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SUBJECT: JALLC REPORT ON OUTSOURCING NATO LOGISTICS

REFERENCES: A. JALLC/CG/10/194, Outsourcing NATO Logistics, dated 27 July 2010
B. ACO Directive 80-1, Lessons Learned, dated 13 July 2009

1. The JALLC report at Reference A results from an analysis requirement to enhance the planning and management of commercial logistic support solutions in support of NATO operations.
2. The report has been staffed at SHAPE in accordance with Reference B, and all the recommendations were endorsed; some are already being implemented through the ISAF Contract Management Action Plan.
3. ACO action bodies are identified at Enclosure 1, but some recommendations, such as the use of the International Board of Auditors for NATO and the Automated Personnel Management System, are outside SHAPE's scope and are therefore submitted to NATO HQ and HQ SACT respectively for consideration.
4. ACO action bodies are to implement the endorsed recommendations. Internally, SHAPE Readiness & Requirements Directorate is to monitor the implementation of the action plan and will release a progress report in April 2011.

FOR THE SUPREME ALLIED COMMANDER, EUROPE:


Manfred Lange
General, DEU AF
Chief of Staff

Joint Analysis & Lessons Learned Centre - Registry -
Date-in: 27 / 09 / 10
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1. Outsourcing NATO Logistics – Action Plan

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LLDb	TITLE	OBSERVATION	DISCUSSION	CONCLUSION	RECOMMENDATION	SHAPE COMMENTS AND ENDORSEMENT	ACTION BODY
1070	Documentation of Lessons Identified from NATO's Use of Contract Commercial Logistic Support	During interviews with JALLC, individuals from various NATO HQs and NAMSA referred to their organization's lessons learned from the use of commercial logistic support. However, when asked to provide documentation or notes about lessons learned, none could be provided to JALLC for review, or found in NATO's LLDb as required by Bi-SC Directive 80-6.	It is possible that logistics LL documentation exists, but no one (in the extensive list of logistics personnel) that the study team spoke to could produce documents of such lessons. Therefore, it is likely that little or no logistics LL documentation exists and what does exist is not being shared. This was a conclusion of the International Board of Auditors for NATO (IBA) Annual Report 2008, published 30 April 2009 which reported that KFOR and ISAF staff were unaware of the extent of lessons learned documentation available and that documentation (of lessons) specifically related to logistics is limited. The IBA report went on to say that frequent staff rotations meant that institutional knowledge about previous challenges and solutions were not being kept. The report recommended that to improve this situation, NATO should train KFOR/ISAF staff on the existence and use of the NATO LLDb. The NATO LLDb is not considered user friendly in its current configuration and is being re-examined. At some locations bandwidth and network limitations added to difficulty getting lessons into the LLDb. In an effort to overcome some of these problems, for the past year, JALLC has invited organizations to submit lessons using the Observation-Discussion-Conclusion-Recommendation format via email	NATO Logistics Lessons are being implemented, but not documented and shared in accordance with Bi-SC 80-6. Within KFOR and ISAF, it appears that staff lack the training needed to use the NATO LLDb to share and access documented logistics lessons. Technical issues with the NATO LLDb contribute to a lack of lessons available in that system	ISAF HQ and ISAF Joint Command and KFOR HQ should re-examine internal processes to ensure collection, documentation and sharing of lessons learned in accordance with Bi-SC Directive 80-6. Specifically: - All staff should use the Observation-Discussion-Conclusion-Recommendation format to document lessons within the associated HQ and submit them to LL personnel for review by the chain of command. - After chain of command review, lessons should be entered into the NATO LLDb directly, or may be submitted to JALLC LNO presence in ISAF at ISAF_HQ_JALLC_NS@hq.isaf.nato.int. If there are problems using the LLDb, the lessons identified should be arranged in (Observation, Discussion, Recommendation and Conclusion) format found in Bi-SC Directive 80-6 and emailed to jallcldbpcoc@jallc.nato.int for processing. NATO should implement IBA's report recommendation to train KFOR and ISAF staff on the existence and use of the NATO Lessons Learned Database.	Recommendation Endorsed The report itself is indicative of how LL are not all captured. A number of counter arguments, risks and adverse impacts of using contractors and agencies were not addressed or noted in the report. It is essential if LL are to be useful tools, it must capture both the benefits and pitfalls of the topic. The recommendation focuses on the capturing LLs in theatre, however the lack of continuity is an impediment to capturing factual and relevant information. More specifically regarding this subject, performance of contracted support is better assessed over a period of 3 to 6 years, including the initial contractual period and the extension, expansion and potential re-competition periods where the true impact of outsourcing is seen from an operational and financial perspective. These aspects were not assessed by JALLC, as the study was conducted prior to periods of major change and re-competition. Had this study been conducted more recently, some LL may have differed. LL in theatre are critical, however they must be staffed through the operational and strategic headquarters to ensure a certain amount of objectivity is added to the theatre observations which can have a tendency to deal with the immediate concerns without the benefit of a longer term perspective and impact. There is definitely a need to capture and make LI available to interested parties in the NATO community.	SHAPE JFC Brunssum HQ ISAF NAMSA

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1071	Contract Management Oversight in Area of Operations	<p>At KAIA and KAF, the chain of command use the NAMSAs Team Leader / Representative to provide contract management oversight and problem solving skills to ensure products and services are delivered for Real Life Support and APOD operations.</p>	<p>NAMSAs representatives engage with the command group at KAIA and KAF through logistics channels (DCOS/J4/A4) and via regular VTC. These VTCs could include HQ ISAF, SHAPE, and NAMSAs HQ. NAMSAs deploys representatives into the AOO to manage contract commercial logistic support. NAMSAs personnel in the AOO act as Programme /Project Managers. NAMSAs provides oversight for some NATO contracts, and other contracts are under JB/ or THOC management. Contract oversight and management requires contract knowledge. Specific issues for legal aspects of contracts, engineering issues, and financial issues usually require additional augmentation or Reach Back support. As examples of contract oversight and management, the NAMSAs representative at KAIA saved time and avoided unnecessary expenditures of NATO funds by applying his knowledge about several supporting contract Statements of Work. The task- to build an earth berm /barrier between a boundary roadway and the airport runway, ultimately used an existing contract for the task to enhance security instead of buying services and contracting other support. Estimated cost avoidance/savings 270K in Euros, plus weeks saved. NAMSAs representatives also facilitated a grooved runway / runway repair at KAIA by collaborating with KAF to share contracted support and equipment. Estimated cost avoidance was approximately 500K Euros and months of delay were prevented. The GiRoA owns and operates Kabul International Airport. However, when the KAIA runway lighting system required repair to maintain operations, GiRoA lacked the expertise to get the lighting fixed in a timely fashion, a NAMSAs representative facilitated the use of NATO contract support to keep the airport operating.</p>	<p>Management oversight of contract commercial logistic support is provided by the situation awareness of functional experts in theatre who are sensitive to the risks and opportunities available. Several of the cost saving accomplishments seen in ISAF would not have been possible without the situation awareness, technical knowledge and in-theatre (on site) programme management of NAMSAs personnel in the field. Therefore, maintaining contract management expertise in the AOO is essential to provide this oversight.</p> <p>Legal aspects of contracts, engineering issues, and financial issues require specialized expertise which may be provided by augmentation or reachback support. Additional specialists in theatre would be helpful to expand the scope of oversight which could be provided to commercial logistic support solutions.</p>	<p>NAMSAs should continue to provide personnel for contract management directly into theatre. NAMSAs and NATO should evaluate where additional expertise is needed to cover all aspects of legal, engineering and financial contract management support in theatre to prevent gaps in its oversight of commercial logistic support solutions.</p>	<p>Recommendation Endorsed</p> <p>Effective management of Theatre Infrastructure is a key operational supporting issue, requiring professional advice and expertise which must be provided in a timely and consistent manner. Deployed military engineering staff personnel often lack the necessary expertise or experience which is needed in order to assess the impacts of changes to designs or technical solutions. In addition, construction times of complex civil works projects - especially those with implementation schedules of 10 months or longer - frequently supersede military personnels' available rotation times. As a result, whilst continuing on-site project supervision and coordination amongst stakeholders, NAMSAs personnel invariably become a constant and reliable element in staffing.</p> <p>The continuity provided by NAMSAs has been a valuable tool in executing contracts in theatre and SHAPE intends to continue to use NAMSAs where appropriate. However, it must be noted that in order for NAMSAs to have success in theatre, significant staff effort is required at JFCBS and SHAPE to obtain the 26 Nations agreement, funding and authorities for NAMSAs to act as NAMSAs has no authority to act on its own. JALLC must be careful when expressing savings resulting from NAMSAs's efforts without having conducted a full cost analysis and transparent benchmarking exercise. During the recent recompetition of contracts at KAF at the insistence of the command structure would otherwise have resulted in increased costs at KAF. Similarly, continuity does not always result in savings for common funded activities. It was only as a result of JFCBS' persistence that the cost shares at KAF and at KAIA were adjusted and regularly reviewed to ensure equitable distribution of costs. This has saved the Military Budget in excess of 6 Million Euros in 2010 alone. NAMSAs does not proactively consider issues of eligibility. Notwithstanding, if used correctly, agencies can be a great source of expertise and action. In line with the Secretary General's initiative, ACO must be mindful of how agencies are used.</p> <p>The ISAF Contract Management Action Plan developed and coordinated by SHAPE SPT LOG includes an action to review the NATO contract management capability resident in ISAF and propose a more effective and efficient mechanism to manage and coordinate NATO contracts in theatre. This work will examine how NATO and NAMSAs capabilities can best be employed to deliver the required level of support.</p>	<p>SHAPE SPT LOG & FIA NAMSAs</p>

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1072	Census Data of Personnel engaged in NATO's Use of Commercial Logistic Support in Operations	NATO lacks detailed information about contractor personnel engaged in supporting NATO operations in Afghanistan, and currently there is no NATO-wide system in use to gather this data. Visibility and oversight of contracting has been highlighted as a requirement by HQ ISAF Staff.	There is extensive use of contracts and contractors to support the ISAF operation from Nations and NATO channels. Some nations have their own systems that can provide detailed accountability of contract personnel or census data. The inability to account for all contract commercial logistic support personnel supporting ISAF is an issue which contributes to the friction between NATO and the Government of the Islamic Republic of Afghanistan (GIRoA) over the Military Technical Agreement (2004). The US uses a programme called The Synchronized Pre-Deployment and Operational Tracker (SPOT) as a US DoD system to record, track and account for all contractors supporting US Central Command. This facilitates visibility of contract logistic support personnel, and is an example of an approach and technology which could serve as a basis for a NATO wide system. US Central Command currently provides valuable metrics, including the number of host nation personnel (local nationals) used to support operations in Afghanistan.	NATO makes extensive use of contracts and contractors in Afghanistan, but lack of detailed information about contracts and contractors in Afghanistan makes it difficult to accurately assess NATO impact on host nation economy or plan future NATO contracting requirements. The identification of all contract commercial logistic support personnel in ISAF could help to mitigate some of the friction between NATO and the Government of the Islamic Republic of Afghanistan over the Military Technical Agreement. The US has a system (called SPOT) which maintains an inventory of contractors supporting US Central Command. The lessons learned by the US from using this systematic approach may be useful to NATO.	SHAPE should develop a system similar to SPOT to identify and account for the contract commercial support personnel in Theatre	Recommendation Endorsed SHAPE agrees that a mechanism of capturing this information is extremely valuable and should be accessible both in and out of theatres of operations. However, what is not captured in the report is the reluctance of nations and agencies that have systems such as SPOT to share access or provide data to NATO. Recent experience at KAF has shown that some contractors, even under a NATO contract, initially refused to allow NAMSA to release contractual information to the Command Structure due to fear of dissemination of proprietary information. This has recently been remedied through a limited access porthole, however it is indicative of the difficulty in share contracting information on a theatre or multi-theatre/international forum. The Automated Personnel Management System (APMS), currently being implemented under CP 5A0053, will provide the core capability for management of contractor personnel assigned to NATO C2 organisations. Additional functionality will be required to provide complete equivalence to SPOT capability (CP 9CD103A01 proposes further investment development). In addition, significant changes in contractor management procedures will be necessary identify the responsibilities, roles and tasks associated with capturing and maintaining data on contractors in theatre. ACT leads both CP and therefore should be involved in the implementation of this recommendation. The recommendation is consistent with the ISAF Contract Management Action Plan. Review and remedial action is currently in hand. The HQ ISAF Theatre Head of Contracts (THOC) is shortly to review the suitability of the US SPOT system for use by NATO. Once the review is complete SHAPE will assess the way ahead.	SHAPE SPT LOG & FIA HQ SACT

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1073	Transparency of NATO Common Funding for Commercial Logistic Support in Operations	Transparency of contract processes is often cited in briefings as an essential element to prevent misuse of resources. However, there is little or no mention of a systematic internal and external audit programme to improve visibility or transparency.	The use of external agencies to audit corporate enterprises is a standard business practice to validate and refine internal accounting controls and processes. The NATO International Board of Auditors (IBA) conducted a pilot assessment of NAMSA in 2008, and it appears more work is to be done with NAMSA. A 2009 IBA report was pending publication as this report was being prepared. IBA expertise could be also helpful to examine specific concerns about contract logistics in ISAF.	NATO is sensitive to the need for oversight of NATO resources. External audits about the use of NATO resources can improve transparency. IBA is a NATO agency with the expertise to conduct audit of ISAF resources.	NATO should make greater use of the International Board of Auditors for NATO (IBA), and identify specific areas of interest to include in the IBA Programme of Work to enhance transparency, and obtain further recommendations to improve NATO arranged commercial logistic support solutions.	Recommendation Endorsed SHAPE fully concurs with this recommendation. However it is important to understand that the IBAN reports directly to the NAC and as such does not answer to the Command Structure. Any findings, observations or resulting investigations would not be under direction of the chain of command and would be visible to the Nations. In addition, ACO possesses an internal audit capability which can also provide this level of oversight however the capacity has been severely impacted by the 45% reduction during the last PE Review. Similarly, each level of command has a limited amount of internal review capability which might be able to provide some capacity depending on the manning situation at each HQ. Lastly, ACO Head of Contracts continues to pursue the creation of a capability at SHAPE to have oversight and assurance over the outsourcing process.	SHAPE SPT FIA