

Transparency and accountability NATO spending



Why this initiative?

Our work as a Supreme Audit Institution is founded on the principle that the use of public means (mostly money) must always be matched by public, democratic controls. The ideal form of public accountability discloses how the government or national and supranational governmental organisations manage public funds responsibly, prudently and economically. We believe this principle also applies to an organisation such as NATO. However, we are fully aware and understand that some NATO activities do not always tolerate transparency. They are not open to discussion. What we do want to discuss are NATO activities where transparency and accountability are ‘harmless’ and therefore make common sense.

Our long-term goal is to guide NATO into becoming more transparent and accountable to the public, without compromising the integrity of its activities. As the SAI of one of the 28 member countries, we are involved in advising the International Board of Auditors for NATO (IBAN). IBAN is the independent, external audit body of NATO. Its main mandate is to provide the North Atlantic Council and the governments of NATO member countries with assurance on the use of common funds for the settlement of authorised expenditure.

Together with IBAN and other member country SAIs, we have been looking into NATO’s financial management for several years. We see that it has improved over time but there is still some potential for improvement.



Funding Facts & Figures

NATO has approximately 51 organisations and agencies that work with member countries and partner countries and assist them in procurement, logistics, and other activities. These organisations and agencies are autonomous entities that operate under North Atlantic Council-approved charters and benefit from NATO’s tax-exempt status.

NATO receives three types of funding: common funding, joint funding and other types of funding:

1. Common funding consists of financial flows from all 28 member countries to NATO’s headquarters. A member country’s contribution is based on a cost-share ratio of its gross domestic product.
2. Joint funding is contributed by entities and programmes that are established under multinational agreements.
3. Other types of funding consist of trust fund arrangements, contributions in kind, ad hoc sharing arrangements, and donations.



Increased transparency and public accountability

In June 2014 NATO took an important step towards greater transparency by issuing the audit reports and related financial statements of individual NATO entities. We hope NATO continues along this path and releases more information on, for instance, its organisational structure and the operational management of NATO entities. Disclosing facts and figures about overhead costs – as long as they are non-sensitive – is a means to optimise the efficiency of NATO entities. We hope NATO takes further steps to become more financially accountable.



NATO transparency and financial accountability

NATO is funded by taxpayers' money. With our principle of public accountability for public expenditure we strongly believe that it should be clear from the outset who is accountable for what, which rules and regulations are applicable and what the policy outcomes are for society. Despite the complex structure of public finances and public services in general and NATO's undeniable right not to be transparent on occasion, it should ideally be possible to follow the money from the taxpayer to the public service. In NATO's case we find that, despite the improvements made, the organisation is unable to provide comprehensive information about its annual revenues, expenditures, and achievements to the taxpayer.



Room for improvement

More specifically we feel that NATO can enhance its transparency and public accountability by:

- Presenting an overview of all joint entities that clarifies who is accountable for what.
- Having all the joint entities publish their budgets or annual reports.
- Issuing a consolidated financial statement. Financial accountability is fragmented by the diversity of funding arrangements and entities.
- Being more open about NATO's performance. More insight could be provided into the policy outcomes paid for from the public purse.



What needs to be done?

We would like to see NATO continue the improvement path it has embarked upon. Greater transparency would enhance NATO's accountability to taxpaying citizens. As stated above, we understand that NATO has to consider what undisclosed, non-sensitive information can be released to the public. It could also consider publishing a consolidated financial statement, and providing an insight into the performance delivered by means of public expenditure. We have asked our national representatives to take our position on public accountability into account when performing their respective NATO roles and activities, as this initiative reflects our audit mandate and the position we hold as the SAI of one of the 28 member countries.