

NATO STANDARD

AFinP-1

**FINANCIAL PRINCIPLES AND
PROCEDURES FOR THE PROVISION OF
SUPPORT AND THE ESTABLISHMENT OF
MULTINATIONAL ARRANGEMENTS**

Edition B Version 1

JANUARY 2019



NORTH ATLANTIC TREATY ORGANIZATION

ALLIED FINANCIAL PUBLICATION

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NATO LETTER OF PROMULGATION

22 January 2019

1. The enclosed Allied Financial Publication AFinP-1, Edition B, Version 1, FINANCIAL PRINCIPLES AND PROCEDURES FOR THE PROVISION OF SUPPORT AND THE ESTABLISHMENT OF MULTINATIONAL ARRANGEMENTS, which has been approved by the nations in the Military Committee Joint Standardization Board, is promulgated herewith. The agreement of nations to use this publication is recorded in STANAG 6025.
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4. This publication shall be handled in accordance with C-M(2002)60.



Zoltan GULYAS
Brigadier General, HUNAF
Director, NATO Standardization Office

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RECORD OF SPECIFIC RESERVATIONS

[nation]	[detail of reservation]
NLD	<p>The Netherlands cannot agree with the combination of the definitions in 2.2 (1) and 2.2 (2). For The Netherlands, the term "agreement " only applies for treaties which are to be concluded between states and which are binding in international law. Treaties have to be approved by parliament. The question is whether these treaties are meant here to further implement the financial principles. The arrangements referred to in 2.2. (1) and defined in 2.2. (2) are clearly only politically (and therefore non legally) binding arrangements for the Netherlands. The status of the arrangements mentioned in 2.2.(2) may however differ in the various countries. It is nevertheless not appropriate to specify in the present financial regulations whether the arrangements in 2.2.(2) could be legally binding. This should be subject to the national laws and regulations of the different countries. Furthermore, by using the terms "agreement" and " arrangement" interchangeably throughout the document and sometimes even alternately within the same sentence (e.g. 2.4 (5c), consistency and clarity are not promoted. It is therefore advisable to use only one term throughout the whole document without any specification on the legally binding character of these documents.</p> <p>The Netherlands prefer to use the (general) term "arrangement".</p>
<p>Note: The reservations listed on this page include only those that were recorded at time of promulgation and may not be complete. Refer to the NATO Standardization Document Database for the complete list of existing reservations.</p>	

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CHAPTER 1 RELATED DOCUMENTS

The North Atlantic Treaty signed in Washington on 4 April 1949.

The Agreement between the Parties to the North Atlantic Treaty regarding the Status of their Forces signed in London on 19 June 1951 (NATO SOFA).

The Protocol on the Status of International Military Headquarters set up pursuant to the North Atlantic Treaty signed in Paris on 28 August 1952. (Paris Protocol)¹.

The Agreement on the Status of the North Atlantic Treaty Organization, National Representatives and International Staff signed in Ottawa 20 September 1951 (Ottawa Agreement).

Agreement among The States parties to the North Atlantic Treaty and the others States participating in the Partnership for Peace regarding the Status of their Forces – signed 19 June 1995 (PfP SOFA).

STANAG 2034 NATO Standard Procedures for mutual logistic assistance.

¹ The provisions of this publication do not challenge the withdrawal from the Protocol on the Status of International Military Headquarters dated 28 August 1952 that was decided by France on 30 March 1966. NATO strategic commands and their subordinate commands cannot exercise their legal capacity on behalf of France. Thus, international commitments entered into by the strategic commands are not legally binding on the French Republic, unless explicitly accepted by this party.

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CHAPTER 2 GENERAL

2.1. AIM

The aim of this publication is to establish the financial principles and procedures applicable to the provision of support among participating nations as well as to the establishment of multinational arrangements.

2.2. AGREEMENTS AND ARRANGEMENTS

1. The term agreement in the context of this publication includes a legally binding arrangement.

2. The term arrangement in the context of this Allied Publication includes bilateral or multilateral statements of mutual understanding (e.g. Memorandum of Understanding, Technical Arrangement, Letter of Intent, Joint Declaration)

3. Participating nations to these agreements and arrangements agree to observe the financial principles and follow the procedural guidelines contained herein.

4. This publication will not prejudice the terms of any bilateral or multinational – agreement.

5. This publication does not in itself entitle the forces of a participating nation to obtain support, nor does it commit any nation to furnish such support.

6. Participating nations to these agreements and arrangements agree to the principle of using the financial NATO agreed terminology.

2.3. FINANCIAL PRINCIPLES AND PROCEDURES FOR DIRECT SUPPORT NATION TO NATION(S)

1. The provision of support and all financial implications will be governed by agreements, prior to the commencement of the provision of support (services and / or supplies).

2. In principle the provision of support is subject to reimbursement of costs. The recovery for provision of support is based either on reciprocal, full cost or incremental cost agreements unless provided free of charge, in accordance with the following general financial principles:

- a. In the interest of common cooperation, reciprocal agreements should be developed, with a view to entering into agreements to waive charges altogether where permitted by national law. These agreements will normally be based on the provision of an equitable balance of support between the participating nations concerned.
- b. When agreed by participating nations the incremental costs should be considered. Incremental costs are all additional costs incurred by the providing party which would not have occurred had the support not been provided. ANNEX A includes a list of incremental cost elements which may be applied.
- c. Where permitted by national law and regulations, administrative overheads and contract administration costs should not be charged, except where the providing party is charged by a third party for support provided.
- d. Based on reciprocity and where permitted by law of the nations involved in the transactions, support should be free of all duties, taxes and similar charges.
- e. Where permitted by national law interest on capital, recovery of sunk capital costs and depreciation costs will not be charged.
- f. Direct costs as a result of attrition of equipment caused by the demanding party may be recovered by the providing party.
- g. Where permitted by national law there shall be no leasing charge for land owned by the providing party.
- h. Where permitted by national law, the reimbursement can be made by replacement in kind (return of goods or services).
- i. Healthcare may be provided in accordance with Article IX, Para. 5 NATO SOFA or other existing health care agreements.
- i. Members of the demanding party will be provided with military welfare facilities and services at the same level and in the same manner, as those provided to members of the forces of the providing party. Similarly, catering and accommodation will not exceed charges applied to members of the providing party.
- j. The providing party gives no warranties for items supplied beyond those accorded or required by national law or international agreements. The providing party will assert on behalf of or assign to the demanding party, as it requests, any legally admissible warranty claims against third

parties. In case of legal proceedings initiated by the providing party on behalf of the demanding party the costs will be borne by the demanding party.

3. Cost estimates

In order that the demanding party may be able to make estimates of their obligations and provide – funds – to cover the requested support, the providing party will prepare a cost estimate. This estimate will be sent to the demanding party within a reasonable period. The estimate is to be made in the currency specified in the agreement.

4. Billing

The providing party will forward invoices for the support provided, to the demanding party. An invoice should contain all the information stated in ANNEX B.

5. Payments

In principle payments will be made in the currency specified in the agreement – within 60 days following receipt of the invoice. Bank and/or other charges (e.g. costs of currency exchange) will be borne by the demanding party. The providing party may ask for payment in advance on bilateral/multinational agreements and/or arrangements.

6. Cost information

When requested by the demanding party, the providing party will make available adequate information on costs incurred and charged to the demanding party so as to give as much transparency as possible to the pricing process.

7. Cost balancing

The balancing of costs in respect to reciprocity will be as agreed between the providing party- and the demanding party in the initial bilateral or multinational agreement. Where advance payment is not required, invoices will be submitted by the providing party, preferably not later than 30 days after the completion of the activity.

8. Records

The providing party will keep billing documents and – supporting documents in accordance with national law and regulations. The documents may be inspected by the demanding party upon request.

9. Claims and Damages

Claims and Damages in the cases of direct support Nation to Nation will be dealt with in accordance with Article VIII NATO SOFA or as specified in the agreement(s).

2.4. FINANCIAL PRINCIPLES AND PROCEDURES FOR MULTINATIONALLY FUNDED ARRANGEMENTS

1. The procedures and principles as laid down in this Article of this publication are of necessity formulated in a general and flexible way, as there are wide variations in practice in drawing up arrangements which are dictated by expediency and the peculiar nature of each project.

2. There might be instances where two or more participating nations find it convenient to establish a multi-nationally funded arrangement. In such instances an agreement is required to establish the details of the arrangements.

3. The respective agreement of multi-nationally funded arrangements should clearly identify the funding sources and the applicable cost share and should include provisions for all incidents which may have a financial impact (e.g. joining of a new Participant, withdrawal of a Participant, termination of an arrangement, arbitration).

4. The agreement will include details regarding the financial principles and procedures to be applied or referral to financial principles and procedures covered in supplementary documents (e.g. financial rules and regulations / financial management policies / budgetary and financial regulations).

5. Issues with financial impact:

a. Joining to an existing arrangement

Participation by other nations requires the approval of all parties of an existing arrangement and might be subject to an accession quota. The accession quota will normally consider the capital expenditure already incurred, inflation and depreciation. The joining to an existing arrangement usually affects the cost share.

b. Withdrawal

The terms of the withdrawal by a participant including the extent (value and duration) of the remaining financial obligations need to be specified in the agreement.

c. Termination

The terms for the termination of an arrangement and allocation of remaining assets acquired from multinational funding need to be addressed in the agreement.

d. Arbitration and Disputes

Any dispute regarding the interpretation or application of the multinational agreement will be resolved between the participants at the lowest level possible.

6. The financial principles and procedures should include provisions regarding
- a. Application and budget year/financial period
 - b. Budget currency
 - c. Budget structure
 - d. Preparation and approval of the budget
 - e. Budget execution (commitments, payments, receipts, transfers of budget credits, carry forward of budget credits, cancellation of budget credits)
 - f. Contributions from Nations according to the agreed cost share (call for funds, adjustment of contributions, unpaid contributions, unrequested advance payments)
 - g. Deposit and investment of funds (bank accounts, banking transactions)
 - h. Financial and budgetary management (responsibilities)
 - i. Property administration (write-off, loss or damage, residual value)
 - j. Procurement procedures
 - k. Accounting and reporting procedures
 - l. Financial statements
 - m. Internal Control
 - n. Auditing

7. Claims and Damages

Claims and Damages in the cases of multi-nationally funded arrangements will be dealt with in accordance with Article VIII NATO SOFA or as specified in the agreements(s).

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CHAPTER 3 IMPLEMENTATION

This publication is considered to be implemented when a participating nation has issued the necessary orders/instructions putting the procedures detailed in this agreement into effect.

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ANNEX A INCREMENTAL COSTING MATRIX
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Element Description

Definition

A. Personnel

<p>1. Civilian and military pay including</p> <ul style="list-style-type: none"> - allowances - benefits - retirements - civilian overtime 	<p>1. The difference between the total personnel cost required to support the providing and demanding party and the personnel cost required to support only the providing party.</p>
<p>2. Temporary duty, including rations and accommodation as well as travel expenses incurred by the providing party in providing the agreed support</p>	<p>2. All costs involved in the movement of personnel to cover temporary increase in workload or travel cost associated with providing the agreed support. Recoveries for rations and accommodations to be at the rate applicable to members of the providing party's armed forces.</p>
<p>3. Demanding party travel expenses</p>	<p>3. All travel expenses incurred to support the demanding party.</p>

B. Operation and Maintenance of Equipment

<p>1. Major equipment (excluding ships), (e.g. vehicles, tanks, aircraft, simulators, etc.)</p>	<p>1. The cost of fuels, spares, repairs, (in-house or contract) incurred in the provision of agreed support, will be computed based on consumption, hours, or other usage measures. Civilian and military personnel will be charged in accordance with A.1 above.</p>
<p>2. Ships</p>	<p>2. Ships operating costs will include only the amount of costs incurred above that which would be incurred by the providing party if the agreed support would not have been provided.</p>
<p>3. Other Equipment</p>	<p>3. Operation and maintenance costs (in-house and contract) which are caused solely by the provision of the agreed support. Civilian and military personnel will be charged in accordance with A.1 above.</p>

4. Supplies material, training aids and ammunition	4. Replacement costs of those items issued to, used by or used in connection with the support provided to the demanding party and which are not returned or re-usable.
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Element Description

Definition

C. Operation and Maintenance of Infrastructure and Facilities

1. In-house services: e.g. repairs, restoration, utilities, cleaning, etc.	1. Costs above those that would be incurred by the providing party if the demanding party was not present. Civilian and military personnel will be charged in accordance with A.1 above.
2. Contractual services in support of the demanding party	2. Those costs directly attributable to the demanding party. Costs will be pro-rated on the basis of usage (i.e., percent of usage by the demanding party to the total usage).

D. Other Costs

1. Other costs	1. Any other identifiable cost that is required for support of the demanding party that would not be incurred by the providing party if the demanding party was not present.
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ANNEX B MINIMUM REQUIREMENTS OF AN INVOICE
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Requirements	Description
Invoice	An invoice is the original invoice, not a copy. Invoice number
To	Company/institution name Full address with company ID VAT identification number (if VAT registered)
From	Company/institution name Full address with company ID
Date	Date of the invoice
Company /Country with IBAN	Name of Bank Address of Bank Account name IBAN SWIFT
Company/Country without IBAN	Name of Bank Address of Bank ABA/Routing No. (if applicable) Account No. Account name BIC
Delivery and payment information	The date of issue of the invoice Type of payment Mode of payment (electronic, other) Payment due date (mm/dd/yyyy) Currency/amount
Reference	Reference number to the specific order(s) for goods and/or services. or specific contract
Description	Full description of all goods and / or services delivered. Quantity, unit price, amount without tax, tax amount, total amount, currency.

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