NATO
OTAN

Framework for NATO Industry Engagement

2013

FRAMEWORK FOR NATO-INDUSTRY ENGAGEMENT

INTRODUCTION

1. At the Chicago Summit, Heads of State and Government stressed that "Maintaining a strong defence industry in Europe and making fullest possible use of the potential of defence industrial cooperation across the Alliance remain an essential condition for delivering the capabilities needed for 2020 and beyond".[1] Consequently, NATO, nations and industry[2] have been considering how to improve the NATO-Industry relationship.

AIM

2. The Chicago Summit Defence Package stated: "While NATO has no direct leverage on industry or market regulations, it has a role to play through the harmonisation of national and multinational capability requirements."

3. The aim of this "Framework" is to improve the way NATO engages with industry in a mutually beneficial, coherent and transparent relationship for harmonisation of capability requirements and solutions through existing NATO-Industry arrangements and bodies, as described in Appendix 1.

4. In that sense, this document aims at providing a coherent and consistent approach over the two areas of relationships: non-procurement and procurement. Although rules and tools are tailored for either the non-procurement or procurement context, the framework will give overall consistency in the relationship between NATO and industrial companies within the scope of NATO capability development, as agreed by nations.

BACKGROUND

5. It is well understood that nations have a broad range of relationships with their defence industry. This Framework is not intended to be an effort on the part of NATO to develop a NATO defence industrial policy, nor is it intended to affect national or other defence industry policies. Instead, this approach supports the implementation of the NATO Strategic Concept, facilitating effective and timely industry involvement in the NDPP through existing arrangements and

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1 Chicago Summit Declaration on Defence Capabilities, para 6. http://www.nato.int/cps/en/natolive/official_texts_87594. htm?mode=pressrelease
2 The term Industry used throughout this document refers to national industries of Allies either in individual or collective sense, depending on the context

NATO bodies. Ultimately, this approach will contribute to the enhancement of NATO capability development.

6. This industry involvement in the process is to be considered throughout the capability lifecycle, from research to retirement.

7. The approach for improving NATO-Industry engagement builds upon three pillars:

   a. **Structure**: A framework that describes NATO and Industry roles in both non-procurement and procurement phases, on the basis of existing arrangements and NATO bodies.

   b. **Rules**: A set of principles that clarify the NATO-Industry relationship and modalities for engagement, allowing for enhanced visibility of NATO needs, increasing transparency of NATO processes, improving ways to identify opportunities for industry and identifying methods for industry to demonstrate how to apply their contributions to NATO capabilities.

   c. **Delivery**: An implementation plan that describes actions required, sets out a timetable and assigns responsibilities for execution and for reviewing the results, bearing in mind that NATO has no direct leverage on industry and market regulation.

THE FRAMEWORK IN CONTEXT

8. NATO-industry relationship areas

8.1. NATO is engaged in non-procurement and procurement relations with industry. This framework aims at improving interaction between NATO and industry, while fostering a more coherent relationship providing relevant inputs for harmonisation of national and multi-national capability requirements.

8.2. Prior to the procurement of capabilities NATO can act, if agreed by the nations, as a forum for discussion and information exchange allowing NATO, nations and industry to communicate on capability requirements and potential solutions, including on standards for interoperability. In this non-procurement phase a free exchange of information needs to be encouraged.

8.3. Clearly, NATO and industry also interact in procurement activities when NATO procures capabilities and/or services from industry through NATO common-funded programmes (principally in the C3 domain, but also in logistic services, support to operations, etc). In this case, it must be noted that the relations between NATO and industry in the procurement phase are governed by well-defined rules and regulations and this framework acknowledges the fact that NATO-Industry engagement will be governed by these.

8.4. This framework will cover the entire spectrum of relationships between NATO and industry for capability development, through the interaction with the Science and Technology Organisation, NATO Agencies, the NATO Industrial Advisory Group (NIAG), the NATO Command Structure (Allied Command Transformation (ACT) and Allied Command Operations (ACO)), International Staff and International Military Staff, and any other existing format or arrangement in which industry interacts with the Alliance.

9. NATO in context

9.1. NATO is a facilitator of capability development and delivery, an enabler of interoperability, and a forum for multinational cooperation, for all required Alliance capabilities. NATO must continue to find ways to harmonise its own capability requirements with national requirements through a comprehensive application of the NATO Defence Planning Process (NDPP).

9.2. NATO has announced two initiatives aimed at generating and highlighting opportunities for multinational cooperation where industry can play a major role:

   • <u>Smart Defence</u>: Working with NATO nations on multinational solutions, industry can highlight opportunities for cooperation; can advise on the harmonisation of requirements, and can contribute to national solutions and decisions. Smart Defence also represents an important opportunity for Small and Medium Size Enterprises (SME) to contribute to capability development.

   • <u>Connected Forces Initiative (CFI)</u>: Interoperability is the backbone of success in operations, to this end all three CFI pillars[3] represent areas where industry can contribute. Industry can be involved in the development of training solutions and can contribute to exercises, experimentation, demonstrations and trials, allowing troops to maintain and enhance their capabilities through interaction and experience in respect of principles of transparency and equality of opportunity.

10. Industry in context

10.1. Over the years industry has expressed a desire to gain greater insight into Alliance capability requirements, including their priorities, to allow them to anticipate potential opportunities, invest and develop ideas, ultimately offering innovative solutions for future NATO needs. To achieve this level of cooperation, greater visibility of the work carried out by NATO in the different phases of capability development may offer industry this insight and a key contribution for resource planning and investment decisions.

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3   Expanded education and training, increased exercises and better use of technology

10.2. Industry should be seen as a partner in innovation and strategic thinking and, if required by nations, as a possible source of advice on business models and potential solutions during pre-procurement activities in respect of principles of transparency and equality of opportunity.

10.3 Existing NATO policies, agreements and frameworks (such as NIAG and FFCI) must be used to ensure transparency and equality of opportunity amongst suppliers.

11. Industry and NATO defence planning

11.1. Ongoing work on "Enhancing the NATO Defence Planning Process" is expected to make the capability development process "more relevant and responsive", enhancing the opportunities to identify where industry may become a valuable contributor. Increased transparency in this case means identifying opportunities to engage or involve industry where appropriate in NATO defence planning process.

11.2. This could encompass inputs across the full-spectrum of the DOTMLPFI[4] lines of NATO capability development, not just the materiel solutions. For example, a change to doctrine based on the use of existing materiel in new ways might deliver the required capability without incurring great expense; such solutions might release scarce resources for use in other areas.

PRINCIPLES

12. NATO-industry relations should be governed by universal and specific principles as described below; the more specific principles might require further development. The procurement phase is already governed by well-defined rules and regulations.

12.1. Universal principles

12.1.1. Control by the nations

NATO - Industry engagement is under control by the nations. New areas of development of this engagement are subject to approval by the Nations on a case-by-case basis.

12.1.2. Voluntary participation

This Framework is offered to industry and nations on a voluntary basis. It has no funding implications or legal impact. However, specific issues might have to be jointly considered on a case-by-case basis, to define the rules, boundaries and expectations of engagement.

12.1.3. Trust and Transparency

Trust and an open flow of information are critical for building a productive relationship. The relationship has to be built on an understanding of the mutual benefits for industry, NATO and the nations. Transparency means that the existence of relations between a NATO entity and industry should be communicated widely inside NATO.

12.1.4. Fairness and inclusiveness, equal treatment and opportunity

NATO shall ensure that any information is offered even-handedly to industry in all NATO nations and the information provided by NATO to industry will not privilege individual companies. Industry must be willing to contribute to this information exchange whether individually or in a joint forum; information in a joint forum must be offered to industry in all NATO nations. Industry must also have the option of offering their information to NATO bodies and organisations whether following a formal request or making a spontaneous proposal. NATO is to develop procedures to handle such spontaneous proposals with fairness and transparency for all.

12.1.5. Mutual benefit

NATO-industry engagement must benefit both the organisation and industry. The development and further implementation of this approach will demonstrate willingness to engage in a transparent and mutually beneficial dialogue.

12.2. Specific principles

12.2.1 Protection of the demand and the supply sides of engagement

NATO, as an organisation that aspires to harmonise requirements, has an important role to play in communicating clear and detailed requirements to industry. The involvement of industry in informing the development of requirements must not impede or unfairly enhance their ability to compete for contracts later.

12.2.2. Cooperation

Cooperation can be considered as a possible option for capability development before pursuing unilateral programs. Making the fullest possible use of the potential of industrial cooperation across the Alliance is to be promoted.

12.3. Involvement of Small and Medium sized Enterprises (SME)

SMEs are often the birthplace of innovation but competing for attention and contract awards in the NATO environment may seem daunting. Therefore specific efforts must be developed and maintained to ensure that SME have access to information allowing them to engage in the NATO capability development process.

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4 In capability development there are a range of factors to consider or 'lines of development' such as Doctrine, Organization, Training, Materiel, Leadership, Personnel, Facilities and Interoperability. Changes or developments in any one or all can determine the need for new solutions or extend the life of existing solutions based on changes to employment (doctrine), or other factors. It is the full-spectrum analysis that makes this approach useful in capability development and particularly relevant to industry. In particular, industry may offer insights and innovation across this spectrum that can lead to cost-avoidance or savings while still delivering capability to NATO.

12.4. Compliance with the existing procurement and security rules

Current NATO financial rules governing the procurement process and existing security regulations will continue to be observed, and are not expected to be impacted by this Framework.

IMPLEMENTATION PLAN

13. NATO currently has a wide spectrum of arrangements for interacting with industry to harmonise capability requirements, as described in Annex 1. The implementation of this Framework will require an assessment and optimisation of existing arrangements. The elaboration of such a plan is the next step in this process, and will include:

- Detailed description of the existing arrangements and NATO bodies, for Alliance interaction with industry (expansion of Annex 1) including evaluation and identification of coordination requirements (if any) and development of an internal framework with responsibilities and communication lines between the NATO bodies and with industry;
- Considerations on the definition of a coordination mechanism for NATO-Industry engagement through existing bodies and their possible improvements;
- Timelines for implementation.

VALIDITY AND REVISIONS

14. This "Framework for NATO-Industry Engagement" is valid at the moment of its notation by the Council. It is to be reviewed periodically, as necessary. Any revision or extension of the scope of this framework is to be approved by allies.

ARRANGEMENTS FOR NATO-INDUSTRY ENGAGEMENT

1. NATO Committees (consensual formats)

1.1 **NIAG** – (NATO Industrial Advisory Group) is a CNAD[5] group of voluntary senior industrial representatives coordinating the provision of advice to NATO from subject matter experts on topics related to defence and security capability development. NIAG works in a transparent and open manner so that industry in all NATO nations has equal access to information and equal rights to participate.

NIAG conducts studies at the request of NATO bodies to provide pre-procurement technical advice typically on the development of requirements or the development of standards. NIAG also conducts high-level advice[6] studies at the request of NATO bodies to provide strategic advice on industry development, industry strategy or industry insights into new technology developments that might have a significant effect on capability requirements and development. When providing High Level Advice, NIAG positions itself at non-procurement level.

1.2 **IRCSG** (AC/331 – Industrial Resources and Communications Services Group under the direction of Civil Emergency Planning Committee (CEPC). The group acts as a forum to exchange information and best practice on civil communications and advises on measures to improve national communications resilience. It also provides communication advice and expertise to its civil and military customers in support of NATO operations.

1.3. **NATEX** - NAtional Technical EXperts appointed by the nations to NC&I Agency have a role to liaise with national governments and industry about opportunities and to facilitate engagement with the Agency.

1.4. **CNAD Main Armaments Groups** (MAGs) – These are the committees involved in armaments planning. The involvement of industry with the MAGs is either direct (industry representatives taking part in MAG activities) or indirect through the NIAG.

1.5. **SC** (AC/35 – Security Committee) – The SC is responsible to the NAC for the development of NATO Security Policy in respect of the security aspects of industrial operations, including the tendering, negotiating and letting of NATO classified contracts and their performance by industry and the exchange of NATO classified information during non-procurement and procurement relationships between NATO and Industries.

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5   Conference of National Armaments Directors, reporting directly to the North Atlantic Council
6   Transatlantic Defence Technological and Industrial Cooperation (TADIC) is one example of high level advice where NIAG offers industry views on the importance of the transatlantic relationship to NATO capability development.

2. NATO Bodies and Organisations

2.1. **ACT - FFCI** (Framework for Collaborative Interaction (with Industry)) allows ACT to engage directly with companies either on a one-on-one or one-on-many basis at the non-procurement stages of capability development. Engagements are focussed on solving a capability gap or problem of common interest. NATO Agencies could be used in this context as a platform for information sharing, experimentation, demonstrations and for producing notional requirements.

2.2. **International Staff** divisions such as Defence Investment, Emerging Security Challenges, Executive Management, Operations, maintain specific relationships with the defence and security industry.

2.3. **NATO Agencies** – some of the agencies are involved in pre-procurement activities, even though to a lesser extent since they are closer to procurement than others. Their outreach to industry is via industry days, requests for bidder's views on specific topics and individual conversations with industry on relevant topics; through the request for technical data and cost in support of IFB preparation from individual companies. Participation of Agencies along industry in S&TO events is another venue for their engagement with industry.

2.4. **STO** (Science & Technology Organization) is a NATO subsidiary body, established with a view to meeting to the best advantage the collective needs of NATO, NATO Nations and partner Nations in the fields of Science and Technology. STO delivers its products through two mechanisms: a "Network" (consisting of the former Research and Technology Organisation - RTO, based on voluntary contributions from Nations) and a "Lab" (the Centre for Maritime Research and Experimentation, operating on a customer funded regime). STO activities can span from the early investigation of future technologies (including basic research) and concepts up to the development of technologies with higher readiness levels, of integration of systems and the support to standards definitions, thus including both non-procurement and pre-procurement stages. STO activities can include studies in support of procurement methodologies such as Life-Cycle Cost, Through-life support, etc. Participation of Industry representatives occurs at every level of the organization, consisting of approximately 15% of the total effort in the Technical Teams level of the "Network". Regarding the "Lab", Industry can be both a customer of the CMRE and a service provider to CMRE.

3. Conferences, events

3.1. **NATO Industry Forum** – NATO annual event for strategic engagement with industry. The creation of the Forum is expected to also improve the coordination and coherence of other NATO-industry events such as the NCIA Industry Day and NSPA Industry Day.

3.2. **NCIA Industry Day** – annual event specifically dedicated to the development of information exchange and cooperation in the field of C3 - C4ISR, presenting the opportunities for Industry under an Agency program of common, multinational and nationally funded projects in the following 12-18 months as well as views on the C4ISR roadmap for NATO.

3.3. **NSPA industry days**: Events organized by business opportunity themes (e.g. Real Life Support of NATO operations; Demilitarization, Dismantling, and Disposal; and redeployment transportation requirements) which provide insight to industry representatives from NATO and partner countries on future requirements in these business areas and solicit industry participation in proposing potential capability solutions.

3.4. **Procurement seminars** - NSPA works with representatives of Nations to present seminars on "How to do business with NATO." These events organized with Chambers of Commerce and Industry, Ministries of Defence, and Ministries of Commerce and Industry of a given Nation, or group of Nations, are particularly powerful in enabling the engagement of SMEs in NATO business.

3.5. **COE Industry Days** – various Centres of Excellence organise industry days with the aim to understand the latest technological developments, allowing them to define their particular requirements.

3.6. **NCIA Technology Watch** – a regular virtual event allowing NCIA to engage with industry on focused topics.

3.7. **The Life Cycle Management Conference** – annual event organised by LCM organisations outside NATO, and sponsored by NIAG and LCMG (Life Cycle Management Group) on behalf of CNAD.

3.8. **NNEC Conference** – NATO Network Enabled Capability Conference, an annual event organised by ACT and involving industry relevant to C2-C3-C4ISR

3.9. **External conferences** where NATO participates as a speaker to brief industry in nations.

The existing conferences and events involving industry should be rendered more coherent in terms of messages, topics, and level of engagement. Merging similar events should also be considered.

4. Demonstrations, exercises

4.1. **CWIX** – Coalition Warfare Interoperability Experiment (Exercise), a venue for testing and evaluating NATO and nations' interoperability in the field of C3-C4ISR.

4.2. **TIDE Sprint** - The TIDE project is ACT's Think-tank for Information, Decision and Execution Superiority (TIDE). It supports the ACT Program of Work in C4ISR technology and human factors.

4.3. **Unified Vision** – a biennial Intelligence, Surveillance and Reconnaissance trial organised by the CNAD in support of the JISR action plan.

4.4. **NCS exercises, CD&E** – series of exercises and concept demonstrations and experimentation organised by NATO Command Structure.

5. Infrastructure

5.1. **DNBL** – Distributed Networked Battle Laboratories is a development hosted by NCIA allowing NATO bodies, industry and national laboratories to share their services and engage in joint testing and evaluation in a permanent and distributed way.

5.2. **CFBLNet** – Con-Federated Battle Lab Networks. The CFBLNet is a laboratory environment over a distributed Wide Area Network (WAN) owned by the nations, as the vehicle to experiment with new capabilities by conducting research and development, trials and assessment initiatives.

5.3. **Business websites** – NATO Agencies, the NATO HQ Procurement Office, ACO and ACT Office for Collaboration with Academia and Industry (OCAI) have dedicated websites advertising business opportunities. They can be reached directly or through the NATO Business Portal (see footnote).

5.4. **NATO Business Portal**[7] aggregating in a single point of entry to NATO all the information regarding the potential relationship with industry. While the Portal is hosted on the main NATO website, more detailed, specific information will continue to reside on the business websites above, being maintained by their owners. This portal may eventually connect industry to business opportunities across the Alliance including to national or multinational opportunities, and even trigger multinational opportunities.

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7 The NATO Industry Portal can be accessed through www.nato.int >>Organisation >> Business Opportunities

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