capellen site, much of which is more than 50 years old. A study is expected to report potential options for redevelopment of the site in 2018.
Longer Term Outlook – Challenges and Opportunities

Strategic Direction 2018-2022

The evolution of global defence and security challenges around the world, the decisions taken at the Warsaw Summit, including the continued presence in Afghanistan and the rapid growth of the Agency, have a clear impact on the future of the Agency. To incorporate these changes, the NSPA Executive Management Board identified the need for a revision of its Strategic Direction. A new plan was approved by the Agency Supervisory Board to cover the period 2018-2022. This plan incorporates significant input from customer nations and the NATO Command Structure. In order to simplify the understanding of the comprehensive portfolio of activities the Agency provides, the original five capability areas were regrouped into three:

Optimization Study

The extensive growth in Agency business levels since forming in 2012 together with the expansion of role since Agencies Reform have had considerable impact on Agency span of control. The Agency Supervisory Board approved the results of an NSPA optimization study, aligned with the new Strategic Direction, that revised the leadership structure of the Agency at the level immediately below that of the General Manager. The result is the split of the Logistics Operations Directorate into a Lifecycle Management (LCM) Directorate and a Support to Operations (OPS) Directorate. In addition, the Lifecycle Management Director is supported by a small APDO dedicated to the Agency’s new acquisition role, taking on new initiatives and preparing new projects. These changes were implemented in January 2018.

Projecting Stability

The AFSC project is the first major acquisition project, at the concept stage, where the NSPA is identified as the Host Nation. An AFSC Support partnership with 29 member nations was established at the end of the year. The first meeting of this group will be held in March 2018.

The MMF project membership grew considerably during the year with seven aircraft on order for member nations. Another aircraft was ordered in January 2018 and the Agency will be managing the schedule of delivery with OCCAR and Airbus for the next few years. Activity will increase to prepare the in service support activity from 2022 onwards. An option remains for the Agency to order up to three further aircraft should the requirement be raised.
Conclusion

Delivery of support to NATO and National Forces on operations was, once again, the highest priority for the NSPA. The Agency is continuing to provide the long-term support to operations in Afghanistan and Kosovo as well as to National contributions in Mali and Iraq. In addition, support was provided to nations engaged in the enhanced Forward Presence activity in Poland and the Baltic States and to those planning VJTF deployments. The relationship with CSTC A continues, especially providing procurement assistance and Trust Fund development for Afghan National Army projects. A key success has been the opening of the contracted NATO Role 2 Basic Medical Treatment Facility in Camp Film City that started service delivery in January 2018.

The acquisition role for the Agency is another major success with the rapid growth of the MRTT contract from an initial two aircraft there are now eight aircraft on order and the option available for another aircraft if the need arises. As lead nation for the AFSC project concept phase the Agency is continuing the essential studies as part of this phase and successfully converted the project to a Support Partnership at the end of the year. Work is also continuing with the NAGSMA to plan for transition of the AGS capability to the NSPA once the core system is delivered and the Programme moves into in-service support.

As well as the success in the acquisition area, the other Support Partnerships continued to grow rapidly with scope and volume of work. Once again, this is a key indication that the Agency is delivering what customer nations want at a competitive price, on time and at high quality. With each success in this area more customers are encouraged to take part and this further enhances the cooperation and interoperability among, as well as savings to, the nations. While the majority of the effort is for NATO member nations, partner nations are encouraged to join and there are many examples of where this continues to provide a successful cooperation.

Another high profile task, though of relatively low financial value, the Agency continues to provide support to the NATO Trust Fund effort. This is a key element of the NATO “Projecting Stability” work. The NSPA continues to act as host nation for a number of projects for NATO HQ and for CSTC-A in Afghanistan. These projects include such tasks as medical rehabilitation of injured service personnel, professional development of service women in peace and security roles, logistics system reform and Explosive Ordnance Disposal.

With the approval of the NSPO, the Agency reviewed its Strategic Direction and Top Level organisational structure and these plans will be implemented from 2018 onwards. This will improve service to the customer and give adequate level of control in this rapidly expanding business.

While the level of growth experienced within the Agency is very encouraging, it brings with it a set of challenges, particularly as there is an increasing need to find additional high quality staff to meet business needs. The pace of expansion is testing the capacity of support areas, such as Human Resources, who are able to recruit staff in sufficient time to meet demand. Additionally, the Agency is rapidly running out of office space to accommodate new activity.

This has been another very encouraging year for the Agency with strong support from the governing bodies, customer and partner nations, hosting nations and other NATO bodies. Business activity continues to grow at an extraordinary pace and our partnerships with non-NATO bodies, such as OCCAR, are very productive and forming strong bonds.
## Annex I – NSPA Contracts in 2017

**Requirements placed with NSPA**

<table>
<thead>
<tr>
<th>Country</th>
<th>MEUR</th>
<th>%</th>
</tr>
</thead>
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<tr>
<td>ALB</td>
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<tr>
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**Contracts let in nations**

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* Including requirements funded in 2017 but not yet contracted

** Including: a. Contracts placed in 2017, regardless of funding year
b. multi-year contracts