



# SECURITY COOPERATION MANAGEMENT

**Defense Security Cooperation University**

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**Department of Defense**

# SECURITY COOPERATION MANAGEMENT

**Defense Security Cooperation University**

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# **Security Cooperation Management**

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**SECURITY COOPERATION MANAGEMENT  
DEFENSE SECURITY COOPERATION UNIVERSITY  
ARLINGTON, VIRGINIA  
WRIGHT-PATTERSON AFB, OHIO**

**CHAPTER 1  
INTRODUCTION TO SECURITY COOPERATION**

Introduction .....	1-1
Security Assistance .....	1-2
Security Cooperation .....	1-7
Security Force Assistance .....	1-13
Department of Defense State Partnership Program (SPP) .....	1-13
Summary .....	1-15
References .....	1-15

**CHAPTER 2  
SECURITY COOPERATION LEGISLATION AND POLICY**

Introduction .....	2-1
Legislated Management of Security Assistance Funding .....	2-8
Basic Policies .....	2-9
Military Sales .....	2-17
Drawdown Authorities .....	2-19
Special Presidential Waiver Authority .....	2-21
Congressional Review of Proposed Transfers .....	2-21
Additional Provisions Relating to NATO, NATO Members, Japan, Australia, New Zealand, Republic of Korea, Israel, and Other Eligible Countries .....	2-25
Special Defense Acquisition Fund .....	2-27
Excess Defense Articles .....	2-28
Country-Specific Legislation .....	2-31
Weapons-Specific Legislation .....	2-32
Summary .....	2-34
References .....	2-34
Attachment 2-1 U.S. Conventional Arms Transfer Policy (CATP) .....	2-36

**CHAPTER 3  
UNITED STATES GOVERNMENT ORGANIZATIONS**

Introduction .....	3-1
Legislative Branch: The Congress .....	3-1
Judicial Branch: The Courts .....	3-2
Executive Branch: The President .....	3-2
Summary .....	3-22
References .....	3-22

## CHAPTER 4

### SECURITY COOPERATION ORGANIZATIONS OVERSEAS

Introduction .....	4-1
Definition and Purpose of the Security Cooperation Organization.....	4-1
Security Cooperation Organization Functions and Responsibilities.....	4-2
Building Key Relationships .....	4-3
SCO Security Assistance Duties .....	4-9
SCO Security Cooperation Duties .....	4-12
Miscellaneous SCO Functions .....	4-16
Additional Issues and Concerns .....	4-18
Summary .....	4-21
References .....	4-22
Attachment 4-1 Sample (Notional) Letter of Instruction from The President To Newly Appointed Ambassadors .....	4-23
Attachment 4-2 SCO-U.S. Industry Relations .....	4-25
Attachment 4-3 Checklist for Meeting Representatives of U.S. Defense Industry .....	4-26
Attachment 4-4 SDO/DATT Appointment Letter .....	4-27
Attachment 4-5 Letter of Introduction to U.S. Ambassador .....	4-28
Attachment 4-6 Letter of Introduction to Bandarian Minister of Defense .....	4-29
Attachment 4-7 CJCS Letter of Introduction to Bandarian Chief of Defense .....	4-30
Attachment 4-8 Titles of Security Cooperation Organizations .....	4-31

## CHAPTER 5

### FOREIGN MILITARY SALES PROCESS

Introduction .....	5-1
Pre-Case Development: Preliminary and Definition.....	5-3
Pre-Case Development: Request.....	5-3
Case Development: Offer.....	5-8
Case Development: Acceptance.....	5-14
Case Implementation and Execution .....	5-14
Implementing Agency Organizations in Support of Foreign Military Sales .....	5-21
Summary .....	5-25
References .....	5-26
Attachment 5-1 Foreign Military Sales Process (FMS).....	5-27

## CHAPTER 6

### TYPES OF LOAs

Introduction .....	6-1
Categories of LOAs .....	6-1
LOA Case Identifier .....	6-6
Summary .....	6-10
References .....	6-10

Attachment 6-1 Sample Defined Order Case .....	6-11
Attachment 6-2 Sample Blanket Order Case .....	6-17
Attachment 6-3 Sample Pseudo LOA .....	6-19

## **CHAPTER 7**

### **TECHNOLOGY TRANSFER, DISCLOSURE, EXPORT CONTROLS, AND INTERNATIONAL PROGRAMS SECURITY**

Introduction .....	7-1
Technology Transfer, Disclosure, and Export Controls .....	7-3
Programs Security Requirements (IPSR).....	7-14
International Visits and Assignments .....	7-19
Summary .....	7-23
References .....	7-23

## **CHAPTER 8**

### **LOA STANDARD TERMS AND CONDITIONS**

Introduction .....	8-1
Contracts .....	8-1
Letter of Offer and Acceptance Standard Terms and Conditions .....	8-3
Changes to the Letter of Offer and Acceptance .....	8-17
Lease of Defense Articles .....	8-19
Loans .....	8-21
International Agreements .....	8-22
Summary .....	8-22
References .....	8-22
Attachment 8-1 Sample Lease Agreement.....	8-23

## **CHAPTER 9**

### **SECURITY COOPERATION ACQUISITION POLICY AND PROCESS**

Introduction .....	9-1
Global Military Marketplace.....	9-1
Contracting for Foreign Military Sales .....	9-3
Contract Source Selection .....	9-5
Contract Types .....	9-9
Contract Options .....	9-10
Special Foreign Military Sales Contracting Considerations .....	9-11
Contract Structure .....	9-14
Contract Administration Services .....	9-16
Offsets .....	9-19
Contracting for BPC Programs .....	9-22
Special Defense Acquisition Fund (SDAF) .....	9-23
Summary .....	9-25
References .....	9-26

## CHAPTER 10

### LOGISTICS SUPPORT OF SECURITY COOPERATION MATERIEL TRANSFERS

Introduction .....	10-1
The Total Package Approach .....	10-1
Logistics .....	10-1
Department of Defense Logistics Organizations .....	10-4
Requisition Process Overview .....	10-9
North Atlantic Treaty Organization Codification System .....	10-11
Uniform Materiel Movement and Issue Priority System .....	10-13
Logistics Communications .....	10-14
Life Cycle Logistics Support Planning Process .....	10-15
Follow-on Support Concept .....	10-19
Cooperative Logistics Supply Support Arrangement .....	10-21
Foreign Procurement .....	10-24
Performance Based Logistics .....	10-24
Obsolescence, Diminishing Manufacturing Sources and Material Shortages .....	10-24
Commercial Buying Services .....	10-25
Repair of Repairables .....	10-26
Excess Property .....	10-28
Other Logistics Support Programs .....	10-30
Publications Support .....	10-32
Equipment Disposal .....	10-34
Teams Used to Support Country Logistics Requirements .....	10-35
Discrepancy Reporting .....	10-36
Security Cooperation Program Suspensions .....	10-44
Summary .....	10-44
References .....	10-45

## CHAPTER 11

### SECURITY COOPERATION TRANSPORTATION POLICY

Introduction .....	11-1
Basic Transportation Terminology .....	11-1
Basic Transportation Policy .....	11-2
Transportation Responsibilities .....	11-13
Transportation Discrepancies .....	11-20
Transportation Pricing .....	11-21
Three Major Delivery Elements .....	11-21
Shipment of Building Partnership Capacity Letter of Offer and Acceptance Materiel .....	11-32
Pre-LOR Transportation Planning .....	11-33
Summary .....	11-34

References .....	11-34
Useful Websites .....	11-35

## **CHAPTER 12**

### **FINANCIAL MANAGEMENT**

Introduction .....	12-1
Financial Management Responsibilities .....	12-1
Funds Management .....	12-4
Pricing .....	12-16
Billing .....	12-28
Case Reconciliation .....	12-39
Case Closure .....	12-41
Summary .....	12-44
References .....	12-44
Attachment 12-1 Delivery Source Codes (DSC) .....	12-45
Attachment 12-2 Delivery Source Code (DSC) Surcharge Matrix.....	12-48

## **CHAPTER 13**

### **SYSTEMS ACQUISITION AND INTERNATIONAL ARMAMENTS COOPERATION**

Introduction .....	13-1
United States Systems Acquisition Process .....	13-2
International Armaments Cooperation .....	13-5
International Armaments Cooperation Programs.....	13-9
International Acquisition Career Path .....	13-17
Summary .....	13-19
References .....	13-19

## **CHAPTER 14**

### **INTERNATIONAL TRAINING**

Introduction .....	14-1
Legal Authorities and Regulations .....	14-1
Training Management Organizations.....	14-4
Training Program Development and Implementation .....	14-12
Types and Categories of Training .....	14-17
Financial Considerations.....	14-22
Student Administration .....	14-23
Training Program Automation .....	14-28
Summary .....	14-31
References .....	14-31
Attachment 14-1 Sample Standardized Training List .....	14-32
Attachment 14-2 Sample Invitational Travel Order International Military Education and Training .....	14-33

## CHAPTER 15

### A COMPARISON OF FOREIGN MILITARY SALES AND DIRECT COMMERCIAL SALES

Introduction .....	15-1
Foreign Military Sales Only Items .....	15-1
Direct Commercial Sales Preference .....	15-3
Combination of Foreign Military Sales and Direct Commercial Sales .....	15-4
Sustainment Support .....	15-4
United States Government Sales Supporting Direct Commercial Sales .....	15-4
Concurrent Foreign Military Sales and Direct Commercial Sales Negotiations .....	15-5
Foreign Military Financing Grant Funding .....	15-5
Comparison Considerations .....	15-6
Range of Choices .....	15-13
Summary .....	15-17
References .....	15-17
Attachment 15-1 Foreign Military Sales–Potential Advantages and Considerations .....	15-18
Attachment 15-2 Direct Commercial Sales–Potential Advantages and Considerations .....	15-19
Attachment 15-3 Common Misperceptions of Foreign Military Sales or Commercial Sales .....	15-20
Attachment 15-4 DSCA Policy Memorandum 09-32, dated 04 August 2009 .....	15-22

## CHAPTER 16

### HUMAN RIGHTS AND RELATED CONCEPTS

Introduction .....	16-1
Human Rights Instruments and Authority .....	16-1
United States Foreign Policy Concerning Democracy and the Rule of Law .....	16-5
Human Rights and the Foreign Assistance Program .....	16-6
Summary .....	16-10
References .....	16-10
Attachment 16-1 Universal Declaration of Human Rights .....	16-11
Attachment 16-2 The “Five Rs” .....	16-15

## CHAPTER 17

### RESOURCE MANAGEMENT FOR THE SECURITY COOPERATION ORGANIZATION

Introduction .....	17-1
Internal Management Controls .....	17-1
Funding Resources .....	17-1
Flow of Funding Authority for the Security Cooperation Organization .....	17-6
Security Cooperation Organization Budget Organizations .....	17-6
Practical Application of Different Fund Types .....	17-8
Security Cooperation Organization Budget Processes .....	17-9
Security Cooperation Organization Budget Preparation .....	17-10
Security Cooperation Organization Budget Execution .....	17-11
Security Cooperation Organization Security Assistance Budget Cautions and Problems .....	17-11

Human Resources .....	17-12
Special Topics in SCO Budgeting .....	17-14
International Cooperative Administrative Support Services .....	17-21
Capital Security Cost Sharing .....	17-22
Summary .....	17-23
References .....	17-24
Attachment 17-1 National Security Decision Directive Number 38 .....	17-26
Attachment 17-2 Guidelines to Implement National Security Decision Directive (NSDD) Number 38 .....	17-27

## CHAPTER 18

### END-USE MONITORING AND THIRD-PARTY TRANSFERS

Introduction .....	18-1
DoD End-Use Monitoring .....	18-1
Department of State's Blue Lantern Program .....	18-8
Department of Commerce's EUM Program .....	18-9
Third-Party Transfer and Changes in End-Use .....	18-9
Summary .....	18-12
References .....	18-13

## CHAPTER 19

### WHOLE OF GOVERNMENT SECURITY COOPERATION PLANNING

Introduction .....	19-1
Theater-Level SC Planning .....	19-1
Country-Level SC Planning .....	19-9
Capabilities-Based Analysis .....	19-12
Resourcing .....	19-18
Annual Planning Meetings .....	19-20
In-Country Event Planning .....	19-21
Department of State (DoS) Planning .....	19-23
Planning Tools and Information Resources .....	19-27
SCO Annual Forecasting Documents .....	19-29
Summary .....	19-29
References .....	19-30

## SECURITY COOPERATION AUTOMATION APPENDIX

Introduction .....	A-1
Security Assistance Network .....	A-1
International-Security Assistance Network and Partner SC-TMS .....	A-2
Financial and Logistics Databases .....	A-3
Defense Security Assistance Management System .....	A-6
Security Cooperation Information Portal (SCIP) .....	A-7
Systems Description .....	A-10



Summary .....	A-11
References .....	A-11

## ANNEXES

Abbreviations and Acronyms.....	AA-1
Glossary of Selected Terms.....	AB-1

## INDEX

Index .....	I-1
-------------	-----

## ATTACHMENTS

Attachment 2-1 U.S. Conventional Arms Transfer Policy (CATP) .....	2-36
Attachment 4-1 Sample (Notional) Letter of Instruction From The President To Newly Appointed Ambassadors .....	4-23
Attachment 4-2 SCO–U.S. Industry Relations .....	4-25
Attachment 4-3 Checklist for Meeting Representatives of U.S. Defense Industry .....	4-26
Attachment 4-4 SDO/DATT Appointment Letter .....	4-27
Attachment 4-5 Letter of Introduction to U.S. Ambassador .....	4-28
Attachment 4-6 Letter of Introduction to Bandarian Minister of Defense .....	4-29
Attachment 4-7 CJCS Letter of Introduction to Bandarian Chief of Defense .....	4-30
Attachment 4-8 Titles of Security Cooperation Organizations (Sample List—Not Comprehensive) .....	4-31
Attachment 5-1 Foreign Military Sales Process .....	5-27
Attachment 6-1 Sample Defined Order Case .....	6-11
Attachment 6-2 Sample Blanket Order Case .....	6-17
Attachment 6-3 Sample Pseudo LOA .....	6-19
Attachment 8-1 Sample Lease Agreement.....	8-23
Attachment 12-1 Delivery Source Codes (DSC) .....	12-45
Attachment 12-2 Delivery Source Code (DSC) Surcharge Matrix.....	12-48
Attachment 14-1 Sample Standardized Training List .....	14-32
Attachment 14-2 Sample Invitational Travel Order (ITO) .....	14-33
Attachment 15-1 Foreign Military Sales–Potential Advantages and Considerations .....	15-18
Attachment 15-2 Direct Commercial Sales–Potential Advantages and Considerations.....	15-19
Attachment 15-3 Common Misperceptions of Foreign Military Sales or Commercial Sales .....	15-20
Attachment 15-4 DSCA Policy Memorandum 09-32, dated 04 August 2009 .....	15-22
Attachment 16-1 Universal Declaration of Human Rights .....	16-11
Attachment 16-2 The “Five Rs” .....	16-15
Attachment 17-1 National Security Decision Directive Number 38 .....	17-26
Attachment 17-2 Guidelines to Implement National Security Decision Directive (NSDD) Number 38 July 13, 1982 .....	17-27

## FIGURES

Figure 2-1 Major Security Assistance Authorization Acts Since 1954 .....	2-2
Figure 3-1 U.S. Government Organization for Security Assistance and Security Cooperation .....	3-4

Figure 3-2 U.S. Department of State .....	3-6
Figure 3-3 Security Assistance Offices within the Department of State.....	3-7
Figure 3-4 Department of the Army Functional Organization for SA/SC.....	3-18
Figure 3-5 Department of the Navy Functional Organization for SA/SC .....	3-20
Figure 3-6 Department of the Air Force Functional Organization for SA/SC.....	3-21
Figure 4-1 Protections Under the Vienna Convention of 1961 .....	4-19
Figure 5-1 Letter of Request Checklist .....	5-5
Figure 5-2 Channels of Request.....	5-7
Figure 5-3 Foreign Military Sales Notification to Congress.....	5-10
Figure 5-4 Case Development Responsibilities .....	5-12
Figure 5-5 Letter of Request to Letter of Offer and Acceptance Response Times Anticipated Offer Date Groups.....	5-13
Figure 5-6 Foreign Military Sales Case Execution.....	5-15
Figure 5-7 Case Closure Inhibitors .....	5-19
Figure 7-1 Thirteen Pipes of Technology Security and Foreign Disclosure .....	7-9
Figure 7-2 International Visit Program .....	7-20
Figure 9-1 Offset Relationships .....	9-21
Figure 10-1 Logistics Communications.....	10-9
Figure 10-2 Foreign Military Sales Record Positions.....	10-10
Figure 10-3 Total Logistics Support .....	10-20
Figure 10-4 Discrepancy Process.....	10-41
Figure 11-1 Foreign Military Sales Transportation Process .....	11-3
Figure 11-2 Document Relationships .....	11-22
Figure 11-3 Delivery Term Codes for Shipments from the United States (Outbound) .....	11-23
Figure 11-4 Delivery Term Codes for Repair and Return Shipments (Inbound).....	11-23
Figure 11-5 Military Assistance Program Address Directory .....	11-27
Figure 11-6 Relationship of the MAPAC to the MILSTRIP Requisition when using a Freight Forwarder.....	11-29
Figure 11-7 Relationship of the MAPAC to the MILSTRIP Requisition for DTS Shipments .....	11-29
Figure 11-8 Relationship of the MAPAC to the MILSTRIP Requisition for Grant Aid Shipments.....	11-30
Figure 12-1 Notional View of FMS Trust Fund.....	12-5
Figure 12-2 Flow of Funds .....	12-6
Figure 12-3 Price Formula .....	12-17
Figure 12-4 Federal Condition Codes for EDA .....	12-19
Figure 12-5 Transportation Cost Look-Up Table Example .....	12-24
Figure 12-6 Defense Transportation System (DTS) and TBC Percentage Rates .....	12-25
Figure 12-7 Delivery Reporting Transaction Example .....	12-30
Figure 12-8 FMS Billing Timeline .....	12-33
Figure 12-9 FMS Billing Statement, DD Form 645 Example .....	12-34

Figure 12-10 FMS Delivery Listing Example .....	12-35
Figure 12-11 FMS Reply Listing to Customer Requests for Adjustments Example .....	12-36
Figure 12-12 Holding Account Statement Example .....	12-37
Figure 12-13 Accelerated Case Closure Suspense Account Example .....	12-38
Figure 13-1 Major Capability Acquisition Pathway .....	13-4
Figure 13-2 IAC In Major Capability Acquisition Pathway Life Cycle .....	13-5
Figure 13-3 Building Blocks of International Armaments Cooperation .....	13-7
Figure 13-4 Department of Defense International Programs Organization .....	13-8
Figure 14-1 Training Management Organizations .....	14-5
Figure 14-2 Total Package Approach .....	14-14
Figure 14-3 Training Program Automation .....	14-29
Figure 15-1 Foreign Military Sales and Direct Commercial Sales Relationships .....	15-6
Figure 16-1 Illustrations of Human Rights Provisions .....	16-5
Figure 16-2 U.S. Department of State Country Report Format .....	16-8
Figure 17-1 Flow of Funds .....	17-6
Figure 18-1 SCIP Routine EUM Report Template .....	18-3
Figure 19-1 DoD/DoS Side-by-Side Comparison .....	19-2
Figure 19-2 Example of Logic Framework .....	19-7
Figure 19-3 SCCI/LOE Time Phasing .....	19-8
Figure 19-4 Common Goals and Objectives .....	19-11
Figure 19-5 Notional Synchronization Matrix .....	19-17
Figure 19-6 Resourcing .....	19-19
Figure 19-7 Managing for Results .....	19-24
Figure 19-8 Strategy to Resources .....	19-26
Figure A-1 SCIP Authoritative Data Sources .....	A-8
Figure A-2 SCIP Community Menu Bar .....	A-9

## TABLES

Table 1-1 DoD State Partnership Program Partners .....	1-14
Table 5-1 Foreign Military Sales Process .....	5-2
Table 5-2 Implementing Agency Codes .....	5-21
Table 6-1 First Position of Case Designator .....	6-8
Table 8-1 Amendment Examples .....	8-18
Table 8-2 Modification Examples .....	8-19
Table 10-1 NATO Codification System Sponsorship .....	10-13
Table 10-2 UMMIPS Matrix .....	10-14
Table 10-3 Decision Table for Supply Discrepancy Report Submissions .....	10-40
Table 11-1 Class 1 Explosives Hazard Division Definitions .....	11-8
Table 11-2 Security Risk Categories Movement Requirements for Exports of Arms, Ammunition, and Explosives (AA&E) .....	11-9

Table 11-3 Term Codes .....	11-24
Table 11-4 Type of Address Code .....	11-31
Table 12-1 Terms of Sale .....	12-10
Table 12-2 Payment Schedule Dates.....	12-12
Table 12-3 FMS Training Tuition Rates .....	12-21
Table 12-4 FMS Contract Administration Services (CAS) Charges.....	12-23
Table 12-5 Holding Account Codes .....	12-37
Table 13-1 Program Office Functional Areas .....	13-4
Table 13-2 IEP Information Sources.....	13-10
Table 13-3 Cooperative Program Characteristics .....	13-13
Table 13-4 Acquisition Order of Preference DoD Directive 5000.01.....	13-14
Table 13-5 Types of Host Nation Support.....	13-17
Table 15-1 General FMS-Only Categories .....	15-3
Table 15-2 Customer Participation Options.....	15-14
Table 17-1 Security Cooperation Organization Bandaria Make Up and Funding Source .....	17-8
Table 17-2 GCCMD Budget Applications .....	17-10



## Chapter

# 1

# INTRODUCTION TO SECURITY COOPERATION

## INTRODUCTION

The term security cooperation was first introduced in 1997 by the Defense Reform Initiative (DRI). At that time, the Defense Security Assistance Agency (DSAA) already had day-to-day management responsibilities of many security assistance programs authorized by the Foreign Assistance Act (FAA) and the Armed Export Control Act (AECA). The DRI proposed that DSAA also manage certain Department of Defense (DoD)-funded international programs along with their personnel and associated resources. In order for U.S. government (USG) agencies, the private sector, and foreign governments to better understand DSAA's enlarged mission and diverse functions beyond security assistance (SA), DoD re-designated DSAA as the Defense Security Cooperation Agency (DSCA), effective 1 October 1998.

In recent years, DSCA has absorbed management responsibilities for many DoD international programs while also leading the wider USG security cooperation enterprise. However, many security cooperation programs continue to be managed by other elements of the Office of the Secretary of Defense (OSD), the combatant commands (CCMDs), or the military departments (MILDEPs). Further complicating the management of security cooperation was the in-country point of contact between the USG and the host nation. This point of contact was either the Defense Intelligence Agency (DIA)-sponsored Defense Attaché Office (DAO) or the DSCA-sponsored Security Cooperation Office (SCO). These two spigots of security cooperation within a country required a broad knowledge and skill baseline of the very different international programs that are initiated, funded, and managed throughout the DoD, its agencies and the MILDEPs. Most disconnects regarding SCO-DAO coordination of in-country security cooperation were generally resolved with the establishment of the Senior Defense Officials/Defense Attaché (SDO/DATT) having oversight over both the SCO and DAO organizations.

On 9 June 2004 that DoD published a formal, yet still very broad, definition of security cooperation in Joint Pub 1-02:

All DoD interactions with foreign defense establishments to build defense relationships that promote specific U.S. security interests, develop allied and friendly military capabilities for self-defense and multinational operations, and provide U.S. forces with peacetime and contingency access to a host nation.

DODD 5132.03, DoD Policy and Responsibilities Relating to Security Cooperation, 29 December 2016, further defines security cooperation with assigned responsibilities:

All DoD interactions with foreign defense establishments to build defense relationships that promote specific U.S. security interests, develop allied and partner nation military and security capabilities for self-defense and multinational operations, and provide U.S. forces with peacetime and contingency access to allied and partner nations. This includes DoD-administered security assistance programs.

According to Title 10 U.S. Code Section 301, the term “security cooperation programs and activities of the Department of Defense” means any program, activity (including an exercise), or interaction of the DoD with the security establishment of a foreign country to achieve a purpose as follows: (A) To build and develop allied and friendly security capabilities for self-defense and multinational operations. (B) To provide the armed forces with access to the foreign country during peacetime or a contingency operation. (C) To build relationships that promote specific United States security interests. Other DoD policy statements identify DoD-managed or administered security assistance programs as components of security cooperation.

The purpose of this first chapter is to provide definitions of the various programs within security assistance and the broader area of security cooperation.

## **SECURITY ASSISTANCE**

Over the years, security assistance has included programs authorized by the FAA or AECA. According to the FAA, as amended, the term “Security Assistance” means military assistance, economic support funding, military education and training, peacekeeping operations, anti-terrorism assistance, sales of defense articles or services, export to or for the armed forces, police, intelligence, or other international security forces of a foreign country. While many of these programs are administered by the DoD, specifically by DSCA, they remain under the general control of the Department of State (DoS).

### **Foreign Military Sales**

The foreign military sales (FMS) program is a non-appropriated program administered by DSCA through which eligible foreign governments purchase defense articles, services, and training from the USG. The purchasing government pays all costs associated with a sale. There is a signed government-to-government agreement, normally documented in a Letter of Offer and Acceptance (LOA), between the USG and a foreign government. Each LOA is commonly referred to as a “case” and is assigned a unique case identifier for accounting purposes. Under FMS, military articles and services, including training, may be provided from DoD stocks (Section 21, AECA) or from new procurement (Section 22, AECA). If the source of supply is new procurement, based on an LOA accepted by the foreign government, the USG agency or MILDEP assigned cognizance for this case is authorized to enter into a subsequent contractual arrangement with U.S. industry to provide the article or service requested.

FMS is a large program with the final FMS total for FY 2020 being \$50.8 billion. This includes \$2.69 billion in Title 10 grant assistance programs.

### **Foreign Military Construction Services**

Foreign Military Construction Services (FMCS) is a non-appropriated program administered by DSCA and authorized by Section 29, AECA, which designates the President to sell design and construction services to any eligible foreign country or international organization. The construction sales agreement and sales procedures generally parallel those of FMS and are usually implemented by the MILDEP civil engineering agencies.

### **Foreign Military Financing Program**

The Foreign Military Financing Program (FMFP) is an appropriated program administered by DSCA that has undergone a variety of substantive and terminological changes over the years. At present, the program consists of congressionally appropriated grants and loans, which enable eligible foreign governments to purchase U.S. defense articles, services, and training generally through FMS, or direct commercial sales (DCS) for select countries. Foreign military sales credit (FMSCR) is authorized under the provisions of Sections 23 and 24, AECA, and originally served to provide credit (loans) as an effective means for easing the transition of foreign governments from grant aid, e.g., Military Assistance Program (MAP) and International Military Education and Training (IMET), to

cash purchases.

Prior to FY 1989, the USG variously identified this financing program as the Foreign Military Sales Credit Program or the Foreign Military Sales Financing Program. In the FY 1989 Foreign Operations Appropriations Act (FOAA), Congress introduced a new title, the FMFP, and further identified the forgiven loan/forgiven credit component of the program as FMFP grants to distinguish them from repayable direct FMFP loans. Additionally, the terms non-repayable loans or non-repayable credits are often used by various security assistance organizations (including DSCA) in place of the term “FMFP grants.”

Beginning in FY 1992, the Federal Credit Reform Act of 1990 (P.L. 101-508) changed the method of accounting and budgeting for all government loans, including FMFP loans issued under the AECA. This legislation provides a more accurate portrayal of the true cost of loans by providing new budget authority only for the subsidy element of the loan program and is the basis for the establishment of two new financial accounts:

- The first contains only the FMFP grant portion of the program administrative costs.
- The second account provides the budget authority needed to fund the subsidy element of the proposed loan programs.

While there are previously authorized FMFP loans still being repaid to the USG, the FMFP grant element (no repayment) has become the norm.

Over the past several years, per the Presidential Policy Directive 23 of April 2013 (PPD 23), new FMF pilot programs have been established under the authority of Section 23 of the AECA—the Foreign Military Financing Challenge Fund (FMFCF) and Foreign Military Financing Regional Funds (FMFRF). The FMFCF is intended to provide one-time investments for special projects for a partner nation that has demonstrated political will to pursue reform efforts, contribute to common goals, and build lasting, self-sustaining capabilities. The FMFRF provides flexibility and responsiveness in implementing portions of the FMF program based upon geographic region. For example, in FY 2016, \$5 million was provided for the FMF European Security Assistance Fund (ESAF). Through a competitive proposal system, these FY 2016 ESAF funds are available for countries in Europe and Eurasia that have received bilateral FMF within the five fiscal years prior to submission.

FMFP funding for FY 2020 was \$6.15 billion. FMFP appropriations are generally grants repayable or non-repayable loans.

## **Leases**

Chapter 6, AECA, authorizes the President to lease defense articles to friendly governments or international organizations for up to five years (renewable). This non-appropriated program is administered by DSCA. The law allows the lease of defense articles only for compelling foreign policy or national security reasons, and stipulates the recipient, with some exceptions, must bear the full cost of the lease. Furthermore, the U.S. must not need the leased articles during the lease period, and the U.S. retains the right to terminate the lease at any time. For the recipient country, leases may be cheaper than purchasing the article outright, and they provide a convenient vehicle for obtaining defense articles for temporary use. Leases are executed through a lease agreement, with an associated FMS case to cover repair, training, supply support and/or transportation, if required.

## **Military Assistance Program**

In FY 1990, the Military Assistance Program (MAP) was formally merged with the FMFP as Congress adopted an administration proposal for integrating all MAP grant funding into the appropriations account for the FMFP. DSCA administered this appropriated program. However, Congress has not



appropriated MAP funds for subsequent fiscal years, and there is no interest in seeking any such funds for the future. Therefore, this legislative charge had the dual effect of causing existing MAP-funded programs to lose their former identity and become FMFP-funded programs and establishing the FMFP as the major U.S. financing program for the acquisition of U.S. defense articles and services by foreign governments.

MAP remains a current security assistance program because MAP-provided articles remain throughout the world. As such, these articles retain their End-Use Monitoring (EUM) requirements: their return to the USG when no longer needed and the return to the USG any proceeds from scrapping or sale to a third country.

### **International Military Education and Training**

The International Military Education and Training (IMET) program provides grant financial assistance for training in the U.S. and, in some cases, in overseas facilities to selected foreign military and civilian personnel. In earlier years, grant aid training of foreign military personnel was funded as part of the MAP appropriation. Starting with FY 1976, a separate authorization for IMET was established in Section 541, FAA. DSCA administrates this appropriated program. Although historically a relatively modest program in terms of cost, both the President and Congress attach significant importance to this program. The recipient countries, likewise, rely heavily on this grant program and, in many cases, serve as the only method to receive training from the U.S. military.

At a time of competition for resources, IMET advances U.S. objectives globally at a relatively small cost. In many countries, having a core group of well-trained, professional leaders with firsthand knowledge of America will make a difference in winning access and influence for our diplomatic and military representatives. Thus, a relatively small amount of IMET funding will provide a return for U.S. policy goals, over the years, far greater than the original investment.

In 1980, Section 644(m)(5), FAA, was amended to authorize IMET tuition costing in terms of the additional costs that the USG incurs in furnishing such assistance. Section 21(a)(1)(C), AECA, was also amended to allow IMET recipients to purchase FMS training on an additional cost basis. The practical effect of these changes was to reduce tuition costs substantially for IMET-funded students, thereby increasing the amount of training an eligible country can obtain by using both national funds for FMS purchases and allotted IMET grant funds.

### **Expanded IMET**

The FY 1991 Foreign Operations Appropriation Act (FOAA) introduced an IMET initiative via a Senate-proposed earmark of \$1 million to be used exclusively for expanded IMET courses for foreign officers. Congress later allowed this initiative to include civilian managers and administrators of defense establishments. The focus of such training is on developing professional-level management skills, with emphasis on military justice systems, codes of conduct, and the protection of human rights. Congress amended Section 541, FAA to permit non-Ministry of Defense civilian government personnel to be eligible for this program, if such military education and training would do the following:

- Contribute to responsible defense resource management
- Foster greater respect for and understanding of the principle of civilian control of the military
- Contribute to cooperation between military and law enforcement personnel with respect to counter-narcotics law enforcement efforts
- Improve military justice systems and procedures in accordance with internationally recognized human rights

In FY 1993, Congress further extended this expanded IMET (E-IMET) program to also include participation by national legislators who are responsible for oversight and management of the military. Through P.L.104-164, Congress again amended the E-IMET program authority in 1996 to also include non-governmental organization personnel.

In the 2019 Consolidated Appropriations Act, Congress appropriated \$111 million for IMET for 2019. In FY 2020, \$112 million was appropriated and \$113 million in FY 2021 by the Further Consolidation Appropriations Act of 2021.

### **Drawdowns and Special Presidential Waiver Authority**

During a crisis, Section 506, FAA, authorizes the President to provide USG articles, services, and training to friendly countries and international organizations at no cost, to include transportation and spares. There is a \$100 million ceiling per fiscal year on articles, services, and training provided for military purposes and another fiscal year ceiling of \$200 million for articles, services, and training required for non-military purposes such as disaster relief, nonproliferation, anti-terrorism, counter-narcotics, refugee assistance, and Vietnam War-era prisoners of war/missing in action (POW/MIA) location and repatriation. When emergency support for peacekeeping operations is required, Section 552(c)(2), FAA, separately authorizes the President to drawdown up to \$25 million per fiscal year in USG articles and services from any agency. Special drawdown authorities have been annually legislated in the State Department and Foreign Operations Appropriation Acts (S/FOAA). When the USG avails DoD defense articles, services, or training via drawdowns, DSCA administers these non-appropriated authorities.

### **Economic Support Fund**

The Economic Support Fund (ESF) is authorized by Chapter 4 of Part II of the FAA. ESF is an appropriated program administered by the U.S. Agency for International Development (USAID). Congress established this fund to promote economic and political stability in areas where the U.S. has special political and security interests and where the U.S. has determined that economic assistance can be useful in helping to secure peace or to avert major economic or political crises. ESF is a flexible economic instrument available on a grant basis for a variety of purposes, including balance of payments support, infrastructure, and other capital and technical assistance development projects in addition to funding a variety of programs to enhance political stability. In earlier years, the ESF program included concessional (i.e., low interest rate) loans as well as grants; recently, all ESF funds receive allocation as grant assistance. While a substantial amount of these ESF grants are used to provide balance of payments, the ESF also provides for programs aimed at primary needs in health, education, agriculture, and family planning. Where long-term political and economic stability is the primary concern, ESF finances projects that meet the basic needs of the poor.

In the 2019 Consolidated Appropriations Act, Congress appropriated \$2.5 billion for ESF for 2019. The FY 2020 appropriations were \$3 billion but decreased in FY 2021 to \$2 billion.

### **Peacekeeping Operations**

Peacekeeping Operations (PKO) is an appropriated program authorized by Chapter 6 of Part II of the FAA. For several years, PKO provided funds for the Multinational Force and Observers (MFO), which implemented the 1979 Egyptian-Israeli peace treaty and the U.S. contribution to the United Nations Force in Cyprus (UNFICYP). Subsequent funding has been provided to support peacekeeping efforts in the Balkans, East Timor, sub-Saharan Africa, and the Darfur region of the Sudan, South Sudan, and Somalia.

### ***Global Peace Operations Initiative***

Global Peace Operations Initiative (GPOI), which has become the principal PKO program, was originally a Presidential initiative in coordination with other G-8 countries to increase the capacity of

selected countries to deploy in support of international peacekeeping operations. It was envisioned as a five-year program (FYs 2005–2009) to train seventy-five thousand troops worldwide, with emphasis in the Africa region and building an African command headquarters capability. GPOI supports the deployment of peacekeepers by providing equipment, transportation, training, and sustainment in the field. A DoS program requiring DoD support, GPOI subsumed the previous SA-funded PKO Africa Contingency Operations Training and Assistance (ACOTA) program and the FMFP- funded Enhanced International Peacekeeping Capabilities (EIPC) program. The ACOTA term is still used when referring to the Africa training component of GPOI.

In the 2019 Consolidated Appropriations Act, Congress appropriated \$163 million for PKO for 2019. The FY 2020 Act appropriated \$457 million. In FY 2021, this number decreased to \$441 million. All PKO appropriations are grants managed by the DoS.

### **International Narcotics Control and Law Enforcement**

The International Narcotics Control and Law Enforcement (INCLE) program is an appropriated grant program which the DoS administers. Authorized by Section 481, FAA, INCLE is intended to suppress the worldwide illicit manufacture and trafficking of narcotic and psychotropic drugs, money laundering, and precursor chemical diversion, and the progressive elimination of the cultivation of any crops from which such drugs are derived. Recently, the elimination of related narco-terrorism has been included. This program can include the purchase of defense articles, services, and training. This is similar to the authorized and funded programs within DoD and the Departments of Justice and Homeland Security.

The 2019 Consolidated Appropriations Act appropriated \$1.49 billion for INCLE. The FY 2020 appropriations were slightly reduced to \$1.39 billion. The FY 2021 appropriations were further reduced to \$1.38 billion.

### **Nonproliferation, Antiterrorism, Demining, and Related Programs**

The DoS administers a series of appropriated grant programs collectively known as the Nonproliferation, Antiterrorism, Demining, and Related (NADR) programs. Part II, Chapters 8 and 9 of the FAA and Section 504 of the FREEDOM Support Act authorize NADR. Additionally, Section 23, AECA, for NADR focuses on demining activities, the clearance of unexploded ordnance, the destruction of small arms, border security, and related activities. Related defense articles, services, and training can be provided through this program. U.S. funding support for the International Atomic Energy Agency and the Comprehensive Nuclear Test Ban Treaty Preparatory Commission is provided through this program. The DoD role in this program is that DoS can purchase demining, unexploded ordnance clearance, and anti-terrorism systems with this funding.

In the 2018 Consolidated Appropriations Act, Congress appropriated \$655 million for NADR for 2018. The FY 2019 appropriation was for \$864 million. In FY 2020, Congress appropriated \$895 million. In FY 2021, Congress appropriated \$889 million.

### **Direct Commercial Sales**

Direct Commercial Sales (DCS) are commercial exports of defense articles, services, and training licensed under the authority of Section 38, AECA, made by U.S. defense industry directly to a foreign government. Unlike the procedures employed for FMS, DoD does not administer DCS transactions, and a DCS sale does not normally include a government-to-government agreement. Rather, the DoS Directorate of Defense Trade Controls (PM/DDTC) implements the required USG controls through licensing. The International Traffic in Arms Regulations (ITAR) [22 CFR 120-130] contains the day-to-day rules and procedures for Direct Commercial Sales.

The DoS grants regulatory approval for over \$136 billion worth of sales requests per year. Of

note, not all license approvals will result in signed contracts and actual deliveries. Like FMS, DCS deliveries are likely to take place years after U.S. industry obtains the export license from PM/DDTC and the interested parties sign the commercial contract.

## **Other Security Assistance Programs**

### ***Excess Defense Articles***

Excess defense articles (EDA) identified by the MILDEP or DoD agency are authorized for sale using the FMS authority in Section 21, AECA, and FMS processes identified within the Security Assistance Management Manual (SAMM) for property belonging to the USG. Prices range from 5 to 50 percent of original acquisition value, depending on the condition of the article.

Additionally, Section 516, FAA, authorizes the President to transfer EDA on a grant basis to eligible countries (annually identified within a joint DoD/DoS letter to Congress). While EDA can be transferred at no cost, the recipient must typically pay for any transportation or repair charges. Under certain circumstances, transportation charges may be waived, with the cost absorbed by DoD-appropriated funds.

### ***Third-Country Transfers***

Section 3(d), AECA, authorizes the President to manage and approve the transfer of U.S.-origin defense articles from the original recipient country to a third country. Requests for third-country transfers are normally approved if the USG is willing to conduct a direct transfer to the third country. Countries must obtain third-country transfer authority in writing from the DoS in advance of the proposed transfer. This applies to all U.S.-origin defense articles regardless of the method of original transfer from the USG or U.S. industry. More can be found on this subject in the chapter on End-Use Monitoring and Third-Party Transfers.

## **SECURITY COOPERATION**

While all of the programs previously mentioned are authorized under 22 U.S.C (Title 22), and are under the general control of the Department of State (DoS), the Department of Defense (DoD) administers many of them. Title 10 U.S. Code Section 301 defines security cooperation programs and activities of DoD as any program or interaction of U.S.C. with the security establishment of a foreign country to build capabilities, provide access or build relationships. As such, many of the previously described FAA and AECA-authorized security assistance programs administered by the DoD, in accordance with the SAMM, fall under the broad definition of security cooperation. The following is a categorization of programs, and a brief explanation, based upon a partial list presented in the 2016 DoD Guidance for Security Cooperation. For more detail on the different programs that can be found under each category, access and download the *Security Cooperation Programs* book found on the DSCU website or use the SC Programs Viewer on the Security Assistance Network Web (SANweb).

### **Train and Equip/Security Cooperation: DoS Administered Title 22**

This category includes security assistance programs previously identified and described, and these programs are normally implemented and managed by DoS, USAID, or both. While under the authority of DoS, DoD provides material assistance and related training to partner nations to develop specific capabilities and/or capacities. These programs are authorized by either the Foreign Assistance Act (FAA) (22 U.S.C. 2151, et. seq.) or the Arms Export Control Act (AECA) (22 U.S.C. 2751, et. seq.):

- Direct Commercial Sales (DCS)
- Drawdowns
- Economic Support Fund (ESF)

- Global Peace Operations Initiative (GPOI)
- International Narcotics Control and Law Enforcement (INCLE)
- Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR)
- Peacekeeping Operations (PKO)
- Third-Country Transfers

### **Train and Equip/Security Assistance: DoD-Administered Title 22**

This category includes security assistance programs previously identified and described. While under the authority of DoS, DoD provides materiel assistance and related training to partner nations to develop specific capabilities and/or capacities. These programs are also authorized by either the Foreign Assistance Act (FAA) (22 U.S.C. 2151, et. seq.) or the Arms Export Control Act (AECA) (22 U.S.C. 2751, et. seq.):

- Excess Defense Articles (EDA)
- Foreign Military Financing Program (FMFP)
- Foreign Military Sales (FMS)
- Foreign Military Construction Services (FMCS)
- International Military Education and Training (IMET)
- Leases
- Military Assistance Program (MAP)

### **Train and Equip/Security Cooperation: Title 10 Programs**

Under the authority of Title 10, Chapter 16, and/or the current National Defense Authorization Act, DoD provides material assistance and related training to partner nations to develop specific capabilities and/or capacities. This is normally done using DoD Operations and Maintenance (O&M) funding, but, in some instances, Congress appropriates additional funding for DoD to conduct these programs. Although it is DoD funding, these programs, and all security cooperation, must be coordinated with DoS. Security Cooperation practitioners refer to these programs as Building Partner Capacity (BPC) programs and execute them using a pseudo Letter of Offer and Acceptance. All BPC programs require congressional notification. Below are just a few examples. Examples with four digits in quotes represent temporary authorities whose authorizations can be found in various National Defense Authorizations Acts.

- “1022” Authority to Provide Counterdrug (CD)-Funded Support to Law Enforcement Agencies
- “1206” Training of Security Forces and Associated Security Ministries of Foreign Countries to Promote Respect for the Rule of Law and Human Rights
- “1226” Support to Certain Governments for Border Security Operations
- 333, Foreign Security Forces: Authority to Build Capacity
- Afghanistan Security Forces Fund (ASFF)
- European Deterrence Initiative (EDI)



- Iraq Security Forces Fund (ISFF)
- Counter ISIS Train and Equip Fund (CTEF)
- Indo-Pacific Maritime Security Initiative (MSI)

### ***Operational Support***

Operational support assistance programs are designed to enable partner countries to participate in coalition operations by developing specific capabilities needed for said operations. Alternately, they might focus on enhanced interoperability among partner countries and sustain partner operations in cases where partner countries cannot sustain operations on their own. These are normally done using DoD O&M funding and congressionally appropriated funds. These programs, and all security cooperation, must be coordinated with DoS. Below are just a few examples:

- “1234” Logistics Support for Coalition Forces Supporting Certain U.S. Military Operations
- “1207” Cross Servicing Agreements for Loan of Personnel Protection and Personnel Survivability Equipment in Coalition Operations
- “1233” Coalition Support Fund (CSF)
- 331, Friendly Foreign Countries: Authority to Provide Support for Conduct of Operations
- Acquisition and Cross-Servicing Agreement (ACSA)
- Coalition Readiness Support Program (CRSP)

### ***Defense Institution Building (DIB)***

DIB, as per the 27 January 2016 DoD Directive 5205.82, is the development and capacity building of partner nation defense institutions, normally at the ministerial or chief of defense level, in support of U.S. foreign policy and security cooperation goals. According to this directive, DIB attempts to promote principles vital to the establishment of defense institutions that are effective, accountable, transparent, and responsive to national political systems, especially regarding good governance, oversight of security forces, respect for human rights, and the rule of law.

Some areas of focus for DIB are defense institutions, organizations and processes that can ensure effective oversight, management, and execution of logistics, personnel, budgets, policy, strategy, and doctrine for effective development, employment, and sustainment of defense capabilities.

DIB is authorized and funded under Title 10, Section 332, Friendly Foreign Countries; International and Regional Organizations: Defense Institution Capacity Building to bring into the Partner Nation (PN) both full-time resident advisors and long-term, episodic Subject Matter Expert teams. Funding from other programs can also be used for DIB related training, education, and professional development.

### ***International Armaments Cooperation***

International Armaments Cooperation (IAC) can best be described as U.S. bilateral and multilateral agreements with partner countries focused on three cooperative areas. First, to share the costs associated with the cooperative research, development, test, evaluation, and production of mutually required weapons systems or components, defense technologies, systems, or equipment; second, to foster joint production and follow-on support of defense articles or equipment; and, third, to procure foreign technology, equipment, systems or logistics support. Over time, a variety of names have been applied to this area of cooperation to include Armaments Cooperation, International Armaments Cooperation (IAC), International Armaments Cooperation Programs (IACP), and Defense Cooperation

in Armaments (DCA). Chapter 13 of this book provides more information on this topic. Below are just a few examples:

- Information Exchange Program (IEP)
- 311, Exchange of Defense Personnel Between United States and Friendly Foreign Countries
- Test and Evaluation Program (TEP)
- Foreign Comparative Testing (FCT) Program
- Cooperative Research, Development, and Acquisition Programs
- Defense Trade
- Cooperative Logistics

### ***Humanitarian Assistance***

Humanitarian assistance consists of a group of security cooperation programs designed to improve DoD access, visibility, and influence in a partner nation (PN) or region and to build the capacity of the PN government while addressing a humanitarian need. Combatant commands (CCMDs) may carry out activities funded by Overseas Humanitarian, Disaster and Civic Aid (OHDACA) across respective Unified Command Plan (UCP) theaters, offering DoD another tool to promote regional stability and security. Requests for OHDACA funds for any of these programs are generally initiated by the in-country SCO. The CCMD then consolidates and prioritizes before forwarding to DSCA for any required coordination with DoS/USAID and the military departments. It should be noted that the DoS has parallel programs generally managed by USAID in response to any requests by the affected U.S. embassy responding to country requirements. DoS and USAID annually receive even more funding for overseas humanitarian, disaster, and migration assistance programs. Below are just a few examples:

- Center for Excellence in Disaster Management & Humanitarian Assistance (CFE-DM)
- Commander's Emergency Response Program (CERP)
- Excess Property as Humanitarian Relief
- Foreign Disaster Relief (FDR)
- Humanitarian Assistance Transportation Program (HATP)
- Humanitarian and Civic Assistance (HCA) during Military Operations
- DoD Humanitarian Assistance (HA)
- Humanitarian Daily Rations (HDR)
- Humanitarian Mine Action (HMA)
- Space-A Transport of NGO Relief

### ***Education***

There are many security cooperation programs that provide education opportunities to PN military and civilian personnel. Training can take place in the U.S., in the PN's country and in some cases in a third country. Training can include professional military education, tactical training, and/or technical skills training when they acquire new equipment from the U.S. Below are just a few examples:

- “1206” Training of Security Forces and Associated Security Ministries of Foreign Countries to Promote Respect for the Rule of Law and Human Rights
- 342, Regional Centers for Security Studies (RCSS)
- 345, Regional Defense Combating Terrorism and Irregular Warfare Fellowship Program (CTIWFP)
- 346, Distribution to Certain Foreign Personnel of Education and Training Material and Information Technology to Enhance Military Interoperability with the Armed Forces
- 347, International Engagement Authorities for Service Academies
- 348, Aviation Leadership Program (ALP)
- Attendance at the USCG Academy

### *Exercises*

Combined exercises are exercises between the U.S. forces and those of one or more countries. It is common error to refer to these exercises as multinational, coalition, or joint operations, but this is doctrinally incorrect. It should be noted that the term “joint” refers to two or more services, e.g., Army and Air Force. Exercises can be both joint and combined, while most combined exercises are single-service combined exercises. The primary purpose of combined exercises is the training of U.S. forces, emphasizing interoperability and capability building, though the host nation also benefits from the training as well. There are three types of exercises that may fall under this title:

- Field Training Exercises (FTX): These are the most realistic of exercises, taking the form of actual forces in the field, thus allowing all the moving parts to be tested. These are also the most resource intensive in money, manpower, material, and preparation time.
- Command Post Exercises (CPX): An exercise in which the forces are simulated, involving the commander, the staff, and communications/coordination among the participating headquarters.
- Table Top Exercises (TTX): Tabletop exercises are the least resource-intensive of these three types, ranging from a formal, detailed planning process to a simple discussion. TTXs are excellent when senior leaders want to explore a number for possible scenarios or possible futures.

Below are just a few examples of security cooperation exercise programs and related activities:

- “1251” Training for Eastern European National Security Forces in the course of Multilateral Exercises
- 321, Training with Friendly Foreign Countries: Payment of Training and Exercise Expenses
- 322, Special Operations Forces: Training with Friendly Foreign Forces
- Defense Health Program
- Exercise-Related Construction (ERC)
- Joint Exercise Program

### *Contacts*

There can be some confusion about the definition of contact events and/or Military-to-Military (M2M) events. In the past, Section 168 of Title 10 provided authorization for contact events and/



or Mil-to-Mil events. However, part of NDAA 2017, Section 168, was repealed, and these types of events are now authorized under Chapter 16 of Title 10, specifically Subchapter II Military-to-Military Engagements. One of the most important things to remember is that events conducted under this authority should not cross into the training realm. They should be designed to enable defense and military leaders to engage with partner countries for discussions, exchanges of tactics, planning, and other purposes that encourage democratic orientation of defense establishments and military forces of other countries; but not training. Contacts are largely conducted between U.S. military and civilian defense personnel and the military and civilian defense personnel of a partner country but may also include non-defense personnel of partner countries who play key security roles. Events, normally, but not always, fall into one of these categories:

- Traveling contact teams
- Familiarization visits
- Military liaison teams
- Seminars and conferences held primarily in a theater of operations
- Distribution of publications primarily in a theater of operations
- Personnel expenses of DoD personnel as they relate to above activities

Below are just a few examples of the authorities under which DoD conducts contact events:

- 311, Exchange of Defense Personnel between United States and Friendly Foreign Countries: Authority
- 312, Payment of Personnel Expenses Necessary for Theater Security Cooperation
- 342, Regional Centers for Security Studies (RCSS)
- 344, Participation in Multinational Military Centers of Excellence

An organization that might be involved in supporting contact events is the National Guard, which is part of the Department of Defense State Partnership Program (SPP), which is authorized under 10 USC 341 (Title 10, Chapter 16, subchapter V). More on this later in this chapter.

## ***Exchanges***

There are a variety of options for conducting exchanges of military and civilian defense personnel with partner countries that may be used to develop familiarity with partner country systems, processes, interoperability, and technical expertise. There can be exchanges of civilian or military personnel between DoD and ministries of defense. There can be exchanges of military personnel between units of U.S. armed forces and foreign armed forces. There can also be exchange of personnel on a nonreciprocal basis. Below are just a few examples of the authorities under which DoD conducts exchanges:

- 311, Exchange of Defense Personnel Between United States and Friendly Foreign Countries: Authority
- Reciprocal, No-charge Flight Training School
- Reciprocal, No-charge Professional Military Education (PME) Student Exchanges
- Reciprocal, No-charge Unit Exchanges

## **SECURITY FORCE ASSISTANCE**

Lessons learned from the combat activities and subsequent foreign government reconstitution efforts in Southwest Asia drove the Department of the Army (HQDA) and U.S. Special Operations Command (USSOCOM) to develop a new concept of operations titled Security Force Assistance (SFA). HQDA FM 3-07.1, “Security Force Assistance,” May 2009 (superseded by FM 3-22, Army Support to Security Cooperation, 22 January 2013), is the first document to define SFA as the unified action to generate, employ, and sustain local, host-nation or regional security forces in support of a legitimate authority. The following year, Department of Defense Instruction (DODI) 5000.68 of 27 October 2010 titled “Security Force Assistance” established DoD policy for SFA and assigned responsibilities. The directive restated the definition of SFA to be DoD activities that contribute to the unified action by the USG to support the development of the capacity and capability of foreign security forces (FSF) and their supporting institutions.

Moving from tactical to strategic levels, SFA is engagement at the tactical and operational level, Defense Institution Building (DIB), as part of Institutional Capacity Building (ICB), is engagement at the operational (ministerial) level and Security Sector Assistance (SSA) is engagement at the strategic, whole-of-government level.

According to the April 2013 Presidential Policy Directive 23 (PPD 23), strategic-level SSA aims to strengthen the ability of the U.S. to help allies and partner nations build their own security consistent with the principles of good governance and the rule of law across their government. The DoS has the lead on SSA and convenes the Interagency SSA Oversight Board, which they co-chair with DoD. SSA objectives with a PN should reflect the objectives of the respective U.S. embassy’s Integrated Country Strategy (ICS). In this respect, SSA is a coordinated USG effort focused on helping countries fight alongside U.S. forces countering terrorist and international criminal networks, participate in international peacekeeping operations, and maintain law and order in their respective countries.

SFA encompasses all of the activities required to develop a FSF, identifying and generating needed functions from the leadership level of the PN ministry of defense down to the entry-level private. The FSF and the broader terms of the security sector encompass the military, paramilitary, police, intelligence forces, border police, coast guard, customs officials, prison guards, and correctional personnel that provide security for a partner nation and its relevant population or support a regional security organization’s mission. U.S. DoD civilians, contractors, conventional, and Special Operations Forces can be the providers of SFA. As a subset of DoD security cooperation, SFA draws from multiple security cooperation programs to include security assistance (Title 22) for resources.

That said, there are parameters for what SFA is and, more clearly, what does not qualify as SFA. 3-07.1 states that (1) the mere provision of defense articles without related training is not SFA, (2) military exchange programs are not SFA, (3) humanitarian assistance and civic action are not SFA, and (4) joint exercises are not SFA. Combined operations must include U.S. forces as advisors, mentors, partners, or augmenters within FSF units to be SFA, and not U.S. units conducting independent operations alongside FSF.

In summary, as part of security cooperation activities, SFA, DIB, and SSA all work together at their respective levels with our partner nations toward strengthening their FSF capabilities while also supporting U.S. national security goals and achieving DoD security cooperation end states.

## **DEPARTMENT OF DEFENSE STATE PARTNERSHIP PROGRAM (SPP)**

As previously mentioned, Section 341, Department of Defense State Partnership Program (SPP) allows the National Guard of U.S. states and territories to interact and exchange personnel with civil, military, and emergency/disaster response personnel of friendly partner nations. Many of these same partner nations will have an assigned Bilateral Affairs Officer (BAO) from the National Guard state

partner leading and managing the SPP effort and coordinating other mil-to-mil events. The National Guard partner may also conduct humanitarian assistance and training events when authorized.

The National Guard's involvement reflects an evolving international affairs strategy using the unique civil-military nature of the National Guard to interact with both civil and defense personnel of foreign countries. The state partners actively participate in a host of engagement activities, e.g., bilateral familiarization and training events, emergency management, environmental remediation exercises, fellowship-style internships, educational exchanges, and civic leader visits. All activities are coordinated through the CCMD and the U.S. Ambassador's country team, and other agencies, as appropriate, to ensure that National Guard support is tailored to meet both U.S. and country objectives. Table 1-1 illustrates the partnerships.

All state National Guards have an SPP coordinator who manages the program from the state National Guard headquarters. This program also includes the exchange of authorized National Guard personnel with military forces, security forces, or other government organizations of a country whose primary functions include disaster or emergency response.

Typically, funding of SPP activities is not availed unless the activity is jointly approved by the applicable combatant command and chief of mission/ambassador. The National Guard members must be on active duty to use these funds. National Defense Authorization Acts (NDAA's) issue annual changes, and it is imperative to check with respective CCMDs for the latest guidance.

**Table 1-1**  
**DoD State Partnership Program Partners**  
**50 states, 3 territories, and District of Columbia**



## SUMMARY

Security assistance has been part of our nation's history ever since the Revolutionary War. Since World War II, the USG has progressively institutionalized and leveraged security assistance as a tool to advance U.S. interests in a global environment.

The term security assistance itself is subject to differing interpretations. The relatively recent development and use of the term security cooperation, which incorporates DoD-managed security assistance programs, has become the standard to describe all DoD international activities.

If the past is any predictor of the future, security cooperation will be in existence for many years to come. In this regard, the words of former Deputy SecDef, William P. Clements, Jr., are as appropriate today as when they were spoken years ago:

Many contend that such a program [as security assistance] has outlived its usefulness and is an anachronism in these days of a trend towards détente. To do so is not only to misread the history of the past twenty-five years but to misinterpret the signs of the times. The record is open to all who care to consult it. That record fully substantiates the conclusion that the world situation in which we currently find new hope for the future would not exist if the people of the United States had earlier refused to concern themselves with the common defense of the Free World. Had we not become involved and, for more than two decades, supported and encouraged the efforts of allied and friendly countries to protect themselves against threats to their territorial integrity and internal security, the complexion of the globe might be dangerously different today, and the international climate far more hostile. [*Commander's Digest*, July 12, 1973]

The above 1973 historical quote highlights the evolution of SC and underscores the extraordinary changes to SC issued by the FY 2017 NDAA. The increasing scope of SC activities to include all DoD international programs and those FAA/AECA-authorized programs administered by DSCA is testament to increased DoD policy responsibilities and the imperative to develop the SC workforce. Execution of foreign policy in terms of SC reaches from the Secretary of Defense through DSCA to the CCMD, and finally to the in-country SDO/DATT, DAO, and SCO. Increasingly, almost every community within DoD and its respective leadership is recognizing the role they play in SC and the pivotal role SC plays in achieving U.S. foreign policy and national security objectives.

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## Chapter

# 2

# SECURITY COOPERATION LEGISLATION AND POLICY

## INTRODUCTION

The U.S. security assistance (SA) program, is a major component of security cooperation (SC), and has its foundation in public law, which provides both authorizations and appropriations. This chapter will examine and highlight some of the key provisions of these SA-related statutes.

Certain SA programs must be authorized and appropriated. Six such programs include the following:

- International Military Education and Training (IMET) Program
- Foreign Military Financing Programs (FMFPs)
- Economic Support Fund (ESF)
- Peacekeeping Operations (PKO)
- International Narcotics Control and Law Enforcement (INCLE)
- Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR)

Foreign military sales (FMS), commercial exports or direct commercial sales (DCS), drawdowns, and leasing are also addressed in SA legislation, though not from a funding standpoint since U.S.-appropriated dollars are not normally required. Instead, these programs are addressed from a reporting, control, and oversight perspective.

### Authorization Acts

With respect to the current U.S. SA program, two basic laws are involved. They are as follows:

- Foreign Assistance Act (FAA), as amended [22 U.S.C., 2151, et. seq.]
- Arms Export Control Act (AECA), as amended [22 U.S.C., 2751, et. seq.]

Both the FAA and AECA follow a succession of earlier acts which served as the basis for many of the current provisions in the FAA and AECA.

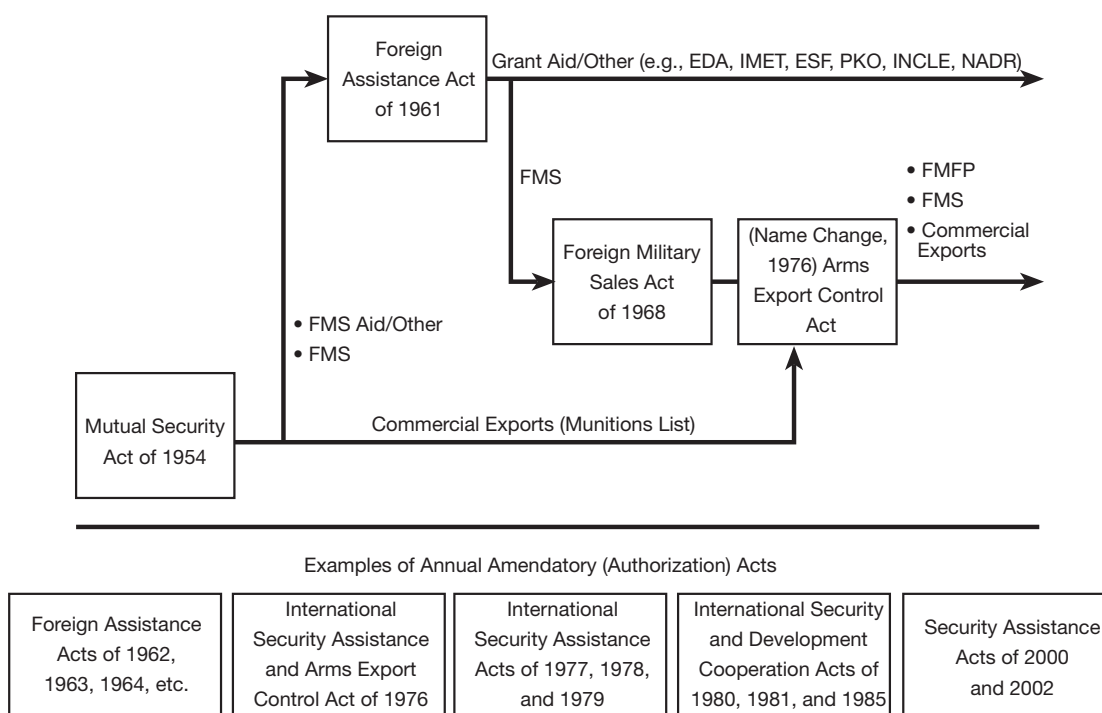
The FAA, originally enacted on 4 September 1961, contains many provisions that were formerly in the Mutual Security Act of 1954, as amended. Today, the FAA is the authorizing legislation for IMET, ESF, PKO, INCLE, NADR, overseas SA program management, grant transfer of excess defense articles (EDA), emergency drawdowns, and a wide variety of other foreign assistance programs. It should be noted that the FAA contains well over 700 sections; much of the act refers to programs outside the purview of SA, for example, the following are such programs:

- Development assistance
- Famine prevention
- International organizations

- Support for East European Democracy (SEED) Act of 1989
- Freedom for Russia and Emerging Eurasian Democracies and Open Markets (FREEDOM) Support Act

The AECA came into being under a different title, the Foreign Military Sales Act of 1968 (FMSA). Before 1968, the basic authority for FMS was the FAA. The FMSA served to incorporate the FMS program under a new and separate act. The International Security Assistance and Arms Export Control Act of 1976 changed the title of the FMSA to the current AECA. The 1976 Act also repealed Section 414 of the Mutual Security Act of 1954 which provided authority for commercial licensing through the International Traffic in Arms Regulations (ITAR). The commercial licensing DCS authority was placed in a new Section 38, AECA, “Control of Arms Exports and Imports,” which governs the licensing and sale of items through direct commercial channels. The AECA is the statutory basis for the conduct of FMS, funding for FMFP, and the control of commercial sales of defense articles and services. Figure 2-1 addresses the various acts discussed above in the context of their relationships to one another.

**Figure 2-1**  
**Major Security Assistance Authorization Acts Since 1954**



The FAA and the AECA may be amended by annual or biennial security assistance or foreign assistance authorization acts. However, Congress has used annual Department of Defense (DoD) and other Department of State (DoS) legislation along with any stand-alone legislation such as P.L. 104-164, 21 July 1996, and various functional laws such as the International Narcotics Control Act (INCA) or the Afghanistan Freedom Support Act (AFSA) of 2002 to amend the FAA or AECA. Congress was marginally successful in the authorization process by legislating the Security Assistance Act of 2000, Public Law (P.L.) 106-280, 6 October 2000, and the Security Assistance Act of 2002, P.L. 107-228, 30 September 2002, for fiscal years (FYs) 2000 through 2003. No SA authorizations were specifically enacted for FYs 2004 and later. In the absence of an authorization act, the appropriations committee has included program authorization language in the affected annual appropriations act, in other acts or in stand-alone legislation, like the Countering Russian Influence in Europe and Eurasian Act of 2017

to authorize additional SA programs. Congress also passed the Department of State Authorities Act in 2017; however, it is an authorities act and did not authorize appropriations.

The Senate Foreign Relations Committee (SFRC) and the House Foreign Affairs Committee (HFAC) are responsible for foreign assistance and SA program authorization legislation. The Senate Armed Services Committee (SASC) and the House Armed Services Committee (HASC) are responsible for defense programs authorization legislation which has included DoD authorities related to SA and authorities for the broadly defined SC programs. The latest DoD authorization act is National Defense Authorization Act (NDAA) for Fiscal Year 2020, P.L. 116-120, 20 December 2019. Both SA and SC authorized programs were addressed earlier in Chapter 1, “Introduction to Security Cooperation.”

The largest reorganization of Security Cooperation (SC), and its programs occurred with the NDAA for Fiscal Year 2017, P.L. 114-328, 23 December 2016 (herein referred to as NDAA FY 2017). NDAA FY 2017 reflected a tremendous effort to significantly reform, consolidate, and codify existing SC programs, along with other major changes to SC as to be conducted, overseen and executed. In fact, NDAA FY 2017, P.L. 114-328 Section 1241 establishes a new Chapter 16 in Title 10 called “Security Cooperation.” This new chapter of Title 10 requires the Secretary of Defense to designate an individual and office at the Under Secretary of Defense-level below with responsibility for oversight of strategic policy, guidance, and overall resource allocation for SC programs and activities of the Department. Also, in this new Chapter 16, there are sections that encompass the main aspects of previous SC programs that have been repealed, re-codified, and/or codified—and sometimes consolidated into a new program/section. About 21 existing SC programs are now consolidated into eight new programs (sections). These eight sections (along with others) are permanent U.S. law and no longer need periodic reauthorization.

Unlike 2017, only minor reforms were made in the NDAA for Fiscal Year 2018 (NDAA FY 2018). However, there are a few notable provisions. For one, there is an increased demand on the Department of Defense in reporting requirements. For example, NDAA FY 2018 directs the Secretary of Defense to create standard timelines and notional milestones in its processing of a foreign military sale [Section 887, P.L. 115-91]. In addition, the Secretary of Defense is required to submit quarterly reports of any FMS cases that require congressional notification, and any that did not meet the standard timeline to achieve notional milestones set by the aforementioned provision to the appropriate congressional defense committees. Additionally, authorizations for numerous temporary programs have been extended. For example, the Global Security Contingency Fund [Section 1206, P.L. 115-91] was extended through FY 2019. Another notable provision is in Section 1043, that affords the DoD greater leeway in providing technical assistance to help foreign partners manage conventional munitions stockpiles. In addition, Section 1202 authorizes a new program “Support of Special Operations for Irregular Warfare,” which allows the DoD to provide support to a variety regular and irregular forces assisting in US SOF forces engaging in irregular warfare operations. In fact, expansion of programs to include irregular warfare was reoccurring theme for NDAA FY 2018.

One of the most interesting changes to come out of the NDAA for fiscal year 2019 was the addition to Section 333 Train and Equip authorization requesting the Sec Def and Sec State to consider factors such as historical, political, or economic factors that may affect program effectiveness [Section 1201, P.L. 115-232]. In addition, Section 1207 authorized both civilians and armed forces to participate in the Inter-American Defense College [10 U.S.C. 351]. The legislation also authorizes the expansion of the Combating Terrorism Fellowship Program to include irregular warfare, renaming the program the Regional Defense Combating Terrorism and Irregular Warfare Program (CTIWP). The legislation also extended or expanded authorization for a number of programs to include the Afghanistan Security Forces Fund, the Commander’s Emergency Response Program (added countries), and the Indo-Pacific Maritime Security Initiative (renamed, and expanded) [Section 1252, P.L. 115-232].

The NDAA for Fiscal Year 2020 reinforced the importance of incorporating previous legislative



directives into security cooperation activities. For example, Congress reinforced the importance of the Women, Peace, and Security Act of 2017 by encouraging the DoD in consultation with the DoS to look to ways to incorporate gender perspectives and participation, by women in security cooperation “to the maximum extent practicable.” In addition, part of Assessment, Monitoring, and Evaluation (AM&E) should include how well human rights and the protection of civilians have been incorporated into SC programs and activities. The NDAA also reauthorized various non-permanent programs, such as the Authority for Support of Special Operations for Irregular Warfare and the Global Security Contingency Fund. Finally, NDAA FY 2020 requests congressional notification be provided for Acquisition and Cross Servicing Agreements (ACSAs) signed with non-NATO countries [Section 1203 (a), P.L. 116-94].

## **Appropriations Acts**

SA appropriations are included in the annual Department of State/Foreign Operations, and Related Programs Appropriations Act (S/FOAA) for (fiscal year). As its title suggests, this act is the appropriation authority for several foreign relations programs, including many SA programs. This act is one of twelve appropriations acts required every fiscal year. Should a new fiscal year begin before an appropriation act has been approved, Continuing Resolution Authority (CRA) is essential to keep the funded foreign assistance programs from coming to a standstill. The CRA is the authority to obligate funds against the FMFP, IMET, ESF, PKO, or other related SA appropriations for the new fiscal year under a CRA legislated by Congress in a joint resolution to make temporary appropriations prior to passage of the regular appropriations act, or in lieu of such an act. Normally, the CRA is for a designated period less than a fiscal year, and such a CRA does not usually allow funding for the start of any new programs.

The FY 2009 appropriations process saw a different but not unprecedented use of a CRA. The Consolidated Security, Disaster, and Continuing Appropriations, 2009, P.L. 110-329, 30 September 2008, included the FY 2009 appropriations for DoD and Homeland Security and the Veteran’s Administration, plus a continuing resolution for the remaining nine required FY 2009 appropriations lasting until 6 March 2009. One more continuing resolution was required until the Omnibus Appropriations Act, 2009, P.L. 111-8, 11 March 2009, was enacted. Division H of P.L. 111-8 was the S/FOAA, 2009, necessary for funding FY 2009 SA. Similarly, Division F of P.L. 111-117 was the S/FOAA for 2010. This same consolidated appropriation provided for five other required FY 2010 appropriations as Divisions A through E. No stand-alone S/FOAA was enacted for FY 2011, thus requiring a CRA based on the S/FOAA for FY 2010. This CRA for FY 2011 was Division B, Title XI, P.L. 112-10, 15 April 2011.

The appropriations process for FY 2012 witnessed the use of five different CRAs until the passage and enactment of the Consolidated Appropriations Act, 2012, P.L. 112-71, 23 December 2012. This law included nine divisions for the nine remaining appropriations for FY 2012 to include Department of Defense Appropriations Act, 2012, Division A, P.L. 112-74, and S/FOAA, 2012, Division I, P.L. 112-74. The S/FOAA for FY 2013 was essentially a continuing resolution of FY 2012 legislation for the entire FY 2013 within Title VII, Division F, P.L. 113-6, 26 March 2013.

The S/FOAA for FY 2014 was enacted as Division K, Consolidated Appropriations Act, P.L. 113-76, 17 January 2014, along with the other required eleven appropriations for FY 2014. The FY 2015 appropriations process witnessed the creation of a new term, the CROminbus. CROminbus is short for the Consolidated and Further Continuing Appropriations Act, for Fiscal Year 2015, P.L. 113-235, 16 December 2014. In this legislation, the Department of Homeland Security was funded only through 27 February 2015 (remaining FY15 funding provided on 5 March 2015 with P.L. 114-4), while the remaining eleven appropriations were funded for the rest of FY 2015. Division C of P.L. 113-235 provided the FY 2015 DoD Appropriations. Division J of P.L. 113-235 provided the FY 2015 S/FOAA. FY 2016 had three CRs, the last one being enacted on 16 December 2015. All twelve FY 2016 federal

budgets were finally enacted on 18 December with the signing of the 2016 Consolidated Appropriations Act, P.L. 114-113. Division K of P.L. 114-113 provided the FY 2016 S/FOAA. Division C of P.L. 114-113 provided the FY 2016 DoD Appropriations. The Consolidated Appropriations Act of 2017, P.L. 115-31 was passed on 5 May 2017. Division C outlined the FY 2017 DoD Appropriations, with additional appropriations found in Division L, while the FY 2017 S/FOAA was enacted by Division J. Four CRAs were passed prior to the enactment of the Consolidated Appropriations Act of 2018, P.L. 115-141 on 23 March 2018. Division K of P.L. 115-141 provided the FY 2018 S/FOAA, and DoD Appropriations were outlined in Division C. Usually, Congress passes an “omnibus” bill to fund government activities all at once. However, in FY 2019, Congress passed a variety of “minibus” appropriation bills, including DoD Appropriations, along with a continuing resolution to fund any remaining government activities. The Department of Defense and Labor, Health, and Human Services Appropriation Act, 2019, was signed into law on 28 September 2018, just before the start of the new fiscal year. Remaining appropriations acts, including those for DoS, were passed on 15 February 2019. For FY 2020, the Consolidated Appropriations Act of 2020, which fund DoD activities, and the Further Consolidated Appropriations Act, for DoS activities, passed on 20 December 2019.

The House Appropriations Committee (HAC) and the Senate Appropriations Committee (SAC) are the committees responsible for the timely legislating of all twelve annual bills. The 11 September 2001 terrorist attack at the end of FY 2001 and military operations in Afghanistan and Iraq, coupled with domestic and worldwide natural disasters requiring vast amounts of humanitarian and reconstruction assistance, further complicated the legislative appropriations process with the requirement for annual and emergency supplemental appropriations. These often included SA funding in addition to the standard appropriations.

### **Federal Statutes, Regulations, and Federal Register on the Internet**

The publication of U.S. law and regulations (as well as announcement of official determinations, certifications, or notifications) is readily available to the public using a variety of open U.S. Government (USG) websites.

### ***Slip Laws***

The first official publication of a law is often referred to as a “slip law” because of how it was once printed and bound for distribution. Because of wide internet access and the printing expense, slip laws are rarely used today. The best source for these now-electronic slip laws is the Library of Congress (LOC) “Thomas” website: <http://thomas.loc.gov/>. This site provides public access to the legislative process ranging from the first introduction of a bill, to committee and conference reports, to passage by both houses, to enactment by the President, and, finally, to the assignment of a P.L. number by the archivist of the U.S. within the office of the Federal Register (FR) before paper printing by the U.S. Government printing office (GPO).

Public law numbers are assigned based on the convening Congress: e.g., P.L. 109-145 is the 145th law of the 109th Congress. An extension of this example is the 109th Congress having two sessions: the first being calendar year (CY) 2005 and the second being CY 2006. The session numbering and time period of the Congress coincide with the term of the just-elected House of Representatives. The enacted laws for the first session CY 2005 of the 109th Congress included P.L. 109-1 through P.L. 109-318. The second session CY 2006 laws of the 109th Congress included P.L. 109-319 through P.L. 109-482.

Recently enacted legislation, are initially slip laws. They are compiled at the end of each Congress into an annual federal sessions law volume known as the United States Statutes at Large. Slip laws are published chronologically in volumes every two years following the end of a congressional session.

## ***United States Code***

The United States Code (U.S.C.) is the codification of the general and permanent laws of the U.S. by the Office of the Law Revision Counsel of the House of Representatives. The Office of the Law Revision Counsel divides the U.S.C. laws into 54 general subject areas. The U.S.C. is published every six years and is essentially restatements from the Statutes at Large. Maintaining an up-to-date paper copy of the lengthy U.S.C. is very costly and difficult to administer; however, the same data can be accessed within the GPO database at <http://www.gpoaccess.gov/uscode/index.html>. The general subject areas are referred to as “titles.” Most SA-codified laws can be viewed under Title 22, “Foreign Relations and Intercourse.” Certain SA-related and SC-codified law can be viewed under Title 10, “Armed Forces.” These titles are often referred to when differentiating between authorities and appropriations for the DoS and its responsibility for foreign affairs and the DoD and its responsibility for national defense.

### ***Legislation on Foreign Relations Through (year)***

As a more timely reference, the SFRC and HFAC regularly publish a multi-volume set of documents to reflect new and amending legislation enacted from the previous calendar year to also include any related executive orders. Volume 1-A provides an up-to-date printing of the FAA and the AECA as well as any relevant still-in-effect portions of prior year appropriations and authorizations acts. As with the slip law, a printed copy of this publication is no longer available. The March 2010 edition, which covers legislation through 2008, can be viewed online: <https://foreignaffairs.house.gov/bills>. The section footnotes of this document provide the tools for determining the slip law and U.S.C. section cross-referencing relationship.

### ***Slip Law and U.S. Code Relationship***

Once the slip law is codified into the appropriate general subject title, it can be referred to as its original enactment title, P.L. number, original section numbers, and date of passage with any subsequent amendments. Or it can be referred to as its U.S.C. title number with U.S.C.-specific section numbers. An SA law example of this relationship is Section 21, Sales from Stocks, AECA, P.L. 90-629, 22 October 1968, as amended, is codified as 22 U.S.C. 2761 with the same section title.

A DoD security cooperation law example of this relationship is the initial funding, authority, later codification, and possible recodification of the Regional Combating Terrorism and Irregular Warfare Fellowship Program (CTIWFP). Funding for this program was first provided in 2002 by DoD appropriations and annually thereafter. Subsequent DoD authorizations also provided for this program with Section 1221 of the NDAA for Fiscal Year 2004, P.L.108-136, 24 November 2003, finally amending 10 U.S.C. with a new Section 2249c authorizing CTIWFP on a permanent basis. In FY 2017, as part of the reorganization of SC programs under that year’s NDAA [P.L. 114-328] , many permanent programs were recoded and added to the new Chapter 16 of Title 10. CTIWFP was part of this reorganization and can now be found at 10 U.S.C. 345.

### ***Code of Federal Regulations***

The Code of Federal Regulations (CFR) is the codification of general and permanent rules published in the Federal Register (FR) by the executive branch and its agencies. Using the same U.S.C. organization-by-subject procedure, the CFR is arranged into fifty general subject areas. Using administrative law authority and procedures, the CFR generally has the same authority as the law authorizing the regulation. An SA example of this procedure is the ITAR, 22 CFR parts 120-130, which, by delegation of authority, is maintained by the Deputy Assistant Secretary of State for Defense Trade Controls (PM/DDTC). The authorizing authority for the ITAR is Section 38(a)(1), AECA [22 U.S.C. 2778]. The officially published ITAR can be viewed at the GPO site, <http://www.gpoaccess.gov/cfr/index.html>, published on an annual basis or, in a more timely manner, at the Bureau of Political-Military Affairs, Directorate of Defense Trade Control (PM/DDTC) website, <https://www.pmdtcc>.

state.gov/ddtc\_public?id=ddtc\_kb\_article\_page&sys\_id=%2024d528fddbfc930044f9ff621f961987. Both the DSCA and DSCU websites provide convenient links to these sites.

Using administrative law procedures, any proposed changes to the CFR are generally available for public comment along with notice of final changes in the daily FR also maintained by GPO.

### ***Federal Register***

The Federal Register (FR) is a daily publication of rules, proposed rules, notices by federal agencies, executive orders, and other Presidential documents. The daily journal can be found online at [www.federalregister.gov](http://www.federalregister.gov) while printed copies can be obtained from the GPO. Both the printed document and the website have the announcements arranged on a daily basis for each agency (in alphabetical order) with a calendar year making a volume, e.g., CY 2007 is Volume 72. There are no entries or announcements on weekends or federal holidays. An SA example in the use of the FR can be found at <http://edocket.access.gpo.gov/2007/pdf/07-2637.pdf>. This is the 30 May 2007 public notice on the FR, Volume 72, number 103, by the DoD/DSCA of a proposed 36(b)(1) FMS sale to Iraq. Section 36(b)(1), AECA [22 U.S.C. 2776(b)(1)] requires this advance notification to Congress. Section 155, P.L. 104-164, 21 July 1996, amended the U.S.C. with a new Section 36(f), AECA [22 U.S.C. 2776(f)] requires the full unclassified text of any advance notification of a sale to Congress be published in the FR. It should be noted that DSCA provided a routine and prompt public announcement of this proposed 36(b)(1) FMS notification on 18 May 2007 on its website: <https://www.dsca.mil/major-arms-sales>.

### ***DSCU Web Page***

Selected SA legislation and other related policy documents listed below can be located and viewed via the DSCU website: <https://www.dscu.mil/pages/resources/default.aspx?section=publications&type=otherpubs>.

- Congressional Budget Justifications (CBJ) for Foreign Operations (FY XX)
- Current and recent past Department of State and Foreign Operations Appropriations Acts (S/FOAAs)
- Current and recent past Department of Defense Appropriations Acts
- Current and recent past National Defense Authorization Acts (NDAAs)
- Current and recent past related Supplemental Appropriations Acts
- Current and recent past SA/SC legislation articles from *The DISCS Journal*
- Foreign Assistance Act (FAA) and the Arms Export Control Act (AECA) through January 2008
- The DoS and United States Agency for International Development (USAID) Joint Strategic Plan for FY 2018 through FY 2022
- National Security Presidential Memorandum (NSPM 10) Regarding U.S. Conventional Arms Transfer Policy of 19 April 2018
- Defense Trade Security Initiative (DTSI) of 26 May 2000
- International Traffic in Arms Regulations (ITAR)
- DoD/DSCA 36(b), AECA, Congressional notifications for FMS letters of offer and acceptance (LOAs)



- Security Cooperation Programs Handbook
- International Armaments Cooperation (IAC) Handbook
- Government Printing Office U.S. Code (U.S.C.) search engine
- DoD search engine for published Joint Staff instructions
- DoD search engine for published DoD directives, instructions, and manuals
- Library of Congress “Thomas” website to view status of proposed legislation and previously enacted laws

## **LEGISLATED MANAGEMENT OF SECURITY ASSISTANCE FUNDING**

### **Funding Obligations and Reprogramming**

Section 653(a), FAA, requires a Presidential notification, delegated to the Secretary of State, to Congress to allocate any funds appropriated by the annual S/FOAA. This funding allocation report must be made no later than thirty days after the enactment of a law appropriating funds to carry out any provision of the FAA or the AECA. Identified in the report is each foreign country and international organization to which the USG intends to provide any portion of the appropriated funds, and the amount of funds, by category of assistance, that the USG intends to provide to each. It should be noted that this report does not always become available within the thirty days of enactment. An example of this late reporting occurred in FY 2011 when the appropriation was enacted on 15 April 2011, but the report was not provided to Congress until 3 August 2011. The annual allocation reports after FY 2011 continued to be outside of the thirty-day window or not at all.

Section 634(a), FAA, is the principal authority covering funding obligations and reprogramming actions. In general, special notification to Congress is required fifteen days in advance of any obligation of funds appropriated to carry out the purposes of the AECA or the FAA for any activities, programs, projects, types of material assistance, countries, or other operations that have not been justified to Congress or that are in excess of the amount justified to Congress. This notification must be provided to the Congressional foreign relations and appropriations committees.

Additionally, the notification must be made whenever a proposed reprogramming of funds exceeds \$1 million and the total amount proposed for obligation for a country under the AECA in a FY exceeds the amount specified for that country in the Section 653(a), FAA, report to Congress by more than \$5 million. The notification to Congress of such proposed reprogramming must specify the nature and purpose of the proposed obligation and to the extent possible, the country for which such funds would otherwise have been obligated.

Further statutory provisions regarding funding commitments for FMFP, IMET, ESF, NADR, INCLE, and PKO are found in the annual S/FOAA. Under these provisions, special notification to the two appropriations committees is required fifteen days prior to the commitment of these SA funds when such funds are to be expended for the acquisition of specific types of defense articles that have not been previously justified to Congress or that exceed the quantities previously justified to Congress by 20 percent. This provision applies to the specified defense articles of major defense equipment (MDE) other than conventional ammunition, aircraft, ships, missiles, or combat vehicles [Section 7015, P.L. 115-141].

### **Availability of Funds**

IMET, FMFP, and ESF are the only SA programs identified specifically in law for which appropriated funds may be made available after the expiration of the fiscal year for which they were appropriated

[Section 7011, P.L. 115-141]. These funds shall remain available for an additional four years from the date when the availability of such funds would otherwise have expired, if such funds are initially obligated before the expiration of their respective periods of availability.

The IMET program has two important exceptions. The first exception involves what is termed an IMET fifth quarter. This procedure permits uncommitted appropriated dollars to be committed no later than 30 September of a given fiscal year, but to be spent in the subsequent three-month period (i.e., the fifth quarter), through 31 December. The second exception began in FY 1999 when \$1 million of the total funding appropriated for IMET is to remain available until expended. This figure was changed to \$3 million for each fiscal year beginning with FY 2002. Beginning in FY 2009, it was changed to \$4 million. In FY 2018, \$11 million may now remain available until the next fiscal year vice until expended [Title IV, P.L. 115-141 for FY2018]. This authority is to allow for the expenditure of all IMET funding without the loss of it at the end of the fiscal year.

### **Non-Funded Security Assistance Programs**

The FMS and DCS components of SA are normally funded by direct cash outlays of the purchasing countries. These two programs can also be funded using appropriated FMFP funds or, in the case of Building Partner Capacity (BPC) programs, DoD SC funds. Consequently, the FMS and DCS do not require Congressional budget authorizations or appropriations. Nevertheless, the financial activity generated by FMS cash purchases has a substantial impact on USG financial programs. Special accounting procedures have been instituted for the management of these funds, and FMS cash activities are documented in the annual U.S. budget in terms of the FMS Trust Fund. This trust fund will be further addressed later in Chapter 12 of this text, “Financial Management.”

## **BASIC POLICIES**

The remainder of this chapter discusses a broad variety of statutory provisions that govern the management of SA and SC. These provisions have been selected from the FAA, the AECA, or other sources, as identified, and are representative of the wide range of legislative rules, which enable Congress to exercise its regulatory and oversight responsibilities. For ease of reference, applicable legislative references are cited either at the conclusion of the discussion of specific provisions or at the beginning of the discussion of a set of related provisions.

### **Reaffirmation of United States Security Assistance Policy**

Section 501 of the Foreign Assistance Act (FAA) statement of policy outlines the policy goals of the legislation. In it, Congress reaffirms the policy of the United States to achieve international peace and security through the United Nations and to only use armed force for individual and collective defense. Military assistance to friendly countries to promote peace and security are guided by the principle of effective self-help and mutual aid while exerting maximum efforts for universal control of weapons of mass destruction and regulation and reduction of armaments [Section 501, FAA].

### **Ultimate Goal**

The Arms Export Control Act Section 1 outlines the ultimate goal of the U.S. continues to be a world that is free from the scourge of war and the danger and burdens of armaments, the use of force has been subordinate to the rule of law and international adjustments are achieved peacefully. U.S. policy remains to encourage regional arms control and disarmaments agreements, and to discourage arms races. U.S. policy is also to exert leadership in the world community to bring about arrangements for reducing the international trade in the implements of war [Section 1, AECA].

### **Purpose of Arms Sales**

Congress recognizes that the U.S. and other free and independent countries have valid defense requirements. Because of the growing cost and complexity of defense equipment, it is increasingly

difficult and uneconomical for any country to fill all of its legitimate defense requirements from its own design and production base. It is the policy of the U.S. to facilitate the common defense by entering into international arrangements that further the cooperative exchange of data, research, development, production, procurement, and logistics support. To this end, the AECA authorizes sales by the USG to friendly countries in furtherance of the security objectives of the U.S. and in consonance with the principles of the Charter of the UN [Section 1, AECA].

Defense articles and services shall be furnished or sold solely for the following:

- Internal security
- Legitimate self-defense
- Preventing or hindering the proliferation of weapons of mass destruction and the means of delivering such weapons
- Permitting the recipient country to participate in regional or collective arrangements consistent with the Charter of the United Nations
- Supporting economic and social development activities by foreign military forces in less developed countries [Section 502, FAA, and Section 4, AECA]

### **Arms Sales and United States Foreign Policy**

It is the sense of the Congress that arms sales shall be approved only when they are consistent with U.S. foreign policy interests [Section 1, AECA].

- The FY 2018-2022 Joint Strategic Plan for the DoS and USAID include four overall strategic goals:
  1. Protect America's Security at Home and Abroad
  2. Renew America's Competitive Advantage for Sustained Economic Growth and Job Creation
  3. Promote American Leadership through Balanced Engagement
  4. Ensure Effectiveness and Accountability to the American Taxpayer
- The FY 2018-2022 Joint Strategic Plan for the DoS and USAID can be found online: <https://www.state.gov/documents/organization/277156.pdf>

The FAA and AECA provide various conventional arms transfer authorities to the President. The current decision-making criteria used by the administration for determining FAA and AECA-authorized arms transfers was promulgated by the White House on 19 April 2018 as National Security Presidential Memorandum (NSPM 10) Regarding US Conventional Arms Transfer Policy (CATP), which can be viewed both in the attachment to this chapter and on the internet at <https://www.whitehouse.gov/presidential-actions/national-security-presidential-memorandum-regarding-u-s-conventional-arms-transfer-policy/>.

### **Effect on United States Readiness**

FMS sales that would have an adverse effect on U.S. combat readiness shall be kept to an absolute minimum. For such sales, the President would be required to provide a written explanation to the Speaker of the House and the Senate Armed Services and Foreign Relations committees [Section 21(i), AECA].

## **Conventional Arms Restraint**

Congress encourages the President to maintain adherence to a policy of restraint in conventional arms transfer and to continue discussions with other arms suppliers in order to restrain the flow of conventional arms to less developed countries. It is the sense of the Congress that the aggregate value of FMS in any FY shall not exceed current levels [Section 1, AECA]. This provision was added to the AECA in June 1976. Accordingly, the base year for “current levels” was FY 1975, which had a combined total of FMS and foreign military construction sales of [then-year] \$15.8 billion.

## **Security Assistance Surveys**

Security assistance surveys include any survey or study conducted in a foreign country by USG personnel for the purpose of assessing the needs of that country for SA. Defense requirement surveys, site surveys, general surveys or studies, and engineering assessment surveys all represent various types of SA surveys. It is the policy of the U.S. that the results of SA surveys do not imply a commitment by the U.S. to provide any military equipment to any foreign country. Recommendations in such surveys should be consistent with the arms export control policy provided in the AECA. As part of the quarterly report required by Section 36(a), AECA, the President shall include information on all such surveys authorized during the preceding calendar quarter [Section 26(b), AECA].

A similar but not a replacement program titled Expeditionary Requirements Generation Team (ERGT) was established by DSCA policy 11-18, 31 March 2011. ERGTs respond to combatant command (CCMD) requests for support and augmentation in assisting security cooperation organizations (SCO) with expertise in support of planning and execution of capability-building efforts-ERGTs primarily focused on assisting SCOs in helping partner nations define partner needs and requirements [SAMP, C2.4.2.3]. Initial teams were funded by DSCA with subsequent teams to be funded by the applicable agencies.

## **Civilian Contract Personnel**

The President shall, to the maximum extent possible and consistent with the purposes of the AECA, use civilian contract personnel in any foreign country to perform defense services sold through FMS [Section 42(f), AECA].

## **Prohibition on Performance of Combatant Activities**

Personnel performing defense services sold through FMS may not perform any duties of a combatant nature. This prohibition includes any duties related to training and advising that may engage U.S. personnel in combat activities in connection with performance of those defense services. Within forty-eight hours of the existence of (or a change in the status of) significant hostilities or terrorist acts, which may endanger American lives or property involving a country in which U.S. personnel are performing defense services, the President shall submit a report in writing to Congress [Section 21(c), AECA].

## **Limitation on Assistance to Security Forces**

No assistance (includes both articles and training) authorized by the FAA or the AECA will be made available to any unit of the security forces of a country if the Secretary of State has credible information that such unit has committed a gross violation of human rights. Funding may be provided once the Secretary determines and reports to Congress that the affected country is taking effective measures to bring the responsible members of the security forces unit to justice [Section 620M, FAA]. This is commonly referred to as the Leahy Amendment with the process entitled Leahy Vetting. DoD funding for U.S. exercises or training with foreign security force or police units are likewise restricted. Section 1204, NDAA, FY 2015, P.L. 113-291, states and codifies the following: DoD training, equipment, or other assistance may not be provided to a unit of a foreign security force if the Secretary of Defense has credible information that the unit has committed a gross violation of human rights [10 U.S.C., Section



362]. Proposed students and/or units are to be vetted using all available USG resources prior to any training or combined exercises.

### **Advisory and Training Assistance**

Advisory and training assistance conducted by military personnel assigned to overseas SA management duties shall be kept to an absolute minimum. Such advisory and training assistance shall be provided primarily by other U.S. military personnel not assigned under Section 515, FAA, and who are detailed for limited periods to perform special tasks [Section 515(b), FAA].

### **Prohibitions Regarding Police Training**

None of the funds appropriated under the authority of the FAA shall be used to provide training or advice or to provide financial support for police, prisons, or other law enforcement forces of any foreign government. This prohibition does not apply to assistance and training in maritime law enforcement and other maritime skills, nor shall it apply to a country with long-standing democratic tradition that does not have standing armed forces or any consistent pattern of gross violations of internationally recognized human rights [Section 660, FAA]. This prohibition is not provided for AECA-authorized programs; however, prior coordinated approval from the Department of State and DoD/DSCA is required [SAMM, C4.5.6.3].

### **Personnel End-Strengths**

Military and civilian personnel performing SA under the FAA or AECA must be within the personnel levels authorized for the DoD. No additional personnel are authorized for SA [22 U.S.C. 2751 note], and Section 605(a), P.L. 94-329].

### **Eligibility for Grant Aid**

No defense articles or defense services (including training) shall be furnished to any country on a grant basis unless it shall have agreed to the following:

- It will not, without the consent of the President, permit any use of such articles or services by anyone who is not an officer, employee, or agent of that country.
- It will not, without the consent of the President, transfer (to another country) such articles or services by gift, sale, or other method.
- It will not, without the consent of the President, use or permit the use of such articles or services for purposes other than those for which furnished.
- It will provide substantially the same degree of security protection afforded to such articles or services by the USG.
- It will permit continuous USG observation and review with regard to the use of such articles or services.
- It will return to the USG, for such use or disposition as the USG may determine, any articles or services no longer needed. [Section 505(a), FAA]

This is often referred to as the 505 Agreement. It is normally entered into via diplomatic channels prior to a grant transfer. The 505 Agreement procedures are also used for grant transfers authorized or funded by the DoD security cooperation.

### **Eligibility for Sales**

Similar to the 505 agreement conditions for grant transfers, no defense article or service shall be sold by the USG to any country or international organization unless the following occurs:

- The President finds that it strengthens the security of the U.S. and promotes world peace.
- The country (or international organization) has agreed not to transfer title to, or possession of, any articles or services (including training) furnished to it by the U.S., unless the consent of the President has first been obtained.
- The country (or international organization) has agreed to not use or permit the use of such articles or related training or other defense service for purposes other than those for which furnished, unless the consent of the President has first been obtained.
- The country (or international organization) has agreed to provide substantially the same degree of security protection afforded to such article or service by the USG.
- The country (or international organization) is otherwise eligible to purchase defense articles or services. [Section 3(a), AECA]

Beginning 29 November 1999, all sales and lease agreements entered into by the USG shall state that the U.S. retains the right to verify credible reports that such article has been used for a purpose not authorized under Section 4, AECA, or if such agreement provides that such article may only be used for purposes more limited than those authorized under Section 4, AECA, for a purpose not authorized under such agreement [Section 3(g), AECA].

### **Presidential Determination**

In order for any SA to be provided to any country, it is required that such country first be deemed eligible to participate in U.S. SA programs. Such eligibility must be established by the President and is confirmed in a written Presidential Determination (PD). This requirement is outlined in the Section 503 of the FAA and Section 3 of the AECA. Further, grant military assistance or a sales program for any country may be authorized when the President finds that furnishing defense articles and services to such a country will strengthen U.S. security and promote world peace. Consequently, annual budgetary planning and programming for SA is generally limited to those countries in which PDs have determined eligibility.

All such written determinations, which authorize the purchase of defense articles and services, are signed by the President and take the form of a memorandum for the Secretary of State. Each determination is normally published in the FR at the time of approval. A list of all such determinations approved to date can be found in the annual Congressional Budget Justification (CBJ) for Foreign Operations, Fiscal Year 20XX.

Such a determination is only a preliminary finding of eligibility and does not guarantee the approval of any specific requests for arms transfers or other assistance. A determination for a specific country needs to be made only once, and subsequent determinations for any country for which a determination was previously made are treated as amendments. Although budgetary planning considerations may include certain countries, which are awaiting a favorable determination, no budgetary implementation for SA for such countries may occur until such determinations have been made.

### **Other Restrictions**

Except where the President (often delegated to the Secretary of State) finds national security or U.S. interests require otherwise, no assistance shall be provided to countries that do any of the following:

- Repeatedly provide support to international terrorists [Section 620(a), FAA]
- Are communist, including, but not limited to the following: Democratic People's Republic of Korea, People's Republic of China, Republic of Cuba, Socialist Republic of Vietnam, and Tibet [Section 620(f), FAA]

- Are indebted to any U.S. citizens, corporations, etc. for goods or services (where legal remedies are exhausted, the debt is not denied or contested, etc.) [Section 620(c), FAA. [Section 620(e), FAA]
- Are in default on any FAA-authorized loan to the USG in excess of six months [Section 620(q), FAA]
- Are engaged in illicit drug production or drug transiting and have failed to take adequate steps to include preventing such drugs from being produced or transported, sold to USG personnel or their dependents, or smuggled into the U.S. (50 percent of assistance is suspended) [Section 490(a), FAA]
- Are in default to the USG for a period of more than one calendar year on any foreign assistance or SA loan (e.g., a development assistance, FMFP, or ESF loan) [Section 7012, P.L. 115-141]. This prohibition is renewed in the annual S/FOAA, and is generally referred to as the Brooke-Alexander Amendment.
- Prohibit or otherwise restrict, directly or indirectly, the transport or delivery of U.S. humanitarian assistance [Section 620I, FAA]
- Grant sanctuary from prosecution to any individual or group that has committed an act of international terrorism or otherwise supports international terrorism [Section 7021, P.L. 115-141]
- Fail to comply, or make significant efforts for compliance, with minimum standards for combating the trafficking in persons (TIP) [Section 110, P.L. 106-386]
- Tax U.S. goods and services being imported as U.S.-funded assistance [Section 7013, P.L. 115-141]
- Do not pay any accumulated automobile parking fines or property taxes in New York City or the District of Columbia [Section 7053, P.L. 115-141]
- Knowingly transfer Man-Portable Air Defense Systems (MANPADs) to a government or organization that supports terrorism [Section 12, P.L. 109-472]
- Recruit or use child soldiers in the regular armed forces, paramilitaries, militias, or civil defense forces [Section 404(a), P.L. 110-457]

### **Additional Restrictions**

The following restrictions, unlike those noted above, do not provide specific statutory authority for a Presidential waiver. They require suspension/termination of assistance to any government:

- That is engaged in a consistent pattern of acts of intimidation or harassment directed against individuals in the U.S. [Section 6, AECA]
- That severs diplomatic relations with the U.S. or with which the U.S. severs such relations [Section 620(t), FAA]
- That delivers or receives nuclear enrichment or reprocessing equipment, material, or technology (and have not entered into an agreement with the International Atomic Energy Agency [IAEA] to place all such equipment under an IAEA safeguards system) or transfers a nuclear device to a non-nuclear-weapon state [Sections 101-103, AECA]. This is often referred to as the Symington-Glenn Amendment

- That prevents any U.S. person from participating in the provision of defense articles/ services on the basis of race, religion, national origin, or sex [Section 505(g), FAA]. A similar provision prohibits military sales, sales credits, or guarantees [Section 5, AECA]
- Whose duly elected head of government is deposed by military coup d'état or decree in which the military plays a decisive role [Section 7008, P.L. 115-141]

## **Human Rights**

According to Section 502b of the FAA, a principle goal of U.S. foreign policy shall be to promote the increased observance of internationally human rights by all countries. This policy goal is in accordance with both international obligations set forth in the UN Charter and with the constitutional heritage and tradition of the U.S. to promote and encourage increased respect for human rights and fundamental freedoms throughout the world regardless of race, sex, language or religion. In the absence of a Presidential certification to Congress, no SA may be provided to any country in which the government engages in a consistent pattern of gross violations of internationally recognized human rights [Section 502B, FAA].

The Secretary of State with the assistance of the Assistant Secretary of State for Democracy, Human Rights, and Labor and with the Ambassador at Large for International Religious Freedom shall also transmit to Congress a complete report of the practices regarding the observance and respect for internationally human rights for each country proposed as a recipient of SA programs. This report is to be part of the presentational materials for SA programs proposed for each fiscal year [Section 502B, FAA].

## **Security Cooperation Organizations Overseas**

The following is an overview of legislated authorities and limitations regarding the overseas security cooperation organization (SCO), e.g., Office of Defense Cooperation (ODC), U.S. Military Assistance Group (MAG), Office of Security Cooperation (OSC), etc. A more in-depth description of the duties of a SCO is provided in this text by Chapter 4, “Security Cooperation Organizations Overseas,” and Chapter 17, “Resource Management for the Security Cooperation Organization.”

### ***Security Cooperation Organization Functions***

The President may establish and assign members of the U.S. armed forces to a SCO to perform one or more of the following seven functions:

1. Equipment and services case management
2. Training management
3. Program monitoring
4. Evaluation and planning of the host government’s military capabilities and requirements
5. Administrative support
6. Promoting rationalization, standardization, interoperability, and other defense cooperation measures
7. Liaison functions exclusive of advisory and training assistance [Section 515(a), FAA]

Advisory and training assistance conducted by SCO personnel shall be kept to an absolute minimum [Section 515(b), FAA]. Such assistance, rather, shall be by other personnel detailed for limited periods to perform specific tasks.

### ***Security Cooperation Organization Size***

The number of members of the armed forces assigned to a SCO in a foreign country may not exceed six unless specifically authorized by the Congress. The President may waive this limitation if he determines and reports to the congressional foreign relations committees, thirty days before the introduction of the additional military personnel, that U.S. national interests require that more than six members of the armed forces be assigned to a particular country not designated in the statute to exceed six. Countries designated to have more than six U.S. military personnel are identified in Section 515(c) (1), FAA.

The total number of U.S. military personnel assigned to a foreign country in a fiscal year may not exceed the number justified to the Congress in the annual CBJ material, unless the congressional foreign relations committees are notified thirty days in advance.

### ***Sales Promotion by the Security Cooperation Organization***

The President shall continue to instruct U.S. diplomatic and military personnel in U.S. missions abroad that they should not encourage, promote, or influence the purchase by any foreign country of U.S.-made military equipment, unless they are specifically instructed to do so by an appropriate official of the executive branch [Section 515(f), FAA].

### ***Strategy to Capability Framework***

The National Security and National Defense Strategies emphasize the importance of strengthening alliances and attracting new partners in ensuring our national security and foreign policy objectives. Security cooperation has become a tool of first resort in executing this strategy. However, maximizing security cooperation as a tool to support this guidance has been difficult. The Department lacks a common, simple, and intuitive multi-year picture of desired outcomes and security cooperation activities that translates strategic guidance into partner nation capability. In order to get everyone on the “same sheet of music,” DSCA developed the Strategy to Capability framework to standardize strategic planning and streamline how those activities are resourced and executed. To be clear, the Strategy to Capability framework is not guidance—security cooperation stakeholders already receive guidance from a variety of other sources; Strategy to Capability is also not prioritization—there are other mechanisms for establishing Department priorities; finally, Strategy to Capability is not a tasking—DSCA performs the majority of the work.

Strategy to Capability is an outcomes and capabilities-based methodology that starts with the analysis of potential threats to the U.S., articulates partner security roles, and culminates in the development of partner capabilities that support both domestic and partner nation interests. The framework simply ensures activities across all security cooperation programs—from Training and Equipping, to Institutional Capacity Building, to Exercises—align with desired capabilities and outcomes. It provides a collective, comprehensive planning framework for the Security Cooperation community. The framework allows the Security Cooperation community to follow a common approach to capability development that benefits all security cooperation stakeholders but offers sufficient flexibility to leverage elements of their existing planning frameworks. The result is a process that allows the Security Cooperation Community to plan, resource, and implement activities that build partner nation capabilities according to clear, measurable goals tied to strategic imperatives. For example, a DoD security cooperation goal may be to complicate the strategic calculus of a competitor—this is the threat. Thus, the DoD wants the partner Navy to conduct maritime patrols to demonstrate a capability that could be applied during a contingency—this is the partner role. The DoD may elect to invest in building partner maritime domain awareness capability—a support role—or Ministry of Defense capability to develop a Maritime strategy—a governance role—so that the partner Navy will conduct maritime patrols. As a result of the Maritime patrols, the threat is deterred or, failing that, less effective during a contingency, which benefits the United States and the partner nation.



The Strategy to Capability framework includes four levels of independent analysis of different criteria drawn from desired strategic outcomes. Each level results in a product that synthesizes strategic outcomes with varying degrees of program activity to inform program planning, development, and execution. A pictorial of this relationship can be seen in Figure 2-2 below. The Level 1 Strategic Framework document links strategic guidance to capabilities within a single country. It is a current-state, cross-Department view of the desired outcomes in terms of partner nation roles and major security cooperation efforts with a single partner. The Level 2 Five-Year Plan is a matrix showcasing the entirety of the program activity and resourcing that will be used to develop the capabilities associated with a desired role for a specific country. The Level 3 Systems Program Management Plan provides an in-depth review of case lifecycle milestones for specific systems or areas of support charted on the Five-Year Plan. DSCA creates this plan to identify cost schedule, and performance status at a granular level. The Level 3 System Program Management Plan is currently only created for capabilities that involve considerable acquisition of U.S. defense articles and services. The Level 4 Interagency Targeted Action Plan provides a detailed look at priority capabilities with priority partners that facilitate strategic competition. This plan includes interagency political, economic, and/or technical considerations and identifies risk for these activities to impact overall program objectives. It informs senior leaders where interagency action may be required to ensure programs stay on track. DSCA develops this document in conjunction with the interagency. A Level 4 Interagency Targeted Action Plan only needs to be created if it meets a series of qualifying factors involving priority weapon systems supporting priority capabilities with priority partners.

The Strategy to Capability is a framework that provides an opportunity to truly transform security cooperation planning, resourcing, execution, and evaluation for the better. Secondly, none of these documents is a panacea, and they will not overcome the need to communicate across the interagency to develop holistic, well-rounded plans. However, it does provide a simple, intuitive, common picture from which we can all collaborate. You can't get everyone on the same sheet of paper if there isn't a common sheet of paper. Finally, no single organization can alone transform security cooperation planning. It will take a whole-of-government approach that is already underway. It requires buy-in from across the community and will continue to adapt as we establish lessons learned and best practices. DSCA will work with the security cooperation community on translating the Level One Frameworks into Five-Year Plans as consistent with evolving security cooperation planning guidance. DSCA also produced a short (10:07) Strategy to Capability video available at <https://www.milsuite.mil/video/watch/video/25213>.

### ***Chief of United States Diplomatic Mission***

The President shall prescribe appropriate procedures to assure coordination among representatives of the USG in each country, under the leadership of the chief of the U.S. diplomatic mission (the U.S. Ambassador) [Section 622, FAA, and Section 2, AECA].

U.S. military personnel assigned to SA organizations shall serve under the direction and supervision of the chief of the U.S. diplomatic mission in that country [Section 515(e), FAA].

## **MILITARY SALES**

In general, the AECA authorizes two ways a country or international organization can purchase U.S. defense articles, services, or training. The first method is FMS through a government-to-government contract or the FMS LOA case. This FMS case can be filled by sale from U.S. stock or a USG purchase from industry or by providing credit to fill the requirement either by sale from stock or by purchase from industry. The FMS process, procedures, and policies will be addressed in detail later in this text beginning in Chapter 5, "Foreign Military Sales Process."

The second purchasing method is DCS by allowing, with an export license issued by the DoS, the country or international organization to purchase directly from U.S. industry. The DCS process and

policies will be further addressed in later Chapter 15, “A Comparison of Foreign Military Sales and Direct Commercial Sales.”

### **Sales from Stock**

The country agrees to pay the USG for defense articles and defense services sold from DoD and U.S. Coast Guard stocks as follows:

- The actual (stock-list) value for defense articles not intended to be replaced at the time of agreement to sell
- The replacement cost for defense articles intended to be replaced, including contract or production costs less any depreciation in value
- The full cost to the USG for defense services; in the case of a country that is concurrently receiving IMET assistance, only those additional costs that are incurred by the USG in furnishing such assistance will be charged
- The sales price shall also include appropriate charges for the following:
  - ◇ Administrative services (surcharge)
  - ◇ A proportionate amount of any nonrecurring costs of research, development, and production of MDE (does not apply to FMS cases, which are wholly financed with U.S. provided grant funds)
  - ◇ The recovery of ordinary inventory losses associated with the sale from stock of defense articles that are being stored at the expense of the purchaser
  - ◇ Unless the President determines it to be in the national interest, payment shall be made in advance of delivery or performance [Section 21, AECA]

There are situations where certain costs may be waived or reduced. Many of these are addressed later in this chapter under the heading, “Additional Provisions Relating to North Atlantic Treaty Organization (NATO), NATO Members, Japan, Australia, Republic of Korea, New Zealand, Israel, and Other Eligible Countries.”

### **Procurement Sales**

The USG may procure defense articles and services for sale to an FMS purchaser if the purchaser provides the USG with a dependable undertaking by which it agrees to pay the full amount of such contract, which will insure the USG against any loss; to make funds available in such amounts and at such times as may be required by the contract (and to cover any damages/termination costs). Such foreign purchaser payments shall be received in advance of the time any payments are due by the USG. Interest shall be charged on the net amount by which such foreign purchaser (country or international organization) is in arrears under all of its outstanding unliquidated dependable undertakings, considered collectively [Section 22, AECA].

### **Credit Sales**

The USG is authorized to finance procurements of defense articles, defense services, and design and construction services by friendly foreign countries and international organizations [Section 23, AECA]. This financial assistance is FMFP either as a grant or loan. Most FMFP has been grant assistance requiring no repayment.

Repayment of loans in U.S. dollars is required within twelve years, unless a longer period is authorized by statute [Section 23(b), AECA]. The FMFP loans authorized under Section 23, AECA, shall be provided at rates of interest that are not less than the current average market yield on outstanding

marketable obligations of the U.S. of comparable maturities [Section 31(c), AECA].

### **Foreign Military Construction Sales**

The President may sell design and construction services using the FMS process to any eligible foreign country or international organization if such country or international organization agrees to pay in U.S. dollars the full cost to the USG of furnishing such services. Payment shall be made to the USG in advance of the performance of such services [Section 29, AECA].

### **Sales to United States Companies**

The President may sell defense articles, e.g., government-furnished equipment (GFE) or government-furnished material (GFM) to a U.S. company for incorporation into end items (and for concurrent or follow-on support) that are, in turn, to be sold commercially DCS to a foreign country or international organization under Section 38, AECA, and to sell defense services in support of such sales of defense articles. Such services may be performed only if the following is true:

- The end item to which the articles apply is procured for the armed forces of a foreign country or international organization.
- The articles would be supplied to the prime contractor as GFE or GFM if they were being procured for the use of the U.S. armed forces.
- The articles and services are available only from USG sources or are not available to the prime contractor directly from U.S. commercial sources at such times as may be required to meet the prime contractor's delivery schedule. [Section 30, AECA]

### **Direct Commercial Sales**

The President (delegated to the Secretary of State) is authorized to control the DCS of U.S. defense articles and services by U.S. industry [Section 38(a)(1), AECA]. Procedures for U.S. industry to obtain export licenses for DCS are codified by the DoS within the ITAR, 22 C.F.R. 120-130. Section 121.1, ITAR, is the U.S. Munitions List (USML), which defines by category what constitutes a defense article, service, and related technical data. This arms control authority by the President is similarly extended to include the import defense articles and services and has been delegated to the attorney-general. Chapter 7 of this text, "Technology Transfer, Export Controls, and International Programs Security," provides further discussion on the export licensing of DCS.

## **DRAWDOWN AUTHORITIES**

### **Special Emergency Drawdown Authority**

If the President determines and reports to Congress that an unforeseen military emergency exists and that such emergency requirement cannot be met under the AECA or any other authority, the President may direct the drawdown of defense articles, services, or training from the DoD of an aggregate value not to exceed \$100 million in any fiscal year [Section 506(a)(1), FAA].

A second special drawdown authority of \$200 million in defense articles, services, and training for each fiscal year has also been established [Section 506(a)(2), FAA]. The authorized purposes for the latter drawdown authority include counternarcotics, antiterrorism, nonproliferation, disaster relief, migration and refugee assistance, and support of Vietnam War era missing-in-action/prisoners-of-war (MIA/POW) location and repatriation efforts. Restrictions in the annual Section 506(a)(2) drawdown include not more than \$75 million may come from DoD resources, not more than \$75 million may be provided in support of counter-narcotics, and not more than \$15 million may be provided in support of Vietnam War era MIA/POW location and repatriation. While all Section 506 drawdown actions require notification to Congress, drawdowns in support of counternarcotics or antiterrorism assistance require at least fifteen days advance notification before taking place.



Section 576, P.L. 105-118, amended the FAA to provide the authority for the use of commercial transportation and related services acquired by contract for the drawdown if the contracted services cost less than the cost of using USG resources to complete the drawdown [Section 506(c), FAA]. The use of commercial rather than USG transportation assets to complete the drawdown is to be reported to Congress to include any cost savings realized [Section 506(b)(2), FAA].

Section 506(c), FAA, provides authority for appropriations to reimburse the DoD and the military departments (MILDEPs) for costs in providing emergency drawdown defense articles, services, and training; however, this authority is rarely provided. Likewise, because of the negative impact of this type of drawdown on the MILDEPs, it has become a tool of last resort and reluctantly directed.

### **Peacekeeping Emergencies**

The drawdown of commodities and services is authorized from the inventory and resources of any agency of the USG of an aggregate value not to exceed \$25 million in any fiscal year to meet an unforeseen emergency requirement for peacekeeping operations. The authority for reimbursement is rarely provided [Section 552(c)(2), FAA].

### **War Crimes Tribunals Drawdown**

The annual appropriations act authorizes the drawdown of up to \$30 million in commodities and services to support the United Nations War Crimes Tribunal, established with regard to the former Yugoslavia for the just resolution of charges of genocide or other violations of international humanitarian law. After completing a congressional notification, similar UN Security Council-established or authorized tribunals or commissions are also eligible for this drawdown authority [Section 7047, P.L. 115-141].

### **Drawdown Policy and Procedures**

The following general guidelines and policies have evolved for execution of drawdowns:

- Equipment to be provided must be physically on hand (excess or non-excess).
- No new contracting is authorized to support drawdowns (may use commercial contracts for transportation services only if scope of existing contracts encompass drawdown requirement).
- Services must reimburse the Defense Logistics Agency (DLA) for any working capital fund material or services provided in support of drawdowns.
- Service tasked with providing specific equipment will fund transportation to final destination.
- Airlift and sealift can only be provided using military air or sealift military aircraft (MILAIR/MILSEA) or appropriate time-charter contracts if the scope of existing contracts cover the proposed use.
- Where possible, complete support packages are normally provided for any major end items.

In general, equipment and spare parts now being provided under drawdown are increasingly coming from units, prepositioned equipment storage, or operational logistics stocks. Residual equipment that is excess and can be released without adverse operational impact is increasingly in very poor condition requiring significant repair or refurbishment. Where such repair can be legally performed under drawdown authority, it only adds to the DoD operational and maintenance (O&M) funding impact on the services in supporting the drawdown effort.

Drawdowns do not provide additional budget authority to the DoD. The military services (MILSVCs) are required to use currently allocated O&M funds to provide training services, packing,

crating, and handling (PC&H) services, transportation services, repair/refurbishment services, and the provision of spare parts or support services from the working capital fund-operated DLA activities.

### **SPECIAL PRESIDENTIAL WAIVER AUTHORITY**

In accordance with Section 614, FAA, the President may authorize the furnishing of limited assistance and sales, without regard to any other laws, when determined and reported to Congress that to do so is important to U.S. national security interests. In addition, the President may make sales, extend credit, and issue guarantees under the AECA without regard to any other laws when determined and reported to Congress that to do so is vital to U.S. national security interests. The following limitations apply in a given fiscal year:

- The use of up to \$250 million of funds made available under the FAA (grants) or the AECA (grants or loans), or \$100 million of foreign currencies accruing under the FAA or any other law. However, not more than \$50 million of the \$250 million limitation may be allocated to any one country, unless such country is a victim of active aggression
- Not more than \$750 million in sales under the AECA
- Not more than \$500 million of the aggregate limitation of \$1 billion (i.e., \$250 million assistance and \$750 million sales) may be allocated to any one country

### **CONGRESSIONAL REVIEW OF PROPOSED TRANSFERS**

#### **Foreign Military Sales**

The President (delegated to the Secretary of Defense) shall submit a numbered certification (with justification, impact, etc.) to the Congress before issuing a foreign military sale (FMS) letter of offer and acceptance (LOA) to sell defense articles or services for \$50 million or more, or any design and construction services for \$200 million or more, or major defense equipment (MDE) for \$14 million or more. The higher dollar thresholds for notification for NATO countries, Japan, Australia, Republic of Korea, Israel, and New Zealand are \$100 million, \$300 million, and \$25 million respectively. Approval for FMS must be provided by the DoS to the DoD prior to any Congressional notification. Once a potential FMS is approved by the DoS, the Defense Security Cooperation Agency (DSCA) provides the official notification to Congress. The DSCA FMS notifications are generally announced and published almost immediately on the DSCA website and later in the Federal Register.

MDE includes any item of significant military equipment (SME) on the USML having a nonrecurring research and development cost of more than \$50 million or a total production cost of more than \$200 million. SME is defined in Section 47(9), AECA, as a defense article identified on the USML for which special export controls are warranted because of the capacity of such articles for substantial military utility or capability. The USML is required by Section 38, AECA, and is maintained by the DoS within Section 121.1 of the ITAR, which can be viewed at [https://www.pmddtc.state.gov/?id=ddtc\\_kb\\_article\\_page&sys\\_id=24d528fddbfc930044f9ff621f961987](https://www.pmddtc.state.gov/?id=ddtc_kb_article_page&sys_id=24d528fddbfc930044f9ff621f961987).

The LOA shall not be issued if Congress, within thirty calendar days after receiving such certification, adopts a joint resolution stating it objects to the proposed sale. However, such action by Congress does not apply if the President states in his certification that an emergency exists that requires such sale in the national security interests of the U.S. [Section 36(b)(1), AECA].

An exception to the above thirty-day procedure exists for NATO, and NATO member countries, Australia, Japan, Republic of Korea, Israel, and New Zealand. NATO and NATO member countries have a formal statutory notification period of fifteen days.

## **Direct Commercial Sales**

Thirty days before the issuance of any export license for MDE in excess of \$14 million or other defense articles or services in excess of \$50 million, the President (delegated to the Secretary of State) shall submit a numbered certification to the Congress. Although DCS is managed day-to-day by PM/DDTC, the Assistant Secretary of State for Legislative Affairs provides the congressional notifications required for DCS. These notifications are to be published in the Federal Register. Dollar thresholds for notification for NATO countries, Japan, Australia, Republic of Korea, Israel, and New Zealand are \$25 million and \$100 million, respectively. Unless the certification states that an emergency exists, an export license for the items shall not be issued within a thirty calendar day Congressional review period. Further, such license shall not be issued if the Congress, within such thirty-day period, adopts a joint resolution objecting to the export. The congressional review period for NATO, NATO members, Australia, Japan, Republic of Korea, Israel, and New Zealand is fifteen days as in the FMS process [Section 36(c), AECA].

The licensing of any USML category I small arms (weapons of .50 caliber or less ) valued at \$1 million or more for any country must be also be notified to Congress and is subject to the fifteen- or thirty-day joint resolution objection process [Section 36(c), AECA]. It should be noted that this small threshold for arms notification does not apply to the FMS process.

Normally, it is the country's decision to purchase FMS or DCS. However, the President (delegated to the Secretary of Defense) may require that any defense article or service be sold under FMS in lieu of commercial export (DCS) channels [SAMM, C4.3.5]. The President may also require that persons engaged in commercial negotiation for the export defense articles and services keep the President fully and currently informed of the progress and future prospects of such negotiations [Section 38(a)(3), AECA].

## **Third-Party Transfers**

The recipient country, as a condition of sale, must agree not to transfer title or possession of defense articles or services (including training) to another country, unless the consent of the President has first been obtained. This authority to transfer is normally provided in writing from the DoS.

Furthermore, the Congress has a thirty calendar day review period (fifteen days for NATO, NATO members, Japan, Australia, Republic of Korea, Israel, and New Zealand) for proposed third-party transfers of defense articles or services valued (in terms of its original acquisition cost) at \$14 million or more for MDE or \$50 million or more for other defense articles, services, or training. The dollar thresholds for notification for NATO countries, Japan, Australia, Republic of Korea, Israel, and New Zealand are \$25 million and \$100 million respectively. Congress can adopt a joint resolution of disapproval of the proposed transfer during the fifteen- or thirty-day review period. [Section 3(d), AECA]

The following are exceptions to this congressional review process for third-party transfers:

- The President states in the certification submitted that an emergency exists, which requires that consent to the proposed transfer becomes effective immediately
- Transfers of maintenance, repairs, or overhaul defense services or repair parts if such transfers will not result in any increase in military capabilities
- Temporary transfers of defense articles for the sole purpose of receiving maintenance, repair, or overhaul
- Cooperative cross-servicing arrangements or lead-nation procurement among NATO members. Note, however, that Section 36(b) notifications must identify the transferees on whose behalf the lead-nation procurement is proposed

## Leases of Defense Articles

The President may lease defense articles in the stocks of the DoD to an eligible foreign country or international organization if the following occurs:

- He determines there are compelling foreign policy and national security reasons for providing such articles on a lease basis rather than on a sales basis under the AECA.
- He determines that the articles are not for the time needed for public use.
- The country or international organization has agreed to pay, in U.S. dollars, all costs incurred by the USG in leasing such articles, including reimbursement for depreciation of such articles while leased, and the replacement cost if the articles are lost or destroyed while leased. [Sections 61-64, AECA]

The above cost reimbursement requirements do not apply to leases entered into for purposes of cooperative research or development, military exercises, communications, or electronics interface projects.

With a Presidential national security interest determination, the requirement for reimbursement of depreciation of any leased article that has passed three-quarters of its normal service life can also be waived. This waiver authority cannot be delegated below the Secretary of Defense and is to be used sparingly [Section 61(a), AECA].

Replacement cost of any leased item lost or destroyed would be either of the following:

- In the event the USG intends to replace the item, the replacement cost of the item
- In the event the USG does not intend to replace the item, the actual value (less any depreciation in the value) specified in the lease agreement [Section 61(a)(4), AECA]

Each lease agreement shall be for a fixed duration, not to exceed five years, and shall provide that, at any time during the duration of the lease, the President may terminate the lease and require the immediate return of the leased articles. The maximum five-year period for a lease would begin at the time of delivery to the country if the item being leased requires an extended modification or overhaul period exceeding six months before delivery. An extension of a lease is permitted but must be reported to Congress as described below.

Defense articles in the stocks of the DoD may be leased or loaned to a foreign country or international organization under the authority of Chapter 6, AECA, or Part II, Chapter 2, FAA, but may not be leased to a foreign country or international organization under the authority of 10 U.S.C. 2667 for excess defense property.

According to 22 U.S.C. 2796b, for any lease for a period of one year or longer, Congress must be given a thirty-day advance notification. Like FMS, the Presidential decision authority to lease has been delegated to the DoS, with subsequent congressional notifications provided by DSCA. Further, if the lease is for one year or longer, and is valued at \$14 million or more for MDE or \$50 million or more for other defense articles, Congress may adopt a joint resolution during the thirty-day notification/review period prohibiting the proposed lease. The notification thresholds for NATO countries, Japan, Australia, Republic of Korea, Israel, and New Zealand are higher: \$25 million for MDE and \$100 million for other defense articles.

The congressional advance notification period for leases to NATO, NATO members, Japan, Australia, Republic of Korea, Israel, and New Zealand is fifteen days. Both the fifteen- and thirty-day periods can be waived by the President in the event of an emergency.

## **Congressional Joint Resolutions**

As just described, the AECA contains provisions for the congressional rejection of proposals for FMS and DCS, as well as for third-country transfers and leases of U.S. defense articles. The mechanism for such congressional action is a joint resolution. While a joint resolution can be a statement of approval or disapproval, in this context, it will most likely be a statement of disapproval of a proposed sale, transfer, or lease, which is passed by simple majority votes in both the Senate and the House of Representatives. For the resolution to become a law or statute, the President must approve and sign. If the President is unlikely to approve and sign, it may be returned to Congress to be repassed in an override of presidential veto. Unless Congress is able to override the President's veto by obtaining a two-thirds majority vote in each house in support of the original resolution of rejection, the sale, transfer, or lease will be permitted. Should Congress, however, muster sufficient votes to override the President's veto, the proposed sale, transfer, or lease would not be authorized.

## **Other Reports to Congress**

There are numerous other reports provided to Congress concerning SA programs. The following list, which is by no means all-inclusive, is representative of such reports. A comprehensive listing of SA reports submitted to Congress by DoD elements can be found in DSCA 5105.38-M, SAMM, appendix 5, "Congressional Reports and DSCA Reports Control System."

### **Quarterly Reports to Congress**

- A listing of all unaccepted or not canceled LOAs by country or international organization for MDE valued at \$1 million or more [Section 36(a)(1), AECA]
- A listing of all LOAs accepted together with a total value of sales to each country or international organization during the fiscal year [Section 36(a)(2), AECA]
- The cumulative dollar value of sales credit agreements during the fiscal year [Section 36(a)(3), AECA]
- A listing of all commercial export licenses issued during the fiscal year for MDE valued at \$1 million or more to also include USML category I small arms [Section 36(a)(4), AECA]
- A listing of all SA surveys authorized during the preceding quarter; Congress shall be authorized access to such survey reports upon request [Section 26, AECA]

## **Annual Reports to Congress**

### ***Arms Sales Proposal***

On or before 1 February of each year, the President shall transmit to Congress the annual "Arms Sales Proposal" covering all sales, including FMS and DCS, of major weapons or weapons-related defense equipment for \$7 million or more or of any other weapons or weapons-related defense equipment for \$25 million or more, which are considered eligible for approval during the current calendar year. This report, commonly referred to as the Javits Report after Senator Jacob Javits (D-NY), is generally classified and required by Section 25(a) of the AECA. By policy, no sales or licensing notifications will take place until the Javits Report is received by and briefed to Congress, which must be in session to receive the report.

### ***End-Use Monitoring***

With the annual Congressional Budget Justification for Foreign Operations, FY 20XX, submitted not later than 1 February to Congress [Section 634, FAA], a report regarding the implementation of end-use monitoring (EUM) to include costs and numbers of personnel associated with the program shall be included.



### ***Anticipated Excess Defense Articles***

The President shall transmit to Congress not later than 1 February annually a report listing weapons systems that are SME, and numbers thereof, that are believed likely to become available for transfer as EDA during the next twelve months [Section 25(a)(13), AECA]. This report is submitted concurrent with the Javits Report.

### ***Agent Fees***

The Secretary of State shall require reporting on political contributions, gifts, commissions, and fees paid, offered, or agreed to be paid in connection with FMS or DCS; such information shall be made available to Congress upon request [Section 39, AECA].

### ***Foreign Training Report***

Prior to 31 January of each year, a joint Secretary of State and Secretary of Defense report is to be submitted to Congress that includes all training provided to foreign military personnel by the Department of Defense and Department of State during the previous fiscal year and proposed training for the current fiscal year. This report is to include a foreign policy justification and purpose plus the number of foreign personnel trained, their units and location for each training activity. In addition, for each country, it is to include an aggregate number of students and costs. With respect to U.S. personnel, the operational benefits to the U.S. and U.S. military units involved in each training activity. This reporting requirement is not to include any NATO countries, Australia, Japan or New Zealand unless notified in writing ninety calendar days in advance for a specific country [Section 656, FAA].

### ***Anti-Boycott Determination***

The Anti-Economic Discrimination Act of 1994 [Sections 561-565, P.L. 102-236] states that, effective 30 April 1995, the sale or lease of any defense article or service is prohibited to any country or international organization that maintains a policy or practice of, “sending letters to U.S. firms requesting compliance with, or soliciting information regarding the secondary or tertiary Arab economic boycott of Israel.”

The President can annually waive this transfer prohibition for one year on the basis of national interest and promotion of U.S. objectives to eliminate the Arab boycott, or on the basis of national security interest. On 24 April 1997, the President delegated the annual report and waiver authority to the Secretary of State.

## **ADDITIONAL PROVISIONS RELATING TO NATO, NATO MEMBERS, JAPAN, AUSTRALIA, NEW ZEALAND, REPUBLIC OF KOREA, ISRAEL, AND OTHER ELIGIBLE COUNTRIES**

### **Reduction or Waiver of Nonrecurring Cost Charges**

The President may reduce or waive nonrecurring cost (NRC) charges required by Section 21(e)(1)(B), AECA, (e.g., a proportionate amount of any NRC of research, development, and production of MDE) for particular sales that, if made, would significantly advance USG interests in NATO standardization; standardization with Japan, Australia, or New Zealand in furtherance of the mutual defense treaties between the U.S. and those countries; or foreign procurement in the U.S. under coproduction arrangements [Section 21(e)(2)(A), AECA].

NRC for research and development (R&D) may also be waived for an FMS sale to any eligible country if the following applies:

- Applying the cost would result in the loss of a sale
- The waived costs would be substantially offset in lower realized unit cost to the USG

through increased production resulting from the FMS [Section 21(e)(2)(B), AECA]

Further, the President may waive the charges for administrative services under Section 21(e)(1)(A), AECA, in connection with any sale to the NATO Maintenance and Supply Agency (NAMSA) in support of a weapon system partnership agreement or NATO/SHAPE project [Section 21(e)(3), AECA].

### **Cooperative Furnishing of Training**

The President may enter into NATO standardization agreements and may enter into similar agreements with Japan, Australia, New Zealand, and major non-NATO allies for the cooperative furnishing of training on a bilateral or multilateral basis, if such agreement is based on reciprocity. Such agreements shall include reimbursement for all direct costs but may exclude reimbursement for indirect costs, administrative surcharges, and costs of billeting of trainees [Section 21(g), AECA].

### **Major Non-North Atlantic Treaty Organization Allies**

For many years, 10 U.S.C. 2350a(i)(3) identified Australia, Egypt, Israel, Japan, and Republic of Korea as major non-NATO allies (MNNA) as a DoD authority for cooperative R&D. In 1996, P.L. 104-164 amended the FAA to add New Zealand and, perhaps more importantly, provided the President with authority to designate a country as a MNNA for the purposes of the FAA and the AECA, or terminate such a designation, with a thirty-day advance notification to Congress [Section 517, FAA]. Subsequently, Argentina, Jordan, Bahrain, Kuwait, Morocco, Pakistan, Philippines, Thailand, and Afghanistan have been added using the notification procedure. The country of Taiwan is also to be treated as though it is a MNNA [Section 1206, P.L. 107-228]. The statutory benefits in the FAA and the AECA of being designated a MNNA include eligibility for the following:

- Priority delivery of EDA, but only to include Egypt, Jordan, and Israel, [Section 516 (c) (2), FAA]
- Stockpiling of U.S. defense articles [Section 514 (c)(2), FAA]
- Purchase of depleted uranium anti-tank rounds [Section 620G, FAA]
- With a reciprocity agreement, be exempted of indirect costs, administrative charges, and billeting costs for training [Section 21(g), AECA]
- Use of any allocated FMFP funding for commercial leasing of defense articles not including MDE (other than helicopters and aircraft having possible civilian application) [Section 7068, P.L. 112-235]

### **Incremental Tuition Pricing for International Military Education and Training—Designated Countries**

The President is authorized to charge only those additional costs incurred by the USG in furnishing training assistance to countries concurrently receiving IMET. While section 546(a), FAA, prohibits the high-income countries of Austria, Finland, Republic of Korea, Singapore, and Spain from receiving IMET assistance, they remain eligible for FMS-incremental tuition prices [Section 21(a)(1)(c), AECA].

Israel, though not an IMET recipient, is authorized the IMET tuition price for training when using FMFP [Section 541(b), FAA].

### **Contract Administration Services and Catalog Data and Services**

The President is authorized to provide (without charge) quality assurance, inspection, contract administration services (CAS), and contract audit defense services in connection with procurements by, or on behalf of, a NATO member or the NATO infrastructure program, if such government provides

such services in accordance with an agreement on a reciprocal basis (without charge) to the USG. A similar provision applies with respect to cataloging data and cataloging services [Section 21(h), AECA]. Effective 14 November 2005, these authorities were extended to Australia, Japan, Republic of Korea, New Zealand, and Israel [Section 534(l)(1), P.L. 109-102].

### **Section 27, Arms Export Control Act, Cooperative Projects**

Under a cooperative project pursuant to Section 27, AECA, the President may enter into a written agreement with NATO, NATO members, and other eligible countries for a jointly managed program of cooperative research, development, test, and evaluation (RDT&E) and joint production, including follow-on support or concurrent production. Congress must receive a certification not less than thirty days prior to USG signature of a proposed cooperative project agreement [Section 27, AECA]. For additional information on international armaments cooperation, see Chapter 13 of this text, “Systems Acquisition and International Armaments Cooperation.”

## **SPECIAL DEFENSE ACQUISITION FUND**

The Special Defense Acquisition Fund (SDAF) was authorized by Section 108(a), International Security and Development Cooperation Act of 1981, P.L. 97-113, 29 December 1981, to provide the DoD the authority to procure and stock defense articles and services in anticipation of future foreign government military requirements. By permitting such advance procurements, the SDAF enabled the DoD to reduce customer waiting times for selected items and to improve its responses to emergency foreign requirements, as well as to reduce the need for meeting normal FMS requirements through drawdowns or diversions of defense equipment from U.S. stocks or new production.

The SDAF was established as a revolving fund which was initially capitalized through three sources:

1. Collections from FMS sales of DoD stocks not intended to be replaced
2. Asset use collections and contractor payments for the use of U.S.-owned facilities equipment
3. Recouped non-recurring research, development, and production charges from both FMS and DCS

By 1987, the SDAF reached its maximum authorized capitalization level of \$1.07 billion [10 U.S.C. 114(c)], which represented a total of the value of articles on hand and on order as well as all unobligated funds. Although appropriated funds were authorized, no appropriations were necessary, as the fund was maintained on a self-supporting basis, with Congress annually providing an obligational authority (OA) for SDAF expenditures. The Defense Security Cooperation Agency (DSCA) served as the overall DoD manager of the SDAF, while the MILDEPs retained custody of those articles awaiting sale.

The SDAF provided a very viable method for effecting advance procurements to reduce customer waiting time as well as a source of urgently needed articles. Operation Desert Storm forces were able to use over \$130 million of articles from the SDAF stocks, to include AIM-9, STINGER, and TOW missiles, plus various types of vehicles, ammunition, night vision devices, and communications equipment.

Although the SDAF was widely viewed as an important SA program, a major DoD budget tightening effort in 1991 led to the decision in March 1993 to close down the program. For FY 1994, no new budget authority was sought for the SDAF, although Congress agreed to extend \$160 million in OA into FY 1994 from the \$225 million FY 1993 budget authority. For FY 1995, \$140 million in OA was carried over from FY 1994, plus an added OA of \$20 million extending through FY 1998 for the purpose of closing the SDAF. Section 536, P.L. 105-118, extended the OA to FY 2000. Collections in FY 1994 and thereafter from SDAF sales in excess of the OA provided in prior year appropriations acts must be deposited in the miscellaneous receipts account of the U.S. Treasury. With SDAF drawing to



a close, Section 145, P.L. 104-164, repealed a variety of recurring status reports required by Congress under Sections 51 and 53, AECA. See DSCA 5105.38-M, SAMM, C11.9, for further information.

At the Administration's repeated request during the years after 9/11, SDAF was reactivated in FY 2012 authorizing the use of \$100 million existing FMS administrative funding to recapitalize the existing AECA SDAF authority. Section 7072, P.L. 114-113 increased SDAF to \$900 million and Section 7035(a)(5), P.L. 116-94 extended its authority until 30 September 2022. At least 20 percent of these funds are to be used to procure precision-guided munitions [Section 1203, P.L. 115-91].

## **EXCESS DEFENSE ARTICLES**

The term Excess Defense Articles (EDA) is applied collectively to U.S. defense articles that are no longer needed by the U.S. armed forces. Such defense articles may be made available for sale under the FMS program [Section 21, AECA] or as grant (no cost) transfers to eligible foreign countries under the provisions of Section 516, FAA, which are described below.

The following formal definition of EDA is provided in Section 644(g), FAA, and it establishes the guidelines for determining which defense articles may be treated as excess equipment:

EDA means the quantity of defense articles other than construction equipment, including tractors, scrapers, loaders, graders, bulldozers, dump trucks, generators, and compressors, owned by the USG, and not procured in anticipation of military assistance or sales requirements, or pursuant to a military assistance or sales order, which is in excess of the Approved Force Acquisition Objective and Approved Force Retention Stock of all DoD Components at the time such articles are dropped from inventory by the supplying agency for delivery to countries or international organizations under this Act [Section 9(b), P.L. 102-583].

The National Defense Authorization Act for FY 1993 (NDAA) amended 10 U.S.C. by adding a new Section 2552 that restricts the sale or transfer of excess construction or fire equipment. Such transfers or military sales in the future may only occur if either of the following conditions apply:

- No department or agency of the USG (excluding the DoD), and no state, and no other person or entity eligible to receive excess or surplus property submits a request for such equipment to the DLA Disposition Services (formerly known as the Defense Reutilization and Marketing Service [DRMS]) during the period for which such a request may be accepted by this agency.
- The President determines that such a transfer is necessary in order to respond to an emergency for which the equipment is especially suited. [Section 4304(a), P.L. 102-484]

For the purpose of this new provision, the term "construction" or "fire equipment" includes the following:

Tractors, scrapers, loaders, graders, bulldozers, dump trucks, generators, pumpers, fuel and water tankers, crash trucks, utility vans, rescue trucks, ambulances, hook and ladder units, compressors, and miscellaneous fire fighting equipment [Section 4304(c), P.L. 102-484]

The intent of this change is to permit other federal agencies and states the opportunity to request and receive such items before they are made available for sale or grant transfer to foreign countries or international organizations. Although this provision applies to construction equipment as well as fire equipment, the earlier exclusion above of construction equipment from the definition of excess defense equipment essentially limits the defense authorization act's restrictions to fire equipment.

As defense articles actually become excess, they are screened to determine whether they may be sold to eligible countries through FMS procedures or transferred as grant-provided items under the various provisions of the FAA, as discussed below. The ultimate responsibility for determining if an item should be identified as excess rests with the MILDEP having cognizance over the item. MILDEP recommendations for the allocation of EDA to specific countries are reviewed and staffed by an EDA coordinating committee, chaired by DSCA, and comprised of representatives from the DoS, OSD, Joint Staff, commerce department, and MILDEPs. Once a decision is made to furnish EDA to a particular country, DSCA prepares any required congressional notification.

### **Sales of Excess Defense Articles**

EDA sold through FMS procedures are priced on the basis of their condition as described in DoD 7000.14-R, Financial Management Regulation (FMR), Volume 15. Prices range from a high of 50 percent of the original acquisition value for new equipment, to a low of 5 percent for equipment in need of repairs. Before allowing the FMS sale of EDA, the President shall determine that the sale will not have an adverse impact on the U.S. technology and industrial base and, particularly, will not reduce the opportunities of the U.S. technology and industrial base to sell new or used equipment to the recipient country [Section 21(k), AECA]. Certain stipulations may also be put in place before excess defense articles are transferred by sale. For example NDAA FY 2018 dictated that excess high mobility multipurpose wheeled vehicles must receive the same new, modernized powertrain and a modernized, armored or armor-capable compartment restored to like-new condition prior to transfer by sale or grant [Section 1276, P.L. 115-91]. Charges must be levied on such sales as well as on grant transfers (with certain exceptions) for the costs of Packing, Crating, Handling and Transportation (PCH&T). Charges for any requested spares support, training, repair work, or any upgrades will also be levied.

### **Grant Transfer of Excess Defense Articles**

P.L. 104-164, 21 July 96, simplified the then existing cumbersome grant EDA program by combining the five different EDA authorities into one. The new authority, a revised Section 516, FAA, authorizes the President to transfer EDA on a grant basis to countries for which receipt of such articles was justified pursuant to the annual Congressional Budget Justification for Foreign Operations, FY 20XX, for counternarcotics programs submitted under Section 634, FAA, or for which receipt of such articles was separately justified to Congress, for the fiscal year in which the transfer is authorized. Beginning with FY 2008, the eligible countries are annually identified to Congress within a limited distribution letter provided by DSCA after coordination with State Department Bureau of Political-Military Affairs, Office of Regional Security and Arms Transfers (PM/RSAT). It must be noted that because a country might be eligible for EDA does not mean any EDA is available for transfer or that any available EDA can be transferred.

Grant EDA transfer limitations include the following:

- Item must be drawn from existing DoD stocks.
- No DoD procurement funds are to be used during the transfer.
- Transfer is to have no adverse impact on U.S. military readiness.
- Transfer is preferable to a transfer on a sales basis, after taking into account the potential proceeds from, and likelihood of, such sales and comparative foreign policy benefits that may accrue to the U.S. as the result of a transfer on either a grant or sales basis.
- Transfer has no adverse impact on U.S. technology and industrial base, and particularly, will not reduce the opportunity for the sale of a new or used article.
- Transfer is consistent U.S. policy for the eastern Mediterranean (Turkey, Greece, and

Cyprus) established under Section 620C, FAA. [Section 516(b), FAA]

DoD funds may not be used for PCH&T during a grant EDA transfer, except when the following is true:

- Transfer is determined to be in the national interest,
- Recipient is a developing country receiving less than \$10 million in IMET and FMFP during the fiscal year of the transfer,
- Total transfer does not exceed 50,000 pounds, and
- Transfer is accomplished on a space-available basis [Section 516(c)(2), FAA]

Congressional notification of thirty days prior to the transfer of EDA, whether by sale or grant, is required if the item is categorized as SME or valued (original acquisition cost) at \$7 million or more [Section 516(f)(1), FAA]. Additionally, beginning in FY 2015, Section 516(g)(1) of the FAA was amended so that not more than \$500 million (current value) in defense articles may be transferred in one FY as grant EDA, P.L. 113-276, 18 December 2014. Any authorization for the grant EDA transfer of ships generally exempts the value of the transfer from this annual ceiling.

### **Grant Excess Defense Articles for NATO, Major Non-NATO Allies, and Others**

A priority in delivery of grant EDA will be given to NATO member countries on the southern and southeastern flank (Portugal, Greece, and Turkey) and to major non-NATO allies (Israel, Egypt, and Jordan) on the southern and southeastern flanks of NATO [Section 516(c)(2), FAA]. The Philippines was legislatively included in this priority group [Section 1234, P.L. 107-228].

After priority in delivery of grant EDA to NATO countries and major non-NATO allies on the southern and southeastern flanks, priority in delivery of grant EDA will be afforded next to countries eligible for assistance authorized by the NATO Participation Act (NPA) of 1994 [Section 609, P.L. 104-208]. Initially, the latter group of eligible countries included Poland, Hungary, the Czech Republic, and Slovenia [Section 606, P.L. 104-208]. In July 1997, an invitation for NATO membership was extended to Poland, Hungary, and the Czech Republic. FY 1999 legislation added Romania, Estonia, Latvia, Lithuania, and Bulgaria to the NPA eligible country list [Section 2703, P.L. 105-277]. Section 4 of the Gerald B.H. Solomon Freedom Consolidation Act of 2002, P.L. 107-187, 10 June 2002, amended the NPA to also include the country of Slovakia. This same act also endorsed the admission of the seven countries into the NATO Alliance. An invitation was extended in November 2002 to these same countries for entry into NATO in May 2004. The Senate promptly ratified the April 2003 Presidential proposal for these countries.

The NATO Freedom Consolidation Act of 2007, P.L. 110-17, 9 April 2007, Section 4(b)(1), added the non-NATO countries of Albania, Croatia, Georgia, Macedonia [Former Yugoslav Republic of Macedonia (FYROM)], and the Ukraine to the NPA EDA priority delivery list. This same legislation stated the sense of Congress that these countries be admitted to NATO as they become willing and able with a clear national intent to meet the responsibilities of membership.

### **War Reserve Stockpiles for Allies**

Section 514(b) of the FAA sets an annual ceiling on the value of additions to stockpiles of U.S. defense articles located abroad that may be set aside, earmarked, reserved, or otherwise intended for use as war reserve stocks for allied or other foreign countries (other than those for NATO purposes or in the implementation of agreements with Israel). From 1979 until 1988, the Republic of Korea was the only country outside of NATO where such war reserves stockpiles for allies (WRSA) were authorized to be maintained. For FY 1988, Congress approved an administration request to establish a new stockpile in Thailand, and \$10 million in defense articles was authorized to be transferred for

this purpose. Then, for FY 1990, at the initiative of Congress, \$100 million in defense articles was authorized to establish a stockpile in Israel. For FY 1991, Congress authorized stockpiles in the major non-NATO allies' countries, and \$378 million in stockpile additions, of which not less than \$300 million was designated for stockpiles in Israel, with the remainder divided between the Republic of Korea \$68 million and Thailand \$10 million. For FY 1993, Congress authorized a total of \$389 million worth of U.S. defense equipment to be transferred to the WRSA in FY 1993; not less than \$200 million was designated for stockpiles in Israel, and up to \$189 million was available for stockpiles in the Republic of Korea [Section 569, P.L. 102-391].

Beginning in FY 1996, the President can also designate any country for such stockpiling [Section 541(c)(2), FAA] with a fifteen-day notification to Congress. However, the value of the stocks to be set aside each year for any country (other than NATO or Israel) must be approved by annual SA authorizing legislation [Section 541(b)(1), FAA].

It should be understood that no new procurements are involved in establishing and maintaining these stockpiles. Rather, the defense articles used to establish a stockpile and the annual authorized additions represent defense articles that are already within the stocks of the U.S. Armed Forces. The stockpile authorizing legislation simply identifies a level of value for which a stockpile may be established or increased. Moreover, the defense articles that have been placed in these stockpiles remain U.S. military service-owned and controlled stocks. As the term "war reserve" implies, these stocks are intended only for use in emergencies. Any future transfer of title/control of any of these stocks to an allied or friendly country would require full reimbursement by the purchaser under FMS procedures, or from military assistance funds made available for that purpose under SA legislation prevailing at the time the transfer was made. An example of the requirements to transfer WRSA material is illustrated in Section 509(a) (1) of the Foreign Relations Authorization Act, FY 1994 and FY 1995 [P.L. 103-236] with respect to the Republic of Korea. The Secretary of Defense in coordination with the Secretary of State was permitted to transfer to the Republic of Korea obsolete or surplus items in the DoD inventory, which are in the WRSA for the Republic of Korea in return for concessions by the Republic of Korea. The authority expired on 29 April 1996 and required congressional notification thirty days prior to the transfer, which identifies the items transferred and the concessions to be given.

Section 112, P.L. 106-280, provided a similar transfer authority with the government of Israel that expired 6 October 2003. Section 13(a)(1) of the Department of State Authorities Act of 2006, P.L. 109-472, 11 January 2007, extended this transfer of WRSA for concessions authority to expire 5 August 2008. Section 13(a)(2) of P.L. 109-472 also amended Section 514(b)(2), FAA, authorizing up to \$200 million annually in WRSA stocks for Israel during FY 2007 and FY 2008, retroactive to 5 August 2006. This later authority period was extended into FYs 2011 and 2012 by Section 302(b) of P.L. 111-266. The Israel Strategic Partnership Act of 2014, P.L. 113-296, 19 December 2014 amends Section 514(b)(2)(a), FAA, extending the annual WRSA transfer with Israel through FY 2015. Section 7034(l) (7), P.L. 115-141 further extended the War Reserve Stockpile Authority until 30 September 2019.

## **COUNTRY-SPECIFIC LEGISLATION**

Numerous legislative provisions are enacted annually that apply only to one specific country or that may apply, on occasion, to a specified group of countries. Such statutes may range from a total prohibition on the provision of any form of U.S. assistance to a particular country to a limited ban on furnishing certain types of assistance (e.g., a provision that prohibits military assistance but permits economic assistance). Thus, the S/FOAA for FY 2018 [Section 7007, P.L. 115-141] prohibits any direct assistance to Cuba, Iran, North Korea, or Syria. Of the FMFP funds earmarked for Egypt, approximately \$300 million is withheld until Egypt demonstrates it is taking sustained and effective steps to improve various democratic and human rights issues [Section 7041(a), P.L. 115-141]. Of the funds provided by S/FOAA, at least \$1.52 billion shall be made available for Jordan [Section 7041(d), P.L. 115-141]. No ESF funds are available for the Palestinian Authority [Section 7041(m)



(2), P.L. 115-141]. No S/FOAA funds may be used by Ethiopia for any activity that supports forced evictions [Section 7042(d), P.L. 115-141]. No S/FOAA funds may be made available for assistance of the Government of Sudan [Section 7042(i), P.L. 115-141]. Outside of continued DoS human rights and disaster-response consultations with its armed forces, no IMET or FMFP funds may be available for Burma [Section 7043(a), P.L. 115-141]. FMFP shall only be made available for humanitarian and disaster relief and reconstructions in Nepal, and in support of related international peacekeeping operations [Section 7044 (b), P.L. 115-141]. For Sri Lanka, FMFP funds may only be available to support humanitarian, disaster response preparedness and maritime security and PKO funds may only be available for training and equipment of international peacekeeping operations only if Sri Lanka is taking steps to bring Sri Lankan peacekeeping troops who have engaged in sexual abuse to justice [Section 7044(d), 115-141]. The government of Haiti shall be eligible to purchase defense articles and services under the AECA (22 U.S.C. 2751 et seq.) for the Coast Guard [Section 7045(c), P.L. 115-141]. Subsequent NDAA FYXX may also limit receiving funding assistance until certain legislated conditions are achieved and notified to Congress.

The statutory provisions which set forth such a prohibition regularly include the required conditions under which a specific ban may be removed. The statutory language usually calls for a determination by the President, and a Presidential report to Congress, that the subject country has taken appropriate action (as required by Congress) to resolve the issue, which led to the original prohibition (e.g., improved its human rights practices, eliminated corruption involving the management of U.S. grant funds, crack down on illicit drug trafficking, etc.).

## **WEAPONS-SPECIFIC LEGISLATION**

A related regulatory provision involves what may be termed weapons-specific legislation. Such statutory provisions serve to restrict the sale of specific types of weapons to particular countries.

### **Depleted Uranium Anti-Tank Shells**

The first such weapons-specific provision was introduced in FY 1987 when Congress placed a ban on the sale of depleted uranium (DU) anti-tank shells to any country other than the NATO member countries and the major non-NATO allies. This prohibition has been renewed annually through FY 1995 by Congress, and, in FY 1992, Taiwan was added to the list of exempted countries. FY 1996 legislation did not renew DU round restriction. However, P.L. 104-164 amended the FAA to reflect the DU round sales restriction and permanently exempting the NATO countries, MNNAs, Taiwan, and any country the President determines that such a sale is in the U.S. national security to do so [Section 620G, FAA].

### **STINGER Missiles**

A second weapons-specific statute was introduced in FY 1988 when Congress prohibited the U.S. from selling or otherwise making available STINGER man-portable, air defense missiles to any country in the Persian Gulf region, other than Bahrain. This provision had also been renewed annually by Congress through FY 1999 [Section 530, P.L. 106-113]. However, effective with enactment on 6 October 2000, Section 705, P.L. 106-280, provides an exception to the prohibition. A one-for-one transfer of STINGERS is authorized to any Persian Gulf country if the missile to be replaced is nearing the scheduled expiration of its shelf life. In addition, none of the funds authorized through various SC programs (for example Counter-ISIS Train and Equip Fund) may be used to procure or transfer man-portable air defense systems [Section 9012, 9013, 9015, P.L. 115-141].

### **Missile Technology Control Regime**

Another type of armaments regulation was introduced in the National Defense Authorization Act, Fiscal Year 1991, P.L. 101-510, Section 1703, which added to the AECA a new Chapter 7, entitled, "Control of Missiles and Missile Equipment or Technology." This legislation reflects the provisions of a

16 April 1987 international statement, referred to as the Missile Technology Control Regime (MTCR), in which seven countries—United States, United Kingdom, Germany, France, Italy, Canada, and Japan—agreed to restrict the international transfer of sensitive missile equipment and technology. The MTCR has since grown to include a membership of 35 countries that have all agreed to limit the export of missiles and related technology that could be used to deliver weapons of mass destruction. Under the provisions of Chapter 7, sanctions may be applied against persons, defined to include individuals, corporations, and countries, regardless of membership in MTCR, which unlawfully transfer such equipment or technology. The sanctions range from the denial of USG contracts relating to missile equipment or technology, to the denial of all USG contracts, to the denial of all U.S. export licenses and agreements involving items on the USML. Countries in violation of the MTCR, regardless of being a signatory, may be prohibited from receiving foreign assistance or denied from buying further arms from the U.S. A waiver of these sanctions may be granted if the President determines and notifies Congress that such a waiver is either of the following:

- Essential to the national security of the U.S.
- The offender is a sole source supplier of the product or service, and the product or service is not available from any alternative reliable producer, and the need for the product or service cannot be met in a timely manner by improved manufacturing processes or technological developments [Sections 73(e) and (f), AECA]

### **Chemical and Biological Weapons**

A similar regulatory program involving the transfer of chemical and biological (C/B) weapons was introduced in 1991 with the passage of the Foreign Relations Authorization Act for Fiscal Years 1992 and 1993. This legislation added a new Chapter 8 to the AECA, entitled, “Chemical or Biological Weapons Proliferation,” and it mandates a variety of sanctions that the U.S. may take against persons, companies, and countries that unlawfully aid in the transfer of C/B weapons or the illegal use of such weapons. The sanctions range from the denial of USG procurement contracts for a company that knowingly and materially contributed to the unlawful transfer of C/B weapons/technology to the termination of all U.S. foreign assistance to a government that has used such weapons. A Presidential waiver of such sanctions is authorized when such a waiver is either essential to U.S. national security interests or there has been a fundamental change in the leadership and policies of the foreign government [Section 505(b), P.L. 102-138].

### **Anti-Personnel Land Mines**

In a unique action, the National Defense Authorization Act, Fiscal Year 1993 established a one-year moratorium on the transfer of anti-personnel land mines [Section 1365, P.L. 102-484]. This legislation was proposed to serve as an interim step in obtaining an international agreement for prohibiting the sale, transfer, or export of these weapons and for limiting their use, production, possession, and deployment. This legislation specifically prohibits sales, the financing of sales, commercial exports, the issuing of licenses for the export of such land mines, or the furnishing of any foreign assistance related to the transfer of such land mines during the period 23 October 1992 through 22 October 1993 [Section 1365(d), P.L. 102-484].

Subsequent annual legislation extended the moratorium to 23 October 2014 [Section 646, P.L. 110-161], and provided the permanent authority for the grant transfer of demining equipment available from the USAID or DoS [Section 7054(a), P.L. 112-74]. The command-activated claymore mine has been legislatively defined as not an anti-personnel land mine [Section 580(b)(2), P.L. 104-107]. Of interest are some of the statistics cited in the statute regarding anti-personnel land mines: over thirty-five countries are known to manufacture these weapons, and, during the ten years from 1983 through 1992, the DoD approved the sale of 108,852 anti-personnel land mines and the DoS approved ten licenses for the commercial export of such land mines valued at a total of \$980,000 [Section 1423(a)4,

P.L. 103-160]. This unilateral U.S. moratorium is seen by Congress to serve as a model for adoption by other countries, and diplomatic efforts are well underway, both through the UN and other multilateral means, to achieve an international use or transfer ban similar to the C/B weapons prohibition.

### **Cluster Munitions**

Beginning in FY 2008, the transfer of cluster munitions or its technology shall not take place unless the sub-munitions, after arming, do not result in more than one percent unexploded ordnance across the range of intended operational environments. The transfer agreement must also specify that the munitions will only be used against clearly defined military targets and will not be used where civilians are known to be present or in areas normally inhabited by civilians [Section 7054(b), P.L. 115-141].

### **SUMMARY**

Security assistance, like other USG programs, is governed by U.S. statute. The primary or basic laws are the FAA and the AECA. Funds are appropriated for SA in the annual S/FOAA, FY 20XX, and can be limited in its allocation until specified U.S. national interests are met. Even though certain SA sales programs, (such as foreign military cash sales and commercial sales) do not involve funding authorizations or appropriations, the Congress still has an interest in these programs and has incorporated certain control and reporting measures over the years into the law affecting these as well as programs requiring appropriations. Given the wide variety and complex details of these country-specific and weapons specific provisions, for additional information, please consult the legislation directly or various legislative sources cited below.

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**Attachment 2-1**  
**U.S. Conventional Arms Transfer Policy (CATP)**

**PRESIDENTIAL MEMORANDA**  
**National Security Presidential Memorandum Regarding**  
**U.S. Conventional Arms Transfer Policy**  
**NATIONAL SECURITY & DEFENSE**  
Issued on: April 19, 2018

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MEMORANDUM FOR THE VICE PRESIDENT  
THE SECRETARY OF STATE  
THE SECRETARY OF THE TREASURY  
THE SECRETARY OF DEFENSE  
THE ATTORNEY GENERAL  
THE SECRETARY OF COMMERCE  
THE SECRETARY OF ENERGY  
THE SECRETARY OF HOMELAND SECURITY  
THE ASSISTANT TO THE PRESIDENT AND CHIEF OF STAFF  
THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET  
THE REPRESENTATIVE OF THE UNITED STATES OF AMERICA TO THE UNITED NATIONS  
THE DIRECTOR OF NATIONAL INTELLIGENCE  
THE DIRECTOR OF THE CENTRAL INTELLIGENCE AGENCY  
THE ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS  
THE ASSISTANT TO THE PRESIDENT AND COUNSEL TO THE PRESIDENT  
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY AND DIRECTOR OF THE  
NATIONAL ECONOMIC COUNCIL  
THE ASSISTANT TO THE PRESIDENT FOR HOMELAND SECURITY AND  
COUNTERTERRORISM  
THE ASSISTANT TO THE PRESIDENT FOR TRADE AND INDUSTRIAL POLICY AND  
DIRECTOR OF THE OFFICE OF TRADE AND MANUFACTURING POLICY  
THE ASSISTANT TO THE PRESIDENT FOR SCIENCE AND TECHNOLOGY AND DIRECTOR OF  
THE OFFICE OF SCIENCE AND TECHNOLOGY POLICY  
THE DIRECTOR OF NATIONAL DRUG CONTROL POLICY  
THE CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
THE ADMINISTRATOR OF THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION  
THE DIRECTOR OF THE NATIONAL SECURITY AGENCY  
THE DIRECTOR OF THE DEFENSE INTELLIGENCE AGENCY  
THE DIRECTOR OF THE FEDERAL BUREAU OF INVESTIGATION

SUBJECT: United States Conventional Arms Transfer Policy

Section 1. Purpose. The security of the United States and the defense of our interests require a strong military, capable allies and partners, and a dynamic defense industrial base, which currently employs more than 1.7 million people. Strategic conventional arms transfers lie at the intersection of these interests and play a critical role in achieving our national, economic security, and foreign policy objectives.

This policy will be implemented consistent with requirements of the Arms Export Control Act of 1976, as amended (22 U.S.C. 2751 et seq.).

**Attachment 2-1 (Continued)**  
**U.S. Conventional Arms Transfer Policy (CATP)**

By better aligning our policy regarding conventional arms transfers with our national and economic security interests, the approach outlined in this memorandum will serve several functions. It will help us maintain a technological edge over potential adversaries; strengthen partnerships that preserve and extend our global influence; bolster our economy; spur research and development; enhance the ability of the defense industrial base to create jobs; increase our competitiveness in key markets; protect our ability to constrain global trade in arms that is destabilizing or that threatens our military, allies, or partners; and better equip our allies and partners to contribute to shared security objectives and to enhance global deterrence. These security objectives include countering terrorism, countering narcotics, promoting regional stability, and improving maritime and border security.

When a proposed transfer is in the national security interest, which includes our economic security, and in our foreign policy interest, the executive branch will advocate strongly on behalf of United States companies. The executive branch will also streamline procedures, clarify regulations, increase contracting predictability and flexibility, and maximize the ability of the United States industry to grow and support allies and partners.

Sec. 2. Policy. With respect to arms transfers, it shall be the policy of the executive branch to:

- (a) bolster the security of the United States and our allies and partners, including by defending against external coercion, countering terrorism, and providing capabilities in support of shared security objectives;
- (b) maintain technological advantages of the United States military, including by ensuring that there are appropriate protections on the transfer of United States military technologies;
- (c) increase trade opportunities for United States companies, including by supporting United States industry with appropriate advocacy and trade promotion activities and by simplifying the United States regulatory environment;
- (d) strengthen the manufacturing and defense industrial base and lower unit costs for the United States and our allies and partners, including by improving financing options and increasing contract flexibility;
- (e) facilitate ally and partner efforts, through United States sales and security cooperation efforts, to reduce the risk of national or coalition operations causing civilian harm;
- (f) strengthen relationships and enhance military interoperability where doing so serves national security and foreign policy interests of the United States;
- (g) prevent proliferation by:
  - (i) exercising restraint in transfers that may be destabilizing, be dangerous to international peace and security, involve materials that may be used as delivery systems for weapons of mass destruction, or result in potential adversaries obtaining capabilities that could threaten the superiority of the United States military or our allies and partners;
  - (ii) continuing United States participation in and support for multilateral arrangements that contribute to the objectives and interests outlined in this memorandum, including the United Nations Register of Conventional Arms, the United Nations Standardized Instrument for Reporting Military Expenditures, regional initiatives that enhance transparency in conventional arms transactions, the Missile Technology Control Regime (MTCR), and the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies;

**Attachment 2-1 (Continued)**  
**U.S. Conventional Arms Transfer Policy (CATP)**

(iii) continuing to use multilateral arrangements to promote shared national policies of restraint against the acquisition of armaments and sensitive dual-use goods and technologies for military end uses by states whose behavior is cause for serious concern; and

(iv) working bilaterally and multilaterally to assist other state suppliers of conventional arms in developing effective export control mechanisms in support of responsible export policies that align with those of the United States; and

(h) continue to meet the requirements of all applicable statutes, including the Arms Export Control Act, the Foreign Assistance Act, the International Emergency Economic Powers Act, and the annual National Defense Authorization Acts. Arms transfer decisions will be consistent with the requirements of all applicable export control regulations and international commitments and obligations of the United States. These laws and regulations will apply, as appropriate, regardless of whether transfers are accomplished through direct commercial sales, government-to-government transfers, United States assistance programs, approvals for the retransfer of arms, changes of end use, or upgrades.

Sec. 3. Arms Transfer Decisions. In making arms transfer decisions, the executive branch shall account for the following considerations:

(a) The National Security of the United States.

(i) The appropriateness of the transfer in responding to United States security interests.

(ii) The degree to which the transfer contributes to ally and partner burden-sharing and interoperability in support of strategic, foreign policy, and defense interests of the United States.

(iii) The transfer's consistency with United States interests in regional stability, especially when considering transfers that involve power projection, anti-access or area denial capability, or the introduction of a capability that may increase regional tensions or contribute to an arms race.

(iv) The transfer's effect on the technological advantage of the United States, including the recipient's ability to protect sensitive technology; the risk of compromise to United States systems and operational capabilities; and the recipient's ability to prevent the diversion of sensitive technology to unauthorized end users.

(v) The recipient's nonproliferation and counterproliferation record.

(vi) The transfer's contribution to efforts to counter terrorism, narcotics trafficking, transnational organized crime, or similar threats to national security.

(b) The Economic Security of the United States and Innovation.

(i) The transfer's financial or economic effect on United States industry and its effect on the defense industrial base, including contributions to United States manufacturing and innovation.

(ii) The recipient's ability to obtain comparable systems from competing foreign suppliers.

(c) Relationships with Allies and Partners.

**Attachment 2-1 (Continued)**  
**U.S. Conventional Arms Transfer Policy (CATP)**

(i) The degree to which the transfer meets the objectives of bolstering the security and counterterrorism capabilities of our allies and partners and contributes to international peace and security.

(ii) The degree to which the transfer increases access and influence in ways that support our strategic, foreign policy, and defense interests.

(iii) The recipient's ability to field, support, and employ the requested system effectively and appropriately in accordance with its intended end use.

(iv) The likelihood of the transfer reducing ally and partner dependence on United States adversaries.

(v) The risk that the transfer will have adverse economic, political, or social effects within the recipient country.

(d) Human Rights and International Humanitarian Law.

(i) The risk that the transfer may be used to undermine international peace and security or contribute to abuses of human rights, including acts of gender-based violence and acts of violence against children, violations of international humanitarian law, terrorism, mass atrocities, or transnational organized crime.

(ii) Whether the United States has actual knowledge at the time of authorization that the transferred arms will be used to commit: genocide; crimes against humanity; grave breaches of the Geneva Conventions of 1949; serious violations of Common Article 3 of the Geneva Conventions of 1949; attacks intentionally directed against civilian objects or civilians who are legally protected from attack; or other war crimes as defined in section 2441 of title 18, United States Code. If the United States has such knowledge, the transfer shall not be authorized.

(e) Nonproliferation.

The risk that the transfer could undermine the integrity of international nonproliferation agreements and arrangements that prevent proliferators, programs, and entities of concern from acquiring missile technologies or other technologies that could substantially advance their ability to deliver weapons of mass destruction, or otherwise lead to a transfer to potential adversaries of a capability that could threaten the superiority of the United States military or our allies and partners.

Sec. 4. Implementation. (a) Within 60 days of the date of this memorandum, the Secretary of State, in coordination with the Secretaries of Defense, Commerce, and Energy, shall submit to the President, through the Assistant to the President for National Security Affairs (APNSA), a proposed action plan to implement the policy set forth in sections 2 and 3 of this memorandum.

(b) The proposed action plan shall include actions that the United States Government should take in the short term and long term to improve its ability to identify, communicate, pursue, and support arms transfers in the manner most beneficial to the national security interests of the United States, including economic security, the broader economy, and United States foreign policy interests. The proposed action plan should account for the competitive environment in which the United States must operate and the need to protect and expand our technological advantages and our defense industrial base. The proposed action plan should include an outline of the financial and personnel resources necessary to implement the roadmap with minimal increase in the total of otherwise budgeted funds, with offsets identified if necessary.

**Attachment 2-1 (Continued)**  
**U.S. Conventional Arms Transfer Policy (CATP)**

(c) Within 60 days of the date of this memorandum, the Secretary of State, in coordination with the Secretaries of Defense, Commerce, and Energy, shall submit to the President, through the APNSA, a proposed initiative to align our unmanned aerial systems (UAS) export policy more closely with our national and economic security interests. The initiative should address the status of, and recommend next steps for, MTCR adoption of revised controls for MTCR Category I UAS, consistent with the UAS export policy.

Sec. 5. Earlier Presidential Actions. This memorandum supersedes and replaces Presidential Policy Directive-27 of January 15, 2014 (United States Conventional Arms Transfer Policy).

Sec. 6. General Provisions. (a) Nothing in this memorandum shall be construed to impair or otherwise affect:

(i) the authority granted by law to an executive department or agency, or the head thereof; or

(ii) the functions of the Director of the Office of Management and Budget relating to budgetary, administrative, or legislative proposals.

(b) This memorandum shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) This memorandum is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.

DONALD J. TRUMP



## Chapter

# 3

# UNITED STATES GOVERNMENT ORGANIZATIONS

## INTRODUCTION

U.S. security assistance (SA) and security cooperation (SC) programs have their roots in public law, which contains authorizations, appropriations, restrictions, and reporting requirements. To understand how this legislation is welded into a coherent, operational foreign policy program, it is appropriate to briefly discuss the roles of the three branches of the U.S. federal government with respect to international programs.

## LEGISLATIVE BRANCH: THE CONGRESS

### Role of Congress

The Congress of the U.S., as provided by Article I, Section 1, of the U.S. Constitution, is vested with all legislative powers. In terms of SA/SC, congressional power and influence are exercised in several ways:

- Development, consideration, and action on legislation to establish or amend basic SA/SC authorization acts
- Enactment of appropriation acts
- Passage of joint continuing resolutions to permit the incurrence of obligations to carry on essential SA/SC program activities until appropriation action is complete
- Conduct hearings and investigations into special areas of interest, to include instructions to the Government Accountability Office (GAO), the Congressional Budget Office (CBO), and Congressional Research Service (CRS) to accomplish special reviews
- Review of proposed arms transfers by foreign military sales (FMS), direct commercial sales (DCS), third-country transfers, grants, and leases
- Ratification of treaties that may have SA implications

A major dimension of the U.S. SA/SC framework is conventional arms transfers and sales. The ultimate authority for such sales resides in Article I, Section 8, of the Constitution, which assigns Congress the power to regulate commerce with foreign nations. Article IV, Section 3, grants Congress the power to dispose of and make all necessary rules and regulations regarding the transfer of property belonging to the U.S. government (USG).

### Committee Structure

The work of receiving and preparing legislation is performed largely by committees in both houses of Congress. The primary committees of Congress with SA responsibility for authorizations are the House of Representatives Committee on Foreign Affairs (HFAC) and the Senate Committee on Foreign Relations (SFRC). SA appropriations legislation, or the annual Department of State/Foreign Operations Appropriations Acts, are handled by the House of Representatives Committee on

Appropriations (HAC) Subcommittee on Foreign Operations (HACFO) and the Senate Committee on Appropriations (SAC) Subcommittee on Foreign Operations (SACFO).

At times, special topics in SA will be addressed by other committees such as the Armed Services, Banking, and Finance committees. Most SC authorities have been generated by the Senate Armed Services Committee (SASC) and the House Armed Services Committee (HASC) with the annual National Defense Authorization Act (NDAA).

### **Special Congressional Offices**

Within the legislative branch, three offices have a significant impact on the conduct and management of the U.S. SA/SC program. The most prominent activities of the GAO are its audits and evaluations of USG programs and activities, conducted in response to requests from Congress, its committees, members, and staff. The GAO is under the control and direction of the Comptroller General of the United States. The audit authority of the GAO extends to all departments and other agencies of the federal government. Among other functions, the GAO also has statutory authority to prescribe accounting principles and standards and settle claims by and against the United States. The CBO is tasked with the collection of data and the analyses of alternative fiscal, budgetary, and programmatic policy issues. The CRS within the Library of Congress accomplishes special studies for the Congress. Often, these studies are concerned with SA/SC issues and policies.

## **JUDICIAL BRANCH: THE COURTS**

Article III, Section 1, of the U.S. Constitution provides for the federal court system. Federal courts are responsible for interpreting federal laws and determining the constitutionality of U.S. law. Historically, the courts have had limited involvement in the day-to-day activities of SA. Judicial involvement is also possible should a contractor, who is providing materials or services under a Department of Defense (DoD) contract, decide to pursue legal remedy in the event of a dispute through an appropriate federal court.

## **EXECUTIVE BRANCH: THE PRESIDENT**

Article II, Section 1, of the U.S. Constitution establishes the President as the nation's chief executive and, by implication, the chief arbiter in matters of foreign policy. Furthermore, Section 2 of this same article empowers the President, by and with the consent of the Senate, to make treaties and appoint ambassadors and other public ministers. Section 3 of Article II authorizes the President to receive ambassadors and other public ministers—all essential facets of carrying out U.S. foreign policy. It is the President who presents the recommended annual U.S. SA/SC program and budget to the Congress for its consideration and executes this program once it becomes law.

As the chief executive, the President is responsible for all the activities of the executive branch. The President has numerous assistants, cabinet officers, and other subordinate officials to oversee the conduct of U.S. SA/SC programs (Figure 3-1).

### **Office of the President**

The National Security Council (NSC) and the Office of Management and Budget (OMB) are two organizations within the Executive Office of the President that impact SA/SC.

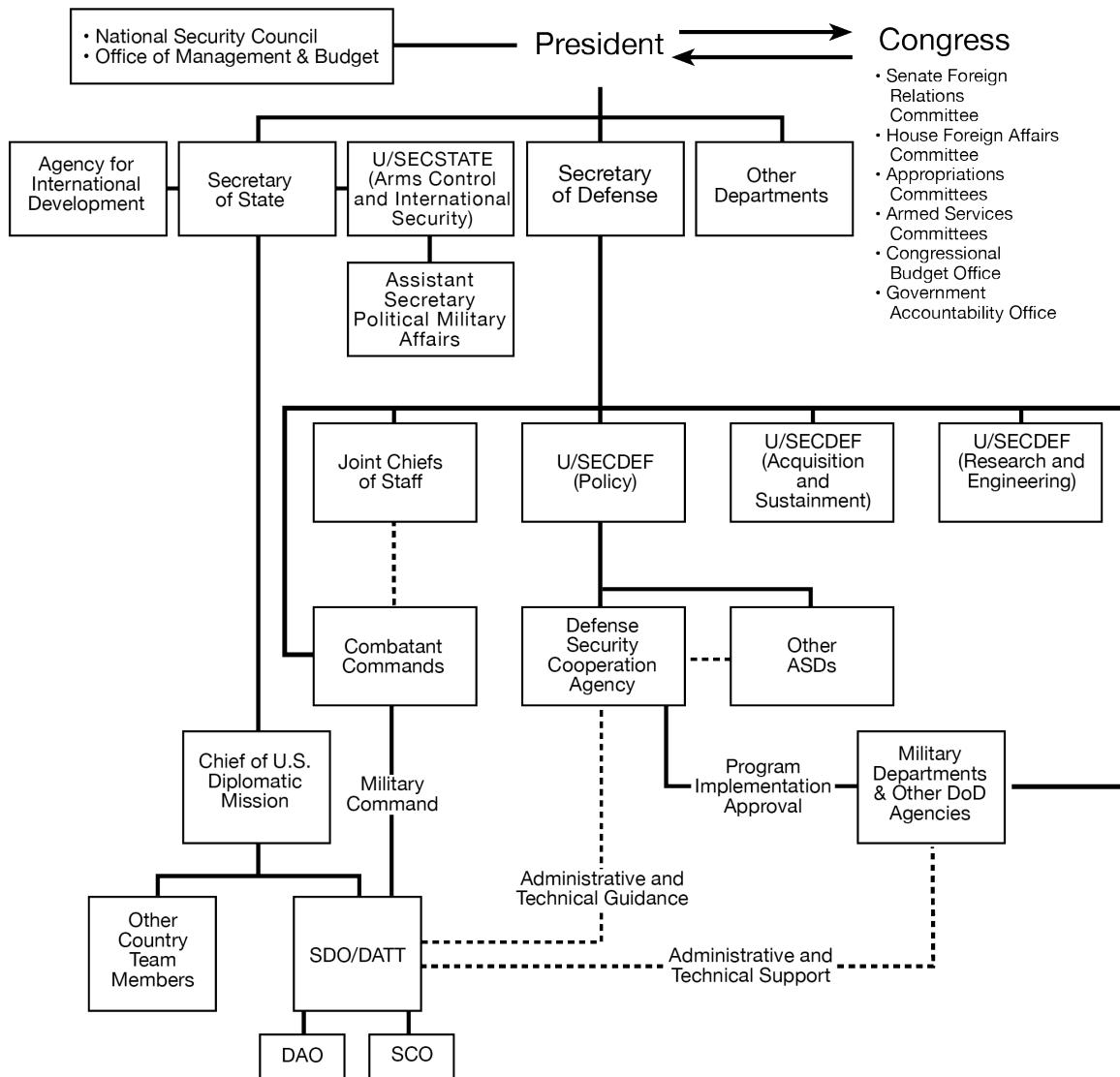
The NSC is chaired by the President. The function of the NSC is to advise the President with respect to the integration of domestic, foreign, and military policies relating to national security. As a function, the NSC can assist the President in writing a variety of national security documents, including the Conventional Arms Transfer Policy (CATP), and is responsible for developing an overarching National Security Strategy. The National Security Advisor (NSA) is charged with the effective integration of policy through their oversight of the interagency process conducted by the NSC. It is important to

note that the Secretary of Defense and Chairman of the Joint Chiefs of Staff advise the NSC. During deliberations, OSD Policy and Joint Staff J-5 do most of the work for the DoD. The Joint Staff is the organization that represents the Geographic Combatant Commanders to the NSC. The NSC is also involved in the review of the annual SA/SC budget proposal as well as many proposed major arms transfers.

The OMB assists the President in the preparation of the annual USG budget and the formulation of the nation's fiscal program. The President's submission of the budget request is the first key step to getting funding for the SA/SC programs. The OMB assists the President in this process by interacting with federal agencies to develop a budget, which then gets presented to Congress. The OMB is also interested in the impact the SA/SC programs have on DoD military and civilian manpower, facilities, and performing accounts as well as the amounts of the appropriations themselves. The OMB controls the apportionment of appropriated funds for obligation and expenditure in support of SA/SC activities. Once Congress approves the funds for appropriation and expenditure, they should be expended prior to their expiration. However, according to the Impoundment Control Act of 1974, a president may withhold (impound) funds permanently as long as the president sends a "special message" to Congress. The President can withhold funds for a period of 45 days of a continuous congressional session while Congress decides whether or not to rescind the funds. Unless Congress rescinds the funds within the 45-day window, they are eligible for obligation, even if they were held through their expiration date.

**Figure 3-1**

**U.S. Government Organization for Security Assistance and Security Cooperation**



## Department of State

The statutory role of the Secretary of State regarding SA is contained in Section 622 of the Foreign Assistance Act (FAA) and Section 2 of the Arms Export Control Act (AECA). Under the direction of the President, the Secretary of State shall be responsible for the following:

- The continuous supervision and general direction of economic assistance, military assistance, military education and training, and sales and export programs
- Determining whether there shall be a SA program, and whether there should be a sale, lease, or financing for a country and the value thereof
- Determining whether there will be a cooperative project and the scope thereof
- Determining whether there will be a delivery or other performance under the sale, lease, cooperative project, or export

- Ensuring such programs are effectively integrated with other U.S. activities, both at home and abroad, and that the foreign policy of the U.S. is best served thereby

The Under Secretary of State for Arms Control and International Security (T) is the senior adviser to the President and Secretary of State for arms control nonproliferation, and disarmament, and is the focal point within Department of State (DoS) for SA matters. Approval of routine defense articles, services, and technology transfers has been delegated to the Under Secretary. Coordination of recommendations for significant defense transfers is prepared within this office. Figure 3-2 provides an overall organizational view of the Department of State, and Figure 3-3 provides a more security assistance-focused view of the Department ranging from the Secretary to the applicable offices within the Bureau of Political-Military Affairs (PM) to the country team.

Responsibilities include active participation in the SA review process. In accordance with Section 36(b)(1), AECA, for those proposed FMS agreements meeting the dollar threshold for advance notification of Congress, the preparation of a transmittal to Congress (in consultation with the Secretary of Defense) of the manner in which the proposed sale might contribute to an arms race, increase the possibility of conflict, and prejudice the negotiation of any arms control agreements must be completed. A similar review is required for commercial arms exports licensed under Section 38, AECA.

The Bureau of Political-Military Affairs (PM), headed by the Assistant Secretary of State for Political-Military Affairs (State/PM), has four principal SA functions:

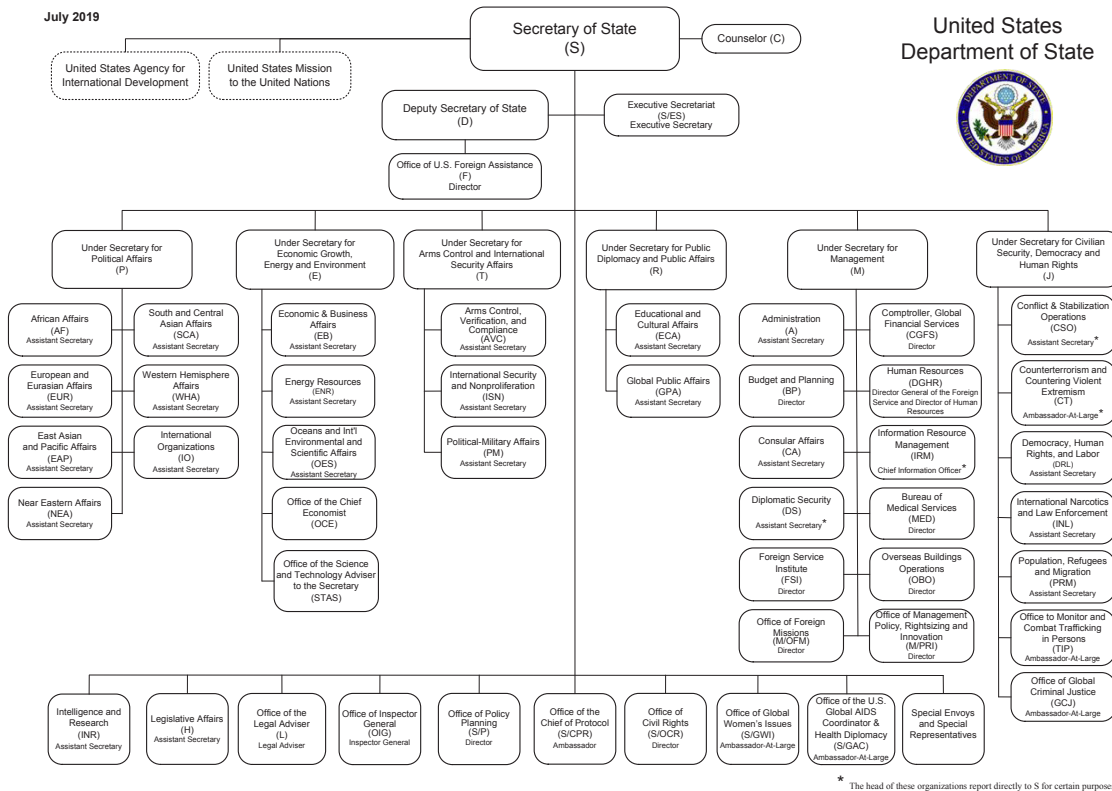
1. Advise the Secretary on issues and policy problems arising in the areas where foreign policy and defense policy of the U.S. impinge on one another
2. Serve as the principal liaison and contact between the DoS and DoD
3. Take the lead in developing the positions of the DoS on political-military questions, including those under consideration within the NSC
4. Assist the Secretary in carrying out responsibilities for supervision of the military assistance and sales programs and for licensing the commercial export of defense articles or services

Various offices within the Bureau (refer to Figure 3-3) are concerned with general military strategic planning, policy development for the foreign policy aspects of nuclear energy and weapons, and matters concerning arms control and disarmament. Four offices within the Bureau are specifically concerned with SA.

The Directorate of Defense Trade Controls (PM/DDTC) is responsible to the State/PM for the licensing of commercial exports of arms and materiel on the U.S. Munitions List (USML). The PM/DDTC maintains the International Traffic in Arms Regulations (ITAR) and the commercial sales reports, which are required by Congress.

The Office of Regional Security and Arms Transfer Policy (PM/RSAT), responsible to State/PM, promulgates and oversees export control policy and coordinates government-to-government arms transfer authorization and denial decisions within DoS for the Secretary of State. PM/RSAT also receives and staffs all change of end-use and third-party transfer requests from countries regarding defense articles, services, and training originally transferred by government-to-government agreements. It works closely with the DoD offices as described later in this chapter.

**Figure 3-2**  
**U.S. Department of State**



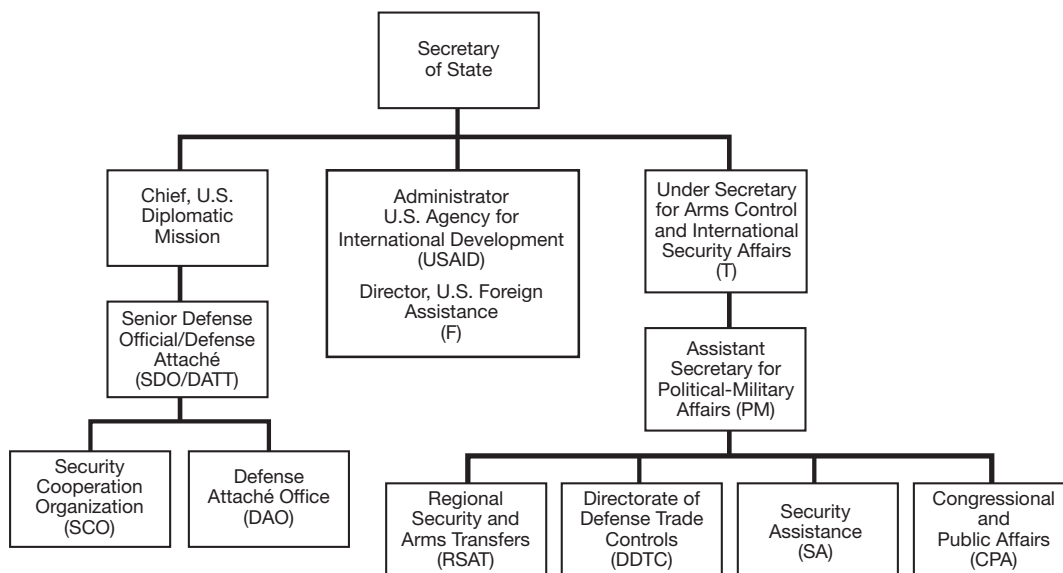
The Office of Security Assistance (PM/SA) is responsible to State/PM in providing cross-cutting political-military issues and programs, political-military planning, security sector assistance, and global peacekeeping (PKO). PM/SA coordinates within DoS the direction of U.S. military grant assistance (FMFP and IMET) through policy development, budget formulation, and program oversight. PM/SA is also tasked with managing concurrence/coordination of title 10 authorities, including 333, and assisting in DoD planning efforts.

The Office of Congressional and Public Affairs (PM/CPA) provides the information link between Congress and State/PM, especially regarding any requests for additional information or justifications for proposed foreign military sales approved by State Department for notification by DSCA.

The Assistant Secretary of State for Democracy, Human Rights, and Labor is responsible for reviewing proposed SA programs and sales requests with respect to their impact on human rights in the country concerned. Additionally, in accordance with Sections 116(d) and 502(B) of the FAA, the Secretary of State is required to submit to Congress by 25 February of each year a detailed analysis entitled *Country Reports on Human Rights Practices for 20XX*. The reference list for this chapter includes a link to this document. This compilation of reports describes the status of internationally recognized human rights in countries that receive U.S. assistance and in all other countries that are members of the United Nations (UN). The report is to be submitted as part of the presentation materials for SA programs proposed each fiscal year (FY). With direct input starting with the country teams, the Democracy, Human Rights, and Labor Bureau puts this required report together for the Secretary of State. During August and September, the Secretary promulgates formal human rights reporting instructions to the country teams for submissions no later than 1 October, with subsequent updating of significant events as they occur.



**Figure 3-3**  
**Security Assistance Offices within the Department of State**



Within thirty days after submitting the annual human rights report, the Secretary of State must submit a listing of countries that engage in a consistent pattern of gross violations of internationally recognized human rights. Also, in a separate but related annual report, the Secretary must describe how the Foreign Military Finance Program (FMFP) budget proposal will be used to promote and advance human rights and how the U.S. will avoid identification with activities that are contrary to internationally recognized standards of human rights.

The Under Secretary of State for Political Affairs directs the activities of the geographic bureaus, which are responsible for U.S. foreign affairs activities in the major regions of the world. These seven bureaus are shown in Figure 3-2. They have a direct role in the SA budget formulation process and other day-to-day SA matters.

### ***U.S. Agency for International Development***

The U.S. Agency for International Development (USAID) carries out a variety of economic assistance programs designed to help the people of certain less-developed countries develop their human and economic resources, increase productive capacities, and improve the quality of human life as well as to promote economic and political stability in friendly countries.

USAID performs its functions under the direction and foreign policy guidance of the Secretary of State. The agency is charged with central direction and responsibility for the U.S. foreign economic assistance program. The agency consists of a central headquarters staff in Washington, DC, and missions and offices overseas. The FAA authorizes the agency to administer three kinds of foreign economic assistance:

1. Development assistance, which focuses on assistance programs in critical problem areas that affect the majority of the people in the developing countries, like providing food and agricultural development
2. International humanitarian assistance
3. Economic Support Fund (ESF), which is described in Chapter 1 of this textbook

Beginning in 2006, the administrator for USAID was also appointed by the Secretary of State as the Director for Foreign Assistance (F) to include the appropriated SA programs. F is responsible to the Secretary of State for the development of U.S. foreign assistance program strategy and objectives and the preparation of the annual funding request to Congress to achieve these objectives. Once the congressional appropriation process is completed, F is also responsible for the allocation of funding, by programs and countries, which is communicated to Congress via the Section 653(a), FAA report.

### ***U.S. Diplomatic Missions***

Diplomatic missions located overseas have important roles in SA. The ambassador (or chief of the U.S. diplomatic mission) is either a career member of the Foreign Service Officer (FSO) Corps or a non-career political appointee, depending upon the desires of the President, and is the personal representative of the President. The ambassador reports to the President through the Secretary of State. The ambassador heads the country team, which may include the Senior Defense Official/Defense Attaché Officer (SDO/DATT), Defense Attaché Officer (DAO), the chief of the U.S. Security Cooperation Organization (SCO), the political and economic officers, and any other embassy personnel desired by the ambassador. The U.S. diplomatic mission, the SDO/DATT, the SCO, and the DAO will be further addressed in Chapter 4 of this textbook, “Security Cooperation Organizations Overseas.”

### **Department of Treasury**

The Department of Treasury is involved in SA through its role as financial agent for the USG and as a member of the NSC. The FMS trust fund account is a U.S. Treasury account; therefore, the Treasury is most interested in the overall cash flow of this account. If a country’s FMS account goes into a deficit or delinquent cash position, this is of special interest to the Treasury. The Treasury has a fiduciary interest in the appropriated or credit programs of SA as well.

### **Department of Justice**

Although the thrust of this text is toward the export of defense articles and services in support of the U.S. SA program, the AECA also confers upon the President the function of controlling the import of arms, ammunition, and implements of war, including technical data, into the U.S. This function has been delegated by the President to the Attorney General and the Department of Justice (DoJ). The Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) is the law enforcement agency controlling the import of defense articles. Designation by the Attorney-General of items as defense articles or services subject to import control must have the concurrence of the Secretaries of State and Defense [Executive Order No. 11958].

### **Department of Homeland Security**

Duties of the former U.S. Customs Service within the Department of Treasury were transferred to the Department of Homeland Security (DHS) by the Homeland Security Act of 2002. DHS customs enforcement is divided between two agencies:

1. U.S. Customs and Border Protection (CBP)
2. U.S. Immigration Customs Enforcement (ICE)

CBP is responsible for reviewing DoS-issued munitions control export licenses at the U.S. port of departure and for the reporting of any irregularities. This agency also collects and compiles international trade statistics, some of which are SA related, and forwards them to the Bureau of the Census for compilation.

The Homeland Security Act of 2002 also transferred the U.S. Coast Guard (USCG) from the Department of Transportation (DoT) to the DHS. The USCG is a significant SA partner, especially in the areas of maritime security, law enforcement, navigation, and safety. In keeping with its long

tradition with the U.S. Navy, the USCG works closely with the Navy International Program Office (Navy IPO) in providing SA overseas.

### **Department of Commerce**

The Department of Commerce (DoC) is involved with the U.S. SA program in several ways. One way is through its interface with the DoS and DoD with respect to civil items with the potential for military application (i.e., dual-use items). These items are on the Department's Commerce Control List (CCL) and a DoC license issued by the Bureau of Industry and Security (BIS) is required for their export. In other instances, technology transfer implications are an issue. Commerce also manages export administration and related activities, including advice and assistance on regulating exports through the licensing of U.S. goods and technology for purposes of national security and foreign policy. Chapter 7 of this textbook, "Technology Transfer, Export Controls, and International Programs Security," will provide further information.

### **Department of Transportation**

The U.S. Maritime Administration (MARAD), which is part of the DoT, is also involved in SA. It has a responsibility to determine if foreign countries, through their freight forwarder agents, are properly using U.S. flag shipping for U.S.-funded SA programs. Chapter 11 of this textbook, "Security Cooperation Transportation Policy," provides additional information on U.S. flag shipping.

### **Department of Defense**

The Department of Defense (DoD), from the standpoint of overall effort, has the greatest involvement in SA of any department within the executive branch. The addition of security cooperation responsibilities further increases DoD's involvement in international activities.

As prescribed by Section 623, FAA, and Section 42(d), AECA, the Secretary of Defense is charged with primary responsibility for carrying out the following SA functions:

- The determination of military end-item requirements
- The procurement of military equipment in a manner that permits its integration with service programs
- The supervision of end-item use by recipient countries
- The supervision of the training of foreign military and related civilian personnel
- The movement and delivery of military end-items
- The establishment of priorities in the procurement, delivery, and allocation of military equipment
- Within the DoD, the performance of any other functions with respect to the furnishing of military assistance, education, training, sales, and guarantees

### ***Office of the Secretary of Defense***

The Under Secretary of Defense for Policy (USD [P]) serves as the principal adviser and assistant to the Secretary for all matters concerned with the integration of departmental plans and policies with overall national security objectives and exercises overall direction, authority, and control over SA matters through the various assistant secretaries of defense.

Relating to SA, the Director of the Defense Technology Security Administration (DTSA) is responsible to the USD(P) for the coordination of technical data transfer decisions within DoD by

using procedures established by the *National Disclosure Policy* (NDP-1). This is performed by the National Disclosure Policy Committee (NDPC), which also includes DoS, Joint Staff, and military department (MILDEP) representatives in its general membership along with representatives from other DoD agencies when applicable. DTSA/NDPC also manages the International Program Security (IPS) education and oversight programs within the DoD.

DTSA is responsible for the DoD coordination of the proposed export of defense technology items through DCS to be licensed by the DoS, and dual-use technology commercial sales to be licensed by the DoC. Chapter 7 of this textbook, “Technology Transfer, Export Controls, and International Program Security,” will discuss NDP, IPS, and DTSA processes and programs.

The Office of the USD(P) also includes five assistant secretaries:

1. The Assistant Secretary for International Security Affairs (ASD[ISA]) responsible for DoD policy and oversight of security cooperation programs within Europe, the Middle East, Africa, and the Western Hemisphere
2. The Assistant Secretary for Indo-Asian and Pacific Security Affairs (ASD[IPSA]) responsible for DoD policy and oversight of security cooperation programs within the Asian Pacific, South Asia, and Central Asia
3. The Assistant Secretary for Homeland Defense and Global Security (ASD[HD&ASA]) responsible for DoD policy regarding homeland defense, civil support, and crisis management in addition to cyber, space, and countering weapons of mass destruction
4. The Assistant Secretary for Strategy, Plans, and Capabilities (ASD[SPC]) responsible for nuclear and missile defense policy
5. The Assistant Secretary for Special Operations/Low Intensity Conflict (ASD [SO/LIC]) responsible for DoD policy regarding special operations, strategic capabilities, stability operations, and forces transformation to include many DoD counter-narcotics, Building Partnership Capacity (BPC), and humanitarian and disaster relief programs and, recently, security force assistance (SFA)

The Office of the Deputy Assistant Secretary of Defense for Security Cooperation (DASD [SC]), under ASD(SPC), was established in 2014 and is responsible for prioritizing DoD bilateral and multilateral security cooperation activities and aligning security cooperation resources to defense strategy.

FY 2017 NDAA directed that DoD reorganize the office of the Under Secretary of Defense Acquisition, Technology & Logistics (USD [AT&L]) and establish an Under Secretary of Defense (Research and Engineering) (USD [R&E]), an Under Secretary of Defense (Acquisition and Sustainment) (USD [A&S]), and a Chief Management Officer (CMO), effective 1 February 2018.

USD (R&E) will focus on developing future technologies and be charged with three key goals: to set technology strategy for DoD; to solve critical technical warfighting challenges; and to deliver technology solutions faster. USD (R&E) will continue to assure considerations of rationalization, standardization, and interoperability in security cooperation programs with North Atlantic Treaty Organization (NATO) allies, provide analysis of the risks of compromise of U.S. weapons systems, and participate in the technology-transfer review process.

USD (A&S) will have a day-to-day focus on existing systems and will be in charge of setting policy, handling oversight and metrics, and running training for the acquisition staff, which is why the Defense Acquisition University will report to USD (A&S). In line with congressional wishes, much of the actual acquisition decisions will go back toward the military services.

As currently envisioned, the CMO will have six “reform leaders” who will oversee changes to logistics and supply chain, real property, community services, human resources, health care, and a broader performance management reform leader, who will be responsible to work with the CMO and deputy secretary to establish a process for routinely managing the progress of the functional reforms and IT business system deployments against the plan using those goals and other measures. The layout of CMO is expected to evolve in the future as the Pentagon itself changes and as offices transform. Of importance to the security cooperation enterprise is that the Director of International Cooperation, Defense Threat Reduction Agency (DTRA), Defense Logistics Agency (DLA) and Defense Contract Management Agency (DCMA) will be under the authority, direction, and control of USD (A&S). The Missile Defense Agency (MDA), Defense Technical Information Center (DTIC) will be under the authority, direction, and control of USD (R&E).

The Director of International Cooperation deals with matters concerning international programs by developing and monitoring the implementation of defense policies on international cooperation in coordination with U.S. government agencies, foreign governments and industry. Refer to Chapter 13 of this textbook, “Systems Acquisition and International Armaments Cooperation Programs,” for further information regarding these programs.

As a combat support agency, DTRA can help develop and strengthen the Countering Weapons of Mass Destruction (CWMD) capabilities of our allies, partner nations, the military, and other federal, state, and local government agencies. DTRA’s CBRNE (chemical, biological, radiological, nuclear, and high-yield explosives) Preparedness Program provides training and equipment to countries that may not have all of our resources but still face the same Weapons of Mass Destruction (WMD) problems. DTRA also helps countries control and keep track of naturally occurring biological hazards that kill thousands. There is more on DTRA in later chapters of this textbook and on the DTRA website. More details on the roles of DLA, DCMA, MDA, and DTIC in the security cooperation enterprise can be found in later chapters of this textbook.

The Under Secretary of Defense (Comptroller) [USD(C)] is the DoD Chief Financial Officer (CFO) responsible for establishing policy and procedures involving financial management, fiscal matters, accounting, pricing, auditing, and international balance of payments as these matters relate to SA. The Director of the Defense Finance and Accounting Service (DFAS) is the focal point for SA matters within the office of the comptroller. The Defense Contract Audit Agency (DCAA) is the organization within the USD(C) responsible for the financial audit of DoD contracts to include those awarded in support of the FMS community.

The Directorate for Security Cooperation Accounting of the Defense Finance and Accounting Service (DFAS–IN) located in Indianapolis, IN, serves as the central bank for FMS. Its responsibilities include the operation of the DoD centralized FMS billing, collecting, and trust fund accounting system. The Indianapolis center is a component of DFAS, Washington, DC, which is responsible to the USD(C). Refer to Chapter 12 of this textbook, “Financial Management,” for further information regarding the tasks performed by DFAS–IN.

The Under Secretary of Defense for Intelligence [USD(I)] is responsible for the management of intelligence processes within the DoD to include participation in the technology-disclosure process and supervision of the Defense Counterintelligence and Security Agency (DCSA). DSS is responsible to the USD(I) for security issues within the U.S. defense industry. This also includes validating transportation plans in support of export licenses to be issued by the DoS for DCS. DCSA also assists the NDPC when validating and assisting foreign defense industries’ participation regarding international armaments cooperation. Refer to Chapter 7 of this textbook, “Technology Transfer, Export Controls, and International Programs Security,” for further information regarding the DCSA role in SA.



## ***Joint Chiefs of Staff***

The Chairman of the Joint Chiefs of Staff is the principal military adviser to the President. The Joint Staff constitutes the immediate military staff of the Secretary of Defense, serving as a coordinating agency in the chain of command that extends from the President through the Secretary of Defense to the geographic combatant commanders (GCCs). The Joint Staff communicates instructions from the Secretary of Defense to the geographic combatant command (CCMD) and furnishes the Secretary with information from the CCMD.

The Joint Staff organization is a key participant in the SA program development and review process. The Joint Staff coordinates SC with U.S. military plans and programs, and provides the Secretary of Defense with military advice concerning SA/SC programs, actions, and activities to include the following:

- Recommending the selection, introduction, or redistribution of weapons systems in and among recipient countries, considering rationalization, standardization, and interoperability
- Recommending military force objectives, requirements, and priorities for actual or potential SA/SC recipients
- Determining the impact of SA/SC programs on U.S. programs and defense readiness
- Recommending SA/SC organizational and manpower requirements for SCOs and SA/SC personnel augmentations to Defense Attaché Offices
- Recommending the designation of military services responsible for furnishing chiefs of SCOs, other than defense attachés, assigned SA/SC responsibilities
- For other than defense attachés assigned SA/SC responsibilities, recommending the nominations of individuals to serve as chiefs of SCOs and recommending tour extensions or curtailment for such individuals
- Assigning Force Activity Designators (FAD) to determine priorities in the allocation of defense articles among recipient nations and between recipient nations and the U.S. Armed Forces within guidelines established by the Office of the Secretary of Defense

The Joint Staff reviews certain proposed FMS cases for their impact on national security and ensures that SA/SC factors are included in the joint planning process. The focal point for SA/SC matters within the Joint Staff is the Weapons Technology Control Division, Politico-Military Affairs, with the Director for Strategic Plans and Policy (J-5/DDPMA-A/WTC). This office also represents the Joint Staff and the CCMDs on the NDPC.

## ***Geographic Combatant Commands***

Six of the geographic combatant commands (GCCs) have responsibilities for the conduct of the U.S. SA/SC programs within their respective geographical regions. The following is a list of the CCMDs:

1. U.S. European Command (EUCOM)
2. U.S. African Command (AFRICOM)
3. U.S. Southern Command (SOUTHCOM)
4. U.S. Indo-Pacific Command (INDOPACOM)



5. U.S. Northern Command (NORTHCOM)
6. U.S. Central Command (CENTCOM)

With regard to SA/SC, the functions of the CCMDs include the following:

- Make recommendations to the Joint Staff and the Secretary of Defense on any aspect of SA/SC programs, projections, or activities
- Keep informed on all SA/SC matters, to include programs, projections, and activities
- Command, supervise, and support the SCOs in matters that are not functions or responsibilities of the chiefs of the U.S. diplomatic missions, including the provision of necessary technical assistance and administrative support to SCOs
- Coordinate and assist DoD components in the conduct of regional SA/SC programs and activities when required and practical
- Develop and submit, as directed by the Joint Staff, recommendations regarding organization, staffing, and administrative support of SCOs
- Keep the Secretary of Defense, Joint Staff, and MILDEPs informed on matters that could have an impact on SA/SC programs, or actions that could impact other DoD programs under their cognizance
- Ensure coordination of regional SA/SC matters with U.S. diplomatic missions and DoD components as appropriate
- Conduct activities as directed and, when required, to ensure the efficient and effective administration of SA activities
- Provide evaluation, as required, of the efficiency and effectiveness of DoD overseas SA/SC organizations

### ***Security Cooperation Organizations***

The Security Cooperation Organization (SCO) is the generic name for the DoD organization overseas with the primary responsibility of interfacing with the host nation on SA and SC programs. The SCO is normally co-located with the U.S. embassy in the country and is a part of the ambassador's country team. The SCO may be known by a variety of locally specific titles such as Office of Defense Cooperation (ODC), Military Assistance Advisory Group (MAAG), Office of Security Cooperation (OSC), etc. The chief of the SCO is responsible to four authorities:

1. Ambassador
2. Senior Defense Official/Defense Attaché (SDO/DATT)
3. Geographic Combatant Commander (GCC)
4. Director, Defense Security Cooperation Agency (DSCA)

A detailed discussion of the duties and functions of the SCO and the SDO/DATT is presented in Chapter 4 of this textbook, "Security Cooperation Organizations Overseas."

## *Department of Defense Agencies*

### **Defense Security Cooperation Agency**

As noted in DoDD 5105.65, DoDD 5132.3, and DSCA 5105.38-M, *Security Assistance Management Manual* (SAMM), Defense Security Cooperation Agency (DSCA) is established as a separate agency of the DoD under the direction, authority, and control of the USD(P). The principal SA functions of DSCA include the following:

- Administering and supervising SA planning and programs
- Coordinating the formulation and execution of SA programs with other governmental agencies
- Conducting international logistics and sales negotiations with foreign countries
- Serving as the DoD focal point for liaison with U.S. industry with regard to SA activities
- Managing the credit-financing program
- Developing and promulgating SA procedures, such as the SAMM
- Developing and operating the data processing system and maintaining the macro database for the SA program
- Making determinations with respect to the allocation of FMS administrative funds
- Administer assigned security cooperation programs
- Administer the implementation of any assigned Security Force Assistance (SFA) activities

In 1998, DSCA assumed the responsibility for administering the USD(P) security cooperation programs of Humanitarian Mine Actions, Humanitarian Assistance, and Wales Initiatives. DSCA also has administrative management responsibilities for the DoD Regional Defense Combating Terrorism and Irregular Warfare Fellowship Program (CTIWFP), DoD-funded/authorized security cooperation programs implemented using the pseudo-LOA process and the five regional centers for security studies.

Defense Security Cooperation University (DSCU) is the DoD's center for training, education, and certification of the security cooperation workforce.

DSCU's mission is to do the following:

- Deliver a competency-based curriculum to train, educate, and develop the security cooperation workforce in support of the Security Cooperation Workforce Certification Program
- Offer educational and training opportunities to non-security cooperation workforce U.S. Government, U.S. industry stakeholders, and foreign government military and civilian personnel
- Leverage a virtual consortium of stakeholder education and training institutions and subject-matter experts to serve as a security cooperation enterprise-wide resource for developing and advancing security cooperation
- Partner with the Joint Staff, other Department of Defense, and U.S. Government organizations, and civilian academic institutions to advance security cooperation education and training

DSCU currently has two campuses: one campus in the National Capital Region (NCR) and a second, DSCU-West, at Wright Patterson Air Force Base, OH.

The Defense Institute of International Legal Studies (DIILS) provides expertise through resident courses and mobile education teams on over 250 legal topics with an emphasis on disciplined military operations. DIILS is located in Newport, RI.

The DoD Humanitarian Demining Training Center (HDTC) prepares U.S. forces to conduct humanitarian mine action missions in land mine-affected countries. The center directly supports U.S. engagement policy in humanitarian mine action through a “train-the-trainer” approach to land mine mitigation and indigenous capacity development. HDTC is located at Fort Lee, VA.

### **Defense Logistics Agency**

The Defense Logistics Agency (DLA) is a DoD agency within the USD(A&S) organization, headquartered at Ft. Belvoir, VA, under the control of the Assistant Secretary of Defense for Sustainment. The mission of DLA is to provide support to the military services, other DoD components, federal civil agencies, and foreign governments. Such support includes providing assigned materiel commodities and items of supply, logistics services, and other support services. To accomplish this mission, DLA has the following organizations:

- The DLA logistics operation directorate, which was established from the resources of materiel management directorate of Headquarters, DLA, located at Ft. Belvoir, VA. It assumed all of the former materiel management missions, functions, and organizations, to include the following organizations that support U.S. SC programs:
  - ◊ DLA Logistics Information Service, Battle Creek, MI, which operates the federal catalog system for the entire USG. It also provides cataloging services to NATO and other foreign countries
  - ◊ DLA Disposition Services, also located at Battle Creek, MI, which is responsible for the conduct of FMS sales of DoD and other USG agency-generated excess property
- The inventory control points (ICP), which include the various defense supply and support centers, provide supply management for items that are common among the U.S. services, and provide items to foreign purchasers based upon requests transmitted by the various U.S. services

DLA is also responsible for what is referred to as the military standard logistics systems. These include the following:

- The DLA Transaction Services (formerly the Defense Automatic Addressing System [DAAS])
- The *Military Assistance Program Address Directory* (MAPAD)
- The *Military Standard Requisitioning and Issue Procedures* (MILSTRIP)

### **Defense Contract Management Agency**

The Defense Contract Management Agency (DCMA) and its area offices administer, on behalf of defense and MILDEP acquisition offices, SC contracts at numerous contractor facilities throughout the world. It can also provide quality assurance for DCS, if such service is requested and purchase by the foreign government from the Defense Contract Management District-International (DCMDI). Other services include pre-award surveys, price reviews, and production surveillance. DCMA is located within the USD(A&S) organization.

### **Defense Contract Audit Agency**

The Defense Contract Audit Agency (DCAA) is a separate agency under the control of the [USD(C)] to audit DoD contracts. Through its field audit offices, it provides audit services for many SC-related contracts.

### **Defense Language Institute English Language Center**

The Defense Language Institute English Language Center (DLIELC), located at Lackland Air Force Base, TX, operates under the command and control of the Air Force's Air Education and Training Command (AETC). The Center is tasked by the Army, Navy, and Air Force, under provisions of a joint regulation. It is responsible for the conduct, supervision, and technical control of English language training programs for non-English speaking foreign and U.S. service personnel.

### **National Geospatial-Intelligence Agency**

The National Geospatial-Intelligence Agency (NGA), headquartered in Springfield, VA, offers support on matters of mapping and charting to foreign countries under the U.S. SC program.

### **Other DoD Agencies**

The following additional DoD agencies are authorized to receive letters of request and prepare USG offers to sell defense articles or services.

- Defense Information Systems Agency (DISA), Fort Meade, MD
- Defense Threat Reduction Agency (DTRA), Fort Belvoir, VA
- Missile Defense Agency (MDA), Redstone Arsenal, AL
- National Security Agency (NSA), Fort Meade, MD

### **Military Departments**

The Secretaries of the MILDEPs serve as advisers to the Secretary of Defense on all SA and SC matters impacting, or related to, their departments and shall act for the Secretary of Defense where responsibility for actions is delegated. In carrying out their responsibilities, the Secretaries to do the following:

- Provide the Secretary of Defense recommendations considered appropriate and necessary to ensure the successful conduct of SA, including its interface with and support of MILDEP policies, objectives, plans, and programs
- Provide data, upon request, pertaining to price, source, availability, and lead time for use in developing and reviewing SA programs, including FMS cases
- Provide to elements of the OSD, Joint Staff, GCC, and SCOs, as appropriate, technical information as to weapons systems, tactics and doctrine, training, and pertinent logistic support
- Conduct training and acquire and deliver defense articles and services included in approved programs
- Coordinate and establish delivery schedules and necessary internal procedures for follow-up, expediting, and related actions during the implementation of approved programs
- Provide such other technical assistance and facilities to elements of OSD as necessary to promote efficiency and economy in SA/SC matters
- Within policies and criteria established by the USD(P), and under direction of the Director,

DSCA, make sales of defense articles and services to eligible countries and international organizations

- Integrate acquisition for SA/SC with military service acquisition programs in accordance with policy guidance provided by the Director, Defense Research and Engineering (DDR&E)
- Maintain appropriate records and furnish prescribed reports within the scope of their responsibilities
- Obtain from the GCCs and SCOs such data as may be needed to carry out assigned responsibilities
- With respect to the area or areas assigned, provide administrative support needed to carry out SA/SC functions, subject to the direction and policy guidance of USD(P)
- In accordance with approved tables of distribution and other authorizations, directives, and requests, recommend and provide qualified military personnel to carry out SA/SC assignments
- Assist the USD(P) and the Director, DSCA, as requested, in government-to-government or interdepartmental discussion involving SA policies, plans, and programs
- Assist the USD(P) and the Director, DSCA, as requested, in government-to-government negotiations involving SA/SC and the Director for International Cooperation, or designee in government-to-government negotiations involving international armaments cooperation arrangements

### **Department of the Army**

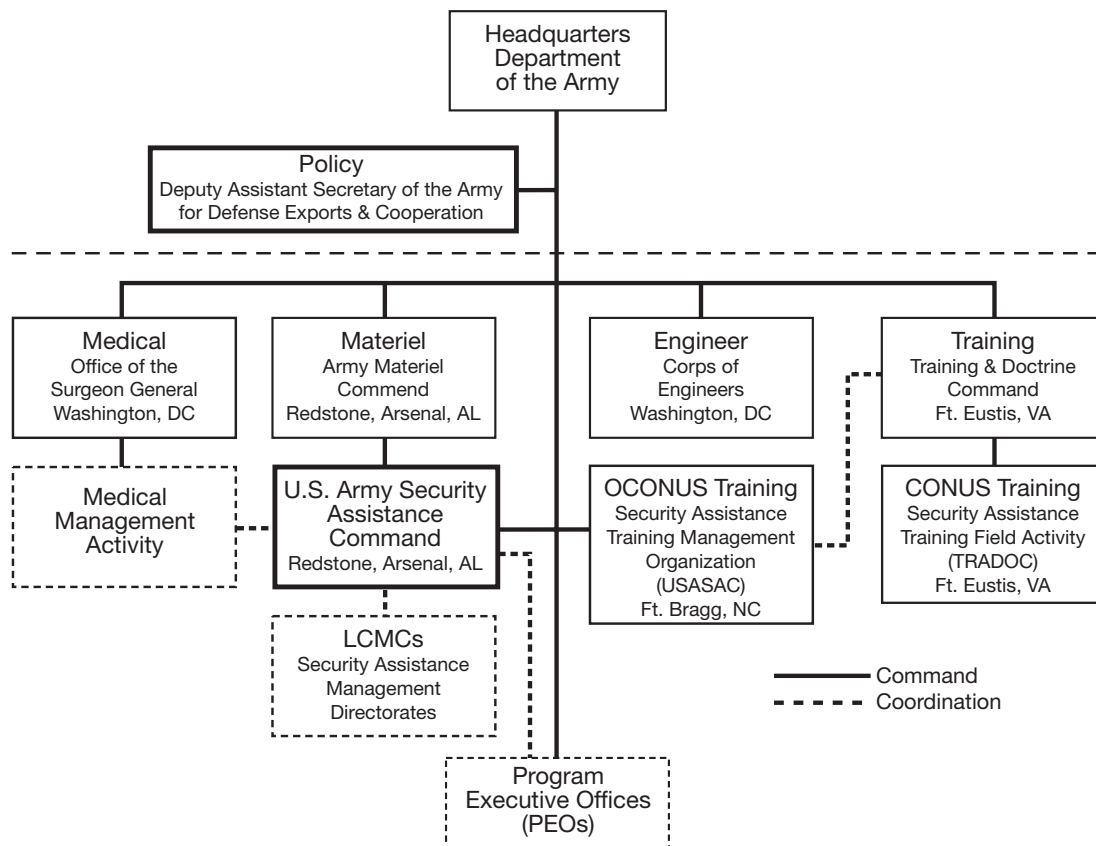
Subject to the authority, direction, and control of the Assistant Secretary of the Army ([Acquisition, Logistics and Technology] (ASA[ALT])), the Deputy Assistant Secretary of the Army ([Defense Exports & Cooperation] (DASA[DE&C])) leads, manages, resources, and directs policy and strategy for the conduct of select elements of the U.S. Army's global SC activities, including Foreign Military Sales (FMS); foreign military/national training and education; Armaments Cooperation; non-Special Access Program technology transfer; and export policy. The DASA(DE&C) ensures that all ASA(ALT)-managed SC programs are conducted according to law and policy and has direct tasking authority for execution of delegated SC responsibilities to the U.S. Army Security Assistance Command (USASAC), the U.S. Army Security Assistance Training Field Activity (SATFA), the U.S. Army Corps of Engineers (USACE), and the U.S. Army Medical Command (MEDCOM).

The commander, U.S. Army Material Command (AMC), is the Department of the Army Executive Agent for provision of defense articles and services, to include total life-cycle management of those SC and SA activities for which it is responsible. AMC delegates AMC SA Enterprise responsibilities to USASAC, which is separated into distinct operations. USASAC Headquarters—which houses the Commander, Command and Special Staff Support, and Regional Operations Directorates—is located in Redstone Arsenal, AL. The USASAC International Logistics Control Office operations are located in New Cumberland, PA. USASAC also possesses a Washington Field Office, which maintains liaison with partner nations and DoD organizations in the Washington, DC, area. Finally, overseas training team management and organization is the responsibility of USASAC's Security Assistance Training Management Organization (SATMO), located at Fort Bragg, NC.

The Commander, U.S. Army Training and Doctrine Command, is the Department of the Army Executive Agent for SC and SA institutional training with those functions delegated to SATFA. SATFA, located at Fort Eustis, VA, manages U.S. Army training solutions for international military students (IMS). SATFA manages FMS training cases, SA/SC grant program funds, course listings/prices, coordinates SC training/professional military education (PME) requirements in the Structure Manning Decision Review/Training Resource Arbitration Panel, and provides assistance to IMS Student Officers.

USACE, headquartered in Washington, DC, is responsible for Letter of Request (LOR) receipt, Letter of Offer and Acceptance (LOA) development/implementation, and execution of facility infrastructure design and construction for SA, BPC, and Foreign Assistance Act Section 607 programs using the FMS mechanism. USACE provides services using in-house USACE personnel and contracted services. USACE provides services that include, but are not limited to, planning, design, construction, design/construction management, and technical assistance in the areas of infrastructure, water resource management, environment and sustainability, programs/project management, geospatial/engineering, and sustainment.

**Figure 3-4**  
**Department of the Army Functional Organization for SA/SC**



The Commander, MEDCOM, exercises command and control of the U.S. Army's medical, dental, and veterinary treatment capabilities with SC and SA functions delegated to MEDCOM's major subordinate commands. U.S. Army Medical Materiel Agency (USAMMA), headquartered in Fort Detrick, MD, serves as the U.S. Army's Life-Cycle Management Command (LCMC) for strategic medical acquisition, project management and logistics programs. Under the technical control of USASAC, USAMMA manages medical foreign military sales from pricing availability through case closure. In addition, the U.S. Army Medical Research and Materiel Command in coordination with ASA(ALT), operates as the lead agency for cooperative medical research and development with international partners. Finally, the U.S. Army Medical Department Center and School is a leading provider of international military medical education and training services.



The Army is decentralized in the preparation and management of LOAs. LOAs involving AMC-provided materiel and services are managed over their life cycles by Country Program Managers at USASAC. The applicable LCMC Security Assistance Management Directorate is responsible for developing the LOA prior to being offered and implemented by USASAC. USAMMA manages medical LOAs after USASAC implementation. SATFA and USACE independently develop, implement, and manage LOAs for their respective capabilities.

### **Department of the Navy**

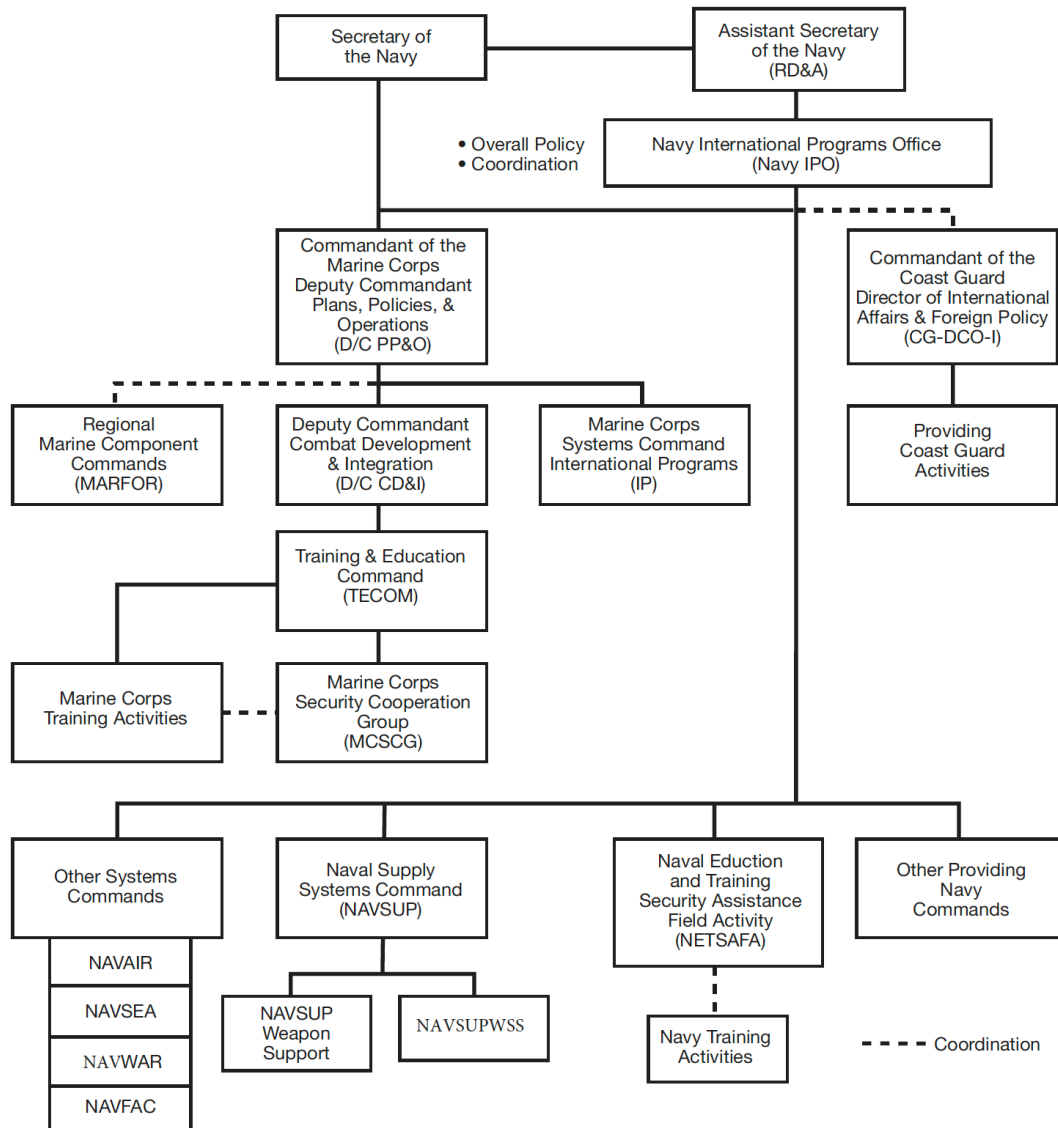
The principal Navy organization for handling SC matters is the U.S. Navy International Programs Office (Navy IPO), located in the Washington Navy Yard in Washington, DC. Under the direction of the Assistant Secretary of the Navy for Research, Development, and Acquisition (ASN-RD&A), Navy IPO formulates and implements Navy SA/SC policy and interfaces with other government agencies. Sales negotiations for all types of Navy service FMS requirements are carried out by Navy IPO (Figure 3-5).

Detailed management of the Department of the Navy SA/SC programs occurs at the systems commands and at the Naval Education and Training Security Assistance Field Activity (NETSAFA), which is located in Pensacola, FL. Within each system's command and in NETSAFA, an SA/SC coordination office oversees and monitors the command's SA/SC business. However, the program management office or training activity that manages the U.S. Navy acquisition or school will be tasked with the execution of the FMS requirement for its product. Follow-on support FMS cases are managed at Navy Supply Command Weapon Systems Support-N52 located both in Mechanicsburg, PA, and Philadelphia, PA.

Although the U.S. Marine Corps (USMC) is a separate service within the Department of the Navy, Navy IPO is the entry point for all requests for USMC SA/SC. The U.S. Marine Corps Systems Command (International Programs), located at Quantico, VA, executes all FMS for systems and logistics, international procurement matters, international armaments programs, and the facilitation of all exercises involving international forces operating with the USMC or utilizing USMC facilities. The U.S. Marine Corps Security Cooperation Group (MCSCG), located at the Joint Expeditionary Base, Little Creek-Fort Story, VA, coordinates, manages, and implements all SA/SC education and training for the USMC. Deployment of USMC training teams is through the appropriate regional USMC component command and USMC forces command.

Although a component of the DHS and not the DoD, the USCG participates in certain SC programs. The Headquarters, USCG, Director of International Affairs and Foreign Policy (CG-DCO-I), located in Washington, DC, coordinates USCG SA/SC policy and directs the performance of SC programs on behalf of the Commandant of the USCG. USCG operating units, training centers, and inventory control points may provide U.S. defense articles and services to foreign customers through the SA/SC program.

**Figure 3-5**  
**Department of the Navy Functional Organization for SA/SC**



### **Department of the Air Force**

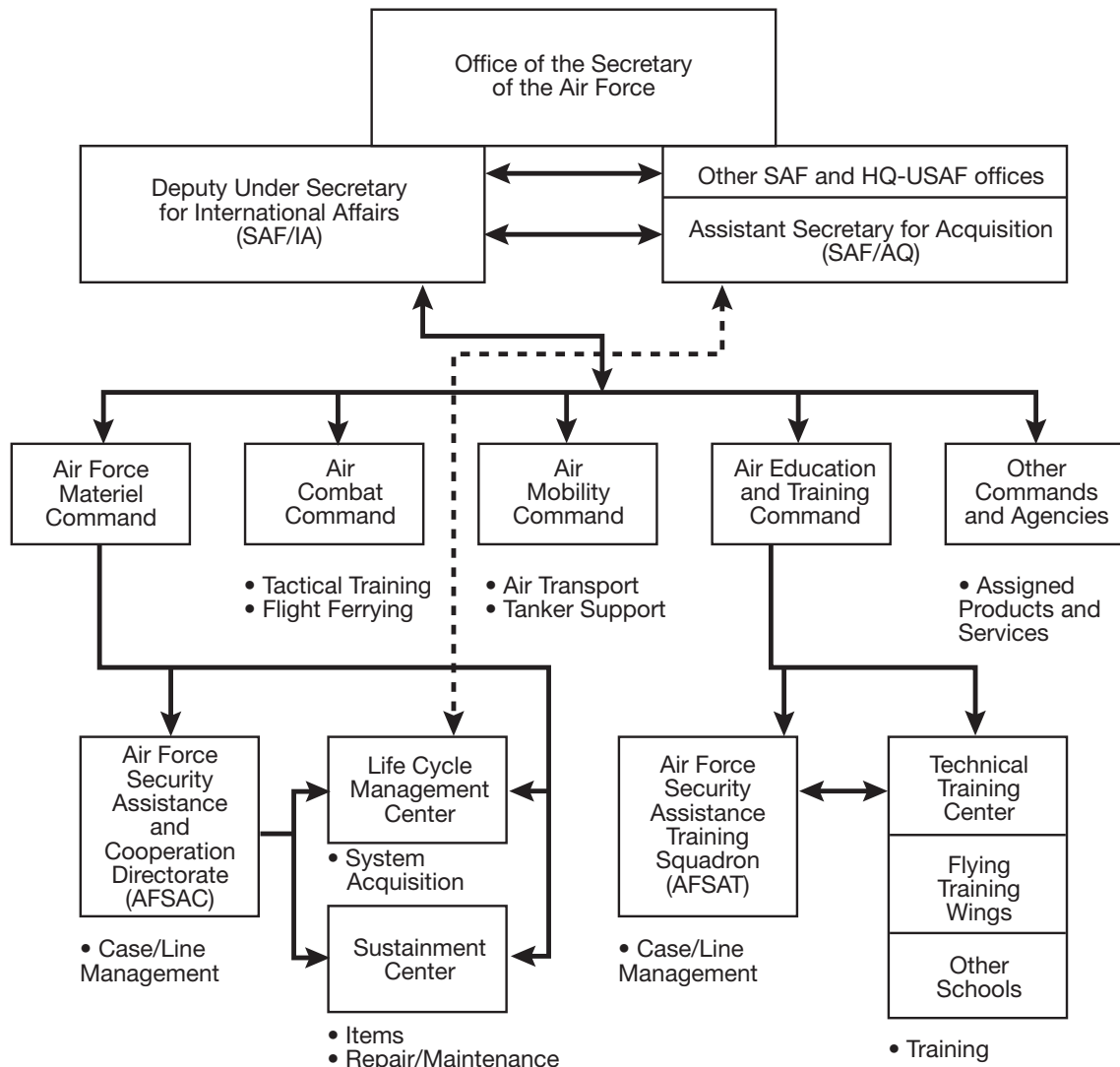
The office of the Secretary of the Air Force, Deputy Under Secretary for International Affairs (SAF/IA) develops, implements, and oversees SA/SC activities assigned to the U.S. Air Force by OSD. It is the office of primary responsibility for the central management, direction, guidance, and supervision of the Air Force portion of SA/SC programs for foreign nations and international activities. The Assistant Secretary of the Air Force for Acquisition (SAF/AQ), by virtue of having responsibility for Air Force acquisition, has a coordinating role in the development of LOAs for major acquisition cases and an oversight role in their execution. Both SAF/IA and SAF/AQ are located in Washington, DC.

For follow-on support that will be provided from Air Force Materiel Command (AFMC) assets, the Air Force Security Assistance and Cooperation (AFSAC) Directorate at Wright-Patterson Air Force Base, OH, prepares, processes, and oversees the performance of the applicable FMS cases. AFSAC has also assumed from SAF/IA the writing of system sales cases.

Air Force directs the management of its FMS business on a line-by-line basis. SAF/IA or AFSAC, as applicable, assigns line management responsibility to the major command having cognizance over the article or service being provided and a Security Assistance Program Manager (SAPM) to oversee the development and execution of major FMS system acquisition LOAs (see Figure 3-6).

Detailed management of USAF SA/SC training cases is conducted by the Air Force Security Assistance Training (AFSAT) Squadron, a component of the Air Education and Training Command (AETC). Both AFSAT and AETC are located at Randolph Air Force Base, TX.

**Figure 3-6**  
**Department of the Air Force Functional Organization for SA/SC**



## SUMMARY

The development and management of the U.S. SA/SC program requires the active participation and cooperation of all branches of the USG. Within the executive branch, there are several departments that have a particularly active role. By law, the Secretary of State is responsible for the continuous supervision and general direction of the SA program. Other departments and offices, e.g., the DoD, DoT, DoC, and OMB have a supportive role as well. The DoD has perhaps the largest supportive role from a level-of-effort standpoint.

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## Chapter

# 4

# SECURITY COOPERATION ORGANIZATIONS OVERSEAS

## INTRODUCTION

The Security Cooperation Organization (SCO) is only one of many organizations within the United States Government (USG) and the Department of Defense (DoD) that contribute to the security cooperation (SC) and security assistance (SA) mission. However, the role of the SCO is unique in that it acts as the primary interface with the host nation for most issues related to SC and DoD-administered SA.

As defined in DoD Directive 5132.03, SC should focus on three basic areas: creating access, building relationships, and creating or improving capabilities/capacities in the partner nation security forces. The complexities of negotiating, planning, authorizing, funding, executing, and assessing these mission areas keep most SCOs intensely engaged, both with USG elements and partner nations. The SCO needs access to host nation counterparts to ensure USG objectives can be met. Central to this access are the SCO's relationships with the host nation. In some cases, personal relationships are required before professional interactions are possible. Developing these crucial relationships takes time and patience—the security cooperation business is not an overnight enterprise. The SCO's fundamental task is to effect USG foreign policy and, in many cases, to build host nation capabilities and capacities to meet future USG and host nation challenges. This chapter outlines the roles, responsibilities, relationships, and work environment of the SCO.

## DEFINITION AND PURPOSE OF THE SECURITY COOPERATION ORGANIZATION

Joint Publication 1-02 defines the security cooperation organization as “all DoD elements located in a foreign country with assigned responsibilities for carrying out security assistance/cooperation management functions.” This definition establishes the term “security cooperation organization” as the generic title for all entities that meet this definition, including military assistance advisory groups; certain military liaison offices; offices of defense, military, or security cooperation; SC/SA liaison groups; and even Defense Attaché Offices (DAOs) designated to perform security assistance/cooperation functions in the absence of a “regular” SCO. The SCO performs its security assistance/cooperation management functions under the Foreign Assistance Act (FAA), the Arms Export Control Act (AECA), and other authorities.

The principal DoD representative and senior official in most countries is the Senior Defense Official/Defense Attaché (SDO/DATT), per DoD Directive 5205.75. As such, the SDO/DATT serves concurrently as a diplomatically accredited defense attaché in charge of the DAO and the chief of the SCO. The SDO/DATT has many other roles and responsibilities, but this text will reference that person as the SCO's leader.

Throughout this textbook, the term “SCO” refers specifically to the organization, and not to assigned personnel or an office location. As explained previously, although this term serves as the generic title for all such organizations located in every CCMD, specific SCOs may carry other distinct titles assigned in accordance with bilateral agreements between the USG and the host nation, or in accordance with the directives of the geographic combatant commanders (GCCs) responsible for these

organizations as elements of their commands. Attachment 4-8 to this chapter contains a list of most of the current SCO designations.

## **SECURITY COOPERATION ORGANIZATION FUNCTIONS AND RESPONSIBILITIES**

The references for SCO functions and responsibilities originate from four primary sources: USG legislation, DoD policy/guidance, DSCA policy/guidance, and other administrative and logistical policies and directives developed by each executive service responsible for supporting the CCMD or the CCMD itself.

### **Legislative Guidance**

The U.S. Congress has maintained a keen interest in the activities of USG personnel assigned overseas to perform SA functions. As noted in Chapter 2 of this textbook, Section 515(a) of the FAA outlines the seven legislative SCO SA functions as follows:

1. Equipment and services case management (i.e., FMS/BPC field-level case management)
2. Training management
3. Program monitoring (i.e., end-use monitoring or EUM)
4. Evaluation and planning of the host government's military capabilities and requirements
5. Administrative support
6. Promoting rationalization, standardization, interoperability (RSI), and other defense cooperation measures
7. Liaison functions exclusive of advisory and training assistance

Congress is amenable to requests from DoS and DoD to modify annual and statutory authorizations and appropriations to meet SC needs. To that end, over 100 "programs" exist that could be used potentially to engage our partners. Each program has legislative restrictions (e.g., start and stop dates, availability/quantities/sources of funds, specificity of partners, etc.), which the SCO must consider before applying SC solutions to country problem sets.

### **Department of Defense Guidance**

In addition to legislative direction, DoD guidance is found in a variety of documents, many of which are listed as references at the end of this chapter. However, the four primary DoD documents used in managing and directing SC are as follows:

1. DoDD 5132.03, *DoD Policy and Responsibilities Relating to Security Cooperation*
2. DoDD 5205.75, *Department of Defense Operations at U.S. Embassies*
3. DoDI 5132.13, *Staffing of Security Cooperation Organizations (SCO) and the Selection and Training of Security Cooperation Personnel*
4. DoDI 5132.14, *Assessment, Monitoring, and Evaluation (AM&E) Policy for the Security Cooperation Enterprise*

### **Defense Security Cooperation Agency Guidance**

To implement the FAA and DoD guidance, DSCA publishes the electronic DSCA Manual 5105.38-M, *Security Assistance Management Manual (SAMM)*. It provides DoD-wide guidance to the Office of the Secretary of Defense (OSD), the military departments (MILDEPs), the Office of the Chairman of the



Joint Chiefs of Staff and the Joint Staff, the geographic combatant commands, the defense agencies, the DoD field activities, the SCOs, and all other entities within DoD engaged in the management or implementation of DoD SA/SC programs over which DSCA has responsibility. The SAMM, Chapter 2, lists the fundamental responsibilities of SCOs, with more detailed instructions concerning SCO operations in the subsequent 14 chapters.

### **Military Service Guidance**

Tri-service guidance related to internal SCO support is found in AR 1-75/SECNAVINST 4900.49/AFI 16 104, *Administrative and Logistical Support of Overseas Security Assistance Organizations*.

While the title of this regulation is dated, it provides current guidance regarding SCO personnel position development, assignments, budget and fiscal procedures, etc.

## **BUILDING KEY RELATIONSHIPS**

The SCO is responsible for the development and maintenance of professional working relationships with a large number of entities, all focused on advancing U.S. strategic objectives. These relationships involve the partner nation or nations for which the SCO is responsible; representatives of U.S. defense contractors and special DoD agencies; members of the U.S. embassy country teams associated with these partner countries; a variety of DoS elements; the CCMD J-5 country desk officer and other headquarters and component command staff; members of the DSCA integrated regional team; representatives of the DoD implementing agencies; and senior DoD officials and agencies, such as the Office of the Secretary of Defense, the Joint Staff, etc.

### **SCO Interaction and Relationships**

Many organizations and individuals need access to and cooperation with the SCO to further their own missions and agendas, occasionally giving rise to conflicts in priorities and competing interests. However, each President of the United States provides a letter of instruction to new ambassadors reflecting the priorities of Section 515 of the FAA and unambiguously stating that the ambassador has full authority over all executive branch elements (including the SCO) on his/her staff (refer to the notional example of such a letter at Attachment 4-1 of this chapter). Ambassadors carry protocol rank and general authority equivalent to that of the Combatant Commanders (CCDRs); therefore, SDO/DATTs and other SCO chiefs receive primary direction, simultaneously, from both their chiefs of mission and CCDRs.

### **Ambassador as Team Chief**

The U.S. ambassador, as the personal representative of the President, is the sole head of the country team or, in other words, the chief of mission. The ambassador uses the team as a tool for assembling information, ideas, and opinions from all USG officials in country and to execute country-related U.S. foreign policy objectives. The entire staff must work as a cohesive unit with a common sense of purpose and direction. The ambassador, or a replacement chief of mission in his/her absence, must manage and support all U.S. official interests and activities in the host country. The ambassador must consider and balance all proposed courses of action and decide what is best for American interests as a whole.

### **Chief of Mission (COM) Authority**

As the personal representative of both the President and the Secretary of State, the ambassador is the principal officer in the embassy overseeing all USG programs and interactions with and in the host nation. The ambassador derives authority and responsibilities from the Foreign Service Act of 1980 [P.L. 96-465], Section 207, which says, in part, the following:

- The ambassador (or other COM in the ambassador's absence) has full responsibility for

the direction, coordination, and supervision of all USG executive branch employees in country, except for employees under the command of a U.S. area military commander (i.e., normally the CCDR or subordinate military commanders).

- The ambassador must remain fully informed concerning all activities and operations of the USG within country and must ensure that all USG executive branch employees in country, except for employees under the command of a U.S. area military commander, comply fully with all applicable directives of the ambassador. In addition, Section 515(e) of the FAA states that members of the U.S. Armed Forces assigned to a foreign country for the conduct of SA (i.e., SCO personnel) shall serve under the direction and supervision of the ambassador or COM to that country. Because SA programs, by law, are under the supervision and direction of DoS, the SDO/DATT must seek guidance from the ambassador/COM for their implementation.

In addition, the COM is given particular authorities over the size, composition, or mandate of his/her full-time staff in accordance with National Security Decision Directive 38, published in June 1982. The President typically refers to all of these legal authorities and responsibilities in the letter of instruction to each ambassador.

As a final note, ambassadors may be political appointees of the President or career foreign service officers (FSOs). In either case, the ambassador's authority under the law and under supporting Presidential directives remains the same.

### **Deputy Chief of Mission**

The Deputy Chief of Mission (DCM) serves as the chief of staff of the embassy and manages the daily, internal operations of the embassy staff. In matters that cross agency lines within the country team, the DCM normally coordinates and facilitates decisions or recommendations to the ambassador. In the temporary absence of the ambassador, or during an interim period between ambassadors, the DCM automatically assumes the temporary title of "chargé d'affaires ad interim" and leads the U.S. mission until the current ambassador returns or a new ambassador arrives. In some situations, such as while awaiting Senate confirmation for a new ambassador, the DCM may be in charge for many months. While the ambassador normally focuses his/her attention outward towards the host nation, other diplomatic missions in the country, and higher echelons of the State Department and other senior USG officials or entities, the DCM's focus is primarily internal, ensuring that the country team is working smoothly in support of the ambassador's objectives. Unlike the ambassador, who may be a career FSO or political appointee, the DCM is always a career FSO.

### **Country Team**

The country team is the principal organizational instrument used by COMs to integrate interagency staff functions and achieve the cohesive, coordinated execution of U.S. foreign policy. In its broadest sense, the team includes all elements and all USG employees of the American mission in a foreign country. However, this term may also refer more narrowly to a subset of the mission and, more specifically, a select council of senior officers or heads of agencies and major sections in the mission, which meets regularly with the COM to provide advice, share information, and receive COM guidance and taskings. The country team has no legal standing, and its composition and functions are not specifically delineated in any formal document; instead, the COM determines the type of team that best suits the needs of the moment.

In practice, the makeup of the embassy country team varies widely, depending not only on the ambassador's management style but also on the country situation, the number and type of American programs carried out in the country, and the backgrounds of the senior officers of the different agencies attached to the diplomatic mission. In some posts, there may be no defined membership; team composition may vary according to the kind of problem being considered. However, at most posts,

the following positions are included on a more or less permanent basis: the Ambassador; the DCM; the chiefs of the political, economic, and management sections of the embassy; the SDO/DATT; the regional security officer; and the consul general. The country team may also include representatives from other embassy agencies as the ambassador desires.

The country team coordinates with and advises the COM on the full range of issues and events facing the U.S. mission at any given time. Informal consultation among country team members occurs frequently and continually on issues and problems as they arise. Weekly meetings of the team, chaired by the Ambassador, are the norm. The country team is also an executive body that, under the Ambassador's leadership, divides the tasks to be done, and supervises their accomplishment. It typically sees that jobs are assigned to those agency representatives that can best execute them, based on resources and expertise. Finally, the country team is the planning body that analyzes the situation in the partner country, formulates plans and strategies for executing U.S. foreign policy (e.g., through an "integrated country strategy" or ICS), and recommends policy to Washington, DC. Close teamwork is critical, especially when time-sensitive issues are at stake. Officials of all agencies must work together at all levels to speak with one voice and to accomplish the tasks at hand. The formal country team is thus an advisory body, a forum for consultation, and a means of promoting a coordinated effort.

Quite often, SCOs will be called to participate in "modified country team" meetings. These are generally held for visiting officials (e.g., congressional delegations visits). This is an opportunity for the SCO to succinctly enumerate some of the recent successes and ongoing projects in country, ranging from major foreign military sales in progress to recently completed humanitarian assistance projects.

### **Other U.S. Embassy Relationships**

SCOs also work directly with embassy section chiefs and their subordinate staffs. SCO personnel normally have contact with most of the embassy's staff. The most frequent and significant contacts occur with the following members:

#### ***Political Counselor and Political-Military Officer***

The political counselor leads the political section with primary responsibilities related to analyzing host country/regional political events, formulating U.S. political policy recommendations, and communicating U.S. political policy developments to foreign government officials. This section develops relationships with the country's senior government officials, political parties, international governmental organizations, and other entities and is often tasked with delivering "démarches," or official communiques from the USG to the host nation, which range in content from requests for host nation support on U.S. policy positions or USG actions to admonitions concerning the host country's positions or actions. Within the political section, one FSO will serve as the political-military (POL/MIL) officer; the SCO typically shares and coordinates a number of interests and issues with this officer concerning matters such as major host country weapons purchases; end-use monitoring of third-party transfers, use, and/or protection of U.S.-sourced defense articles and technologies; and general developments in the security forces of the partner country. In many countries, the POL/MIL officer or another member of the political section will engage the SCO in the joint development of annual reports or requests to DoS and Congress, including the trafficking in persons report, human rights report, requests for Foreign Military Financing (FMF) program funds or loans, and submissions for International Military Education and Training (IMET) program funds.

#### ***Economic Counselor***

The economic counselor leads the economic section in analyzing host country/regional economic and commercial developments, including changes in country exports and imports, tax policies, customs procedures, etc. The economic section also promotes U.S. economic, commercial, and financial interests and develops relationships with important economic figures and organizations, including foreign banks

and financial markets, U.S. industry, the local business community, host government agencies that monitor, manage, or promote economic development, and union leaders. The reporting and analysis of this section can provide valuable information to the SCO on the host country's economy, current and projected government budgets, and technological and industrial capabilities relevant to supporting arms purchases. In addition, the SCO will share interests with the economic section in promoting the purchase of U.S. defense products and services. In smaller embassies, the political and economics sections may be combined into a single POL/ECON unit, while, in other embassies, the economic section may take on the duties of a commercial section or commercial officer (the Department of Commerce representative on a country team) if this section/position does not exist or is vacant.

### ***Consul General***

The consul general is in charge of the consular section, which, among many tasks, deals with American citizen services, such as assisting and visiting U.S. citizens that have been arrested, replacing lost passports, furnishing notary public services, shipping deceased U.S. citizens home, and disseminating information to Americans living or working in the country regarding social security benefits, Selective Service registration information, and U.S. income tax filing requirements. This section also issues U.S. visas to foreign nation citizens, and this is where the SCO works most closely with the consular section in order to obtain U.S. visas for international military students (IMS) and other defense officials who wish to enter the United States for training or other purposes [Note: In larger countries, DoS maintains stand-alone consulates in cities other than the national capital, which typically also contain consular sections as well as commercial offices].

### ***Management Officer***

The embassy management officer oversees a wide variety of functions dealing with internal administrative, financial, and logistical support issues of the embassy. Management officers supervise community liaison and personnel in-processing; embassy morale, welfare, and recreation; embassy office and residential facilities management; budgeting, cash disbursement, and financial allocations; information management; warehouse and supply services; human resources; official vehicle use and maintenance; and medical services. SCO personnel have day-to-day contact with the management office regarding check-cashing privileges; personal property shipments; postal services; medical examinations and referrals; housing placements and maintenance; office repairs and furnishings; host nation vehicle licensing and insurance; software and hardware upgrades; dependent schooling options; and locally employed staff (LE staff) personnel actions.

### ***Public Diplomacy Officer***

The Public Diplomacy Officer (PDO), previously referred to as the public affairs officer (PAO), works to promote a positive image of the United States with the host nation and publicizes U.S. programs that affect the country. This public relations specialist runs cultural exchange programs, regularly interfaces with the local and international media, conducts public opinion surveys, and usually operates an "American center," which makes U.S. films, books, magazines, and English language training materials available to the local community. The public diplomacy officer can provide the SCO with valuable background data and information on the political and social sensitivities of the host nation government and its citizens, which can facilitate SCO relationships with host nation counterparts. Additionally, through the embassy's website, press releases, and other channels or products, the PDO can highlight SC program successes and help to create a positive image of the U.S. military. Information obtained in PDO surveys can also positively guide the development of DoD humanitarian assistance projects, and certain PDO programs may even provide additional resources for these projects. In addition, the public diplomacy office can assist SCO members in developing talking points for or providing appropriate protocol guidance concerning any speeches or public events that involve the COM. SCO members should consult the PDO in the process of developing talking points for visiting DoD dignitaries.



### ***Regional Security Officer***

The Regional Security Officer (RSO) has overall responsibility for cyber, information, facilities, personnel, and general security for all resources under COM authority. The regional security office, despite its title, normally works with a single country, the host nation where it is located, and runs various programs designed to promote safety and mitigate security risks. For example, the RSO provides personal body guards and drivers for the COM and distinguished visitors, inspects and creates alarm systems, barriers, and other physical security measures for the embassy compound and residences, and disseminates threat information and updates. The RSO also publishes the embassy's emergency action plan (EAP). The EAP is a post-specific, comprehensive plan that provides procedures for responding to any foreseeable contingency. The RSO also supervises the Marine Security Guard (MSG) detachment, where assigned. The RSO is the focal point for the SCO in all matters pertaining to force protection, to include DoS country clearances, security arrangements, and embassy access for DoD and other visitors. Additionally, all newly assigned embassy personnel and visiting USG personnel will be required to visit the RSO for mandatory, introductory security orientations.

### ***Director of the U.S. Agency for International Development (USAID) Office***

The USAID office, where assigned, administers DoS humanitarian assistance, development, and disaster relief programs. In fact, USAID, via the Office of Foreign Disaster Assistance (OFDA), has the lead responsibility in the USG for foreign disaster relief operations, and the Director, USAID, is the senior point of contact and advisor for these operations within the country team. SCO personnel must coordinate any DoD proposals for humanitarian assistance projects with the local USAID office prior to approval. If DoD support for a particular disaster response effort regarding a particular country is approved by the Secretary of Defense, then the SCO will play a supporting role to USAID.

### ***Senior Defense Official/Defense Attaché (SDO/DATT)***

The SDO/DATT represents all of DoD on the country team, including the CCMD, DSCA, and the Defense Intelligence Agency (DIA). In accordance with DoDD 5205.75, the SDO/DATT is the COM's principal advisor on defense issues and the senior diplomatically accredited DoD military officer assigned to a U.S. diplomatic mission. SDO/DATTs normally receive extensive training prior to their assignments from DIA, DSCA, and other USG agencies, and each SDO/DATT, upon completion of training, receives a formal appointment letter from the SECDEF. The SECDEF and the Chairman of the Joint Chiefs of Staff also provide letters of introduction, identifying the new SDO/DATT by name to the country or countries to which he/she is accredited. Generic copies of these letters are shown as Attachments 4-4 through 4-7. Though the SDO/DATT represents DoD leadership in Washington, DC, and direct communication with National Capital Region (NCR) entities happens, the SDO/DATT must remain cognizant of her responsibilities to the CCMD and ensure CCMD leaders remain aware of developments.

All DoD elements under COM authority are under the coordinating authority of the SDO/DATT, except for the Marine security guard detachment. Coordinating authority is the power to compel different DoD agencies and activities to keep the SDO/DATT informed on their activities and to consult and coordinate with one another in order to ensure the cohesive planning and execution of DoD operations. All DoD units and personnel in a foreign country who are not specifically under the command of a U.S. area military commander automatically come under COM authority while operating in a given country. Moreover, the SDO/DATT may be given special, temporary, emergency authority to act directly on behalf of the GCC during certain crises in a foreign country, especially those requiring evacuation or other force protection measures. SDO/DATTs also exercise direct and full supervisory authority over the DAO and SCO, directing the operations of these organizations, rating and counseling personnel, etc.

Since the SCO works for the SDO/DATT, it is critical that good communication and routine cooperation exist between the DAO and the SCO. The unique role and authority of the SDO/DATT, in charge of both organizations, should ensure that DoD's interests and objectives are smoothly integrated under the COM and effectively and efficiently coordinated with the host nation. With the introduction of new and extensive DoD level Assessment, Monitoring, and Evaluation (AM&E) requirements, the imperative for such integration is even more critical.

### **CCMD Relationships**

The relationship between the SCO and the CCMD can generally be categorized as operational and administrative. Operationally, the SCO executes the CCMD's campaign plan and assists the CCMD in the development of sub-components of this plan, including the country security cooperation section (CSCS). Administratively, the CCMD is required to perform these functions, among others, to support the SCO:

- Rate/endorse SCO personnel on their evaluation reports. For the SDO/DATT, U.S. ambassadors may provide letter input, and their evaluation reports are completed by DIA and the CCMD
- Control and coordinate the SCO joint manpower program requirements (details in Chapter 17, "Resource Management for the Security Cooperation Organization")
- Coordinate the administration of SCO financial and personnel records
- Administer SCO direct hire programs
- Fund and administer quality of life programs for the SCO
- Serve as the focal point for reviewing and consolidating SCO operational budgets and forwarding these to DSCA

The CCMD and the ambassador should strive to ensure that the SDO/DATT does not receive conflicting guidance, instructions, or priorities. If this occurs, the SDO/DATT must seek clarification or resolution. While the SDO/DATT occasionally is in the difficult position of responding to two masters, he/she is also uniquely able to understand both the GCC and the ambassador, balancing their respective priorities and leveraging their collective resources. In particular, the SDO/DATT must be alert to take advantage of the wide range of support and expertise available from the CCMD, despite the distances separating the two activities. It is imperative for the SDO/DATT to maintain routine and timely communications with the CCMD on behalf of both the COM and the host nation.

### **DoD Headquarters SC Relationships**

#### ***Under Secretary of Defense for Policy [USD(P)]***

The USD(P) serves as the principal staff assistant and advisor to the Secretary of Defense on all SC matters across the Department. In that capacity, USD(P) disseminates DoD-wide strategies, policies, and guidance, and serves as the Department's representative to the Secretary, the interagency, the media, and Congress to ensure the Department's SC priorities are met. The USD(P)'s responsibilities include (but are not limited to) representing the DoD in all interagency, congressional, and media queries on SC matters; disseminating the Secretary's strategies, policies, and guidance on all SC programs and activities across the Department; ensuring that the DoD Comptroller's release of funds to implement approved programs occurs once Congress/Secretary approves; reviewing regional and functional campaign plans and assessments to ensure continuity with department and U.S. national interests; overseeing and advising DoD components on the development of campaign plans, campaign support plans, and resource allocation priorities; and providing annual reports and assessments to Congress as required by law. In addition to the above, the USD(P) will also direct and manage a



centralized evaluation “E” program to meet the requirements of the SC AM&E instruction. See DoDI 5132.14, *Assessment, Monitoring, and Evaluation Policy for the Security Cooperation Enterprise*, issued on January 13, 2017, for detailed guidance.

### ***Defense Security Cooperation Agency (DSCA)***

The DSCA Director works directly for the USD(P). DSCA directs, administers, and provides guidance to the DoD components and DoD representatives to U.S. missions for the execution of DoD SC programs for which DSCA has responsibility. DSCA responsibilities include ensuring Secretary of Defense and USD(P) policy interests in SC matters are represented; identifying requirements, criteria, and procedures for the selection and training of personnel engaged in SC activities; communicating directly with the heads of the DoD components regarding SC matters over which DSCA has responsibility; leading periodic program management reviews (PMRs) for certain SC activities; and collecting information for the USD(P) on the status of SC programs for reporting purposes.

### **Host Country Relationships**

For the SCO, this is the *raison d’être*. Building, maintaining, and improving relationships require careful planning, coordination, diplomacy and flexibility, and demand constant contact between the SCO and key elements of host country defense, and security establishments. SCO personnel must be diligent about getting out of the office, meeting the chiefs of the military and security forces, trying to understand their perspectives on their capabilities and gaps, informing them about our FMS process, and educating them on potential program solutions. If the USG has made a considerable commitment to a partner nation, shares mutual defense/security interests, and remains on appropriate diplomatic terms, it is likely that the SCO’s relationship, accessibility, and credibility with the host nation’s military establishment will be good.

A good working relationship involves sharing interests and ideas. The SDO/DATT should recognize that there is a common foundation upon which to build rapport with host nation military counterparts, namely the universal brotherhood of arms. The problems of military doctrine, force structure, training, equipping, and logistical support are common to the armed forces of all nations. Successful SCO personnel will take a sincere personal interest in the host nation’s culture, history, customs, and religion, and, likewise, will cultivate both personal and professional relationships with local counterparts, which often form the basis of life-long contacts and friendships. Most importantly, however, the SCO must retain its integrity and identity as an official arm of the USG. Its close relationship with host nation counterparts must not cloud the professional judgements or recommendations of its members or compromise official U.S. policy.

## **SCO SECURITY ASSISTANCE DUTIES**

The seven legislated functions in the FAA should drive most of SCO operations. These seven functions are outlined, as previously stated, in Section 515(a) of the Foreign Assistance Act and are described in the following paragraphs.

### **Equipment and Services Case Management**

The SCO serves as the intermediary between the FMS, FMF, and BPC case manager and the host nation to ensure that each case is both prepared and executed in accordance with USG objectives and host nation desires. The SCO may assist the host nation military with obtaining information on defense articles and services from DoD organizations, public sources, and U.S. vendors. The SCO may assist the host nation in documenting its requirements and articulating its requests in terms that DoD organizations understand. The SCO ensures that FMS cases follow the Total Package Approach (TPA) concept as appropriate. Chapter 5 of this textbook, “Foreign Military Sales Process,” presents a detailed discussion on the FMS process and TPA. Also, there are specific program management and oversight responsibilities of the SCO described in Chapter 2 of the SAMM.

One of the primary tools for SCO FMS case management is the Security Cooperation Information Portal (SCIP). This password-protected and common access card-enabled website allows both U.S. and host nation personnel to review and input data on FMS cases. SCIP procedures require the SCO to identify and maintain contact with the primary and alternate host nation administrators for SCIP tokens. DSCA Policy Memorandum 03-11, “Enrollment Process for the Security Cooperation Information Portal,” and DSCA Policy Memorandum 14-11, “Security Cooperation Information Portal (SCIP) Electronic Token Distribution and Replacement Policy” contain this information and other guidance for the SCO concerning SCIP access by the host nation. The DSCA website provides access to these two reference documents. Appendix 1, “Security Cooperation Automation,” of this textbook, provides more information.

Additionally, as described in Chapter 15 of the SAMM, building partner capacity (BPC) cases require an even more active role on the part of the SCO. In BPC cases, the SCO works with the CCMD to develop initial case justifications and requests, receives and inventories deliveries, resolves supply discrepancies, etc. In short, BPC cases demand not only close coordination with the host nation but also with a number of stakeholders in the USG. SCOs must proactively manage this additional workload and complexity in order to integrate BPC cases into the other programs and activities the SCO employs to build strong relations with the host nation.

### **Training Management**

The SCO coordinates and facilitates all military training conducted or contracted by DoD for the host nation. The SCO advises and assists the host nation in identifying, forecasting, and programming training requirements of all kinds (e.g., professional military education, tactical training, technical skill training, etc.). The SCO helps ensure the host nation chooses and presents properly qualified and vetted candidates for training. The process includes SCO-administered English language testing for the prospective students of most countries as well as verifying accurate completion of certain record screening, physicals, and other testing. The SCO is responsible for the management of training purchased under the FMS program, USG-appropriated IMET funding, the DoD-funded Combating Terrorism and Irregular Warfare Fellowship Program (CTIWFP), and via other sources. This can include training conducted both outside the partner country, in the United States, or elsewhere and training performed by U.S.-sourced teams sent to the country. In addition, the SCO encourages the development of appropriate training elements in FMS defined order case purchases, BPC cases, and other SC programs where training may be an essential element of a TPA. This function requires detailed planning, monitoring, and managing utilizing specialized automation tools, in particular the Security Cooperation Training Management System (SC-TMS). A more extensive discussion of international training management and the roles of the SCO are found in Chapter 10 of the SAMM and in Chapter 14 of this textbook.

### **Program Monitoring**

The SCO assists the host country in its integration of U.S.-origin equipment, training, and services into its force structure; monitors the use and protection of them; and advises the host nation on potential third party transfers to include demilitarization and disposal. These duties relate to the function of program monitoring.

SCO involvement in the integration of U.S. transfers into a foreign nation’s force structure can help ensure that the receiving nation makes informed decisions on achieving full-spectrum capability. A piece of equipment does not necessarily provide a country with a capability or capacity. If the country does not have a budget system to provide funds to acquire spare parts or the logistics system to maintain that piece of equipment, it will soon fall into disrepair. If it does not have a system to provide and replace the trained human resources necessary to operate, transport, and maintain the articles and technologies transferred—or, if it does not have the doctrine, military strategy, or intelligence systems necessary to properly deploy the equipment or technologies, then they may be useless. The SCO must

also evaluate the political will of the country to employ the system, especially if it is financed by the USG.

Program monitoring also demands that U.S. articles or technologies that are sold, granted, loaned, or leased to foreign countries be regularly accounted for, safeguarded, and used only for the purposes intended at the time of the transfer. In addition, it is ensuring that, when articles or technologies are no longer required by the original recipient and permanently transferred, or temporarily transferred to other entities, or disposed of, that these actions are approved by the USG in advance. All of these responsibilities relate to end-use monitoring and third-party transfer, which will be explained further in Chapter 18.

### **Evaluation and Planning of the Host Government's Military Capabilities and Requirements**

The SCO evaluates partner nation requirements and conducts planning to provide U.S. resources and other engagements necessary for the improvement or expansion of partner capabilities IAW U.S. interests. This assessment and preparation are critical in ensuring that U.S. planning, approval, budgeting, production, and transportation processes can be sequenced and coordinated to deliver proposed investments in these capabilities. The SCO plays a key role in this by developing or assisting in the development of products such as FMS forecasts, combined education and training program plans (CETPPs), the CCMD's Country-specific Security Cooperation Section (CSCS), and by integrating these assessments and plans with the embassy's development of the Integrated Country Strategy (ICS) and mission resource request (MRR).

More detail on the planning requirements of the SCO can be found in the SAMM, paragraphs C2.1.3 and C2.3, and in Chapter 19 of this textbook.

### **Administrative Support**

Just like any other military organization, SCOs must manage internal administrative and logistical support issues. Most SCOs, however, are located far away from major DoD installations and the CCMD headquarters, and, therefore, must be more self-reliant in managing or even directly resolving these issues.

For example, SCOs conduct their own physical fitness training and evaluations, perform preventive maintenance and schedule other maintenance for their own vehicle fleets, manage multiple budgets, and, in some cases, negotiate leasing agreements and conduct minor supply procurement. Moreover, SCOs assist visiting DoD personnel and units with Chandler services, aircraft refueling, cargo deliveries, local transportation, and other needs.

These responsibilities become especially challenging in smaller SCOs with few personnel assigned. As members of the embassy staff, SCO personnel may also be called upon to perform duties in support of the embassy community. Examples of these duties include serving as a member of a housing board, LE staff awards committee, International Cooperative Administrative Support Services (ICASS) council, or an organizing committee for a community event.

In some places, SCO personnel are in the embassy housing pool. In other places, the SCOs find their own housing and receive an overseas housing allowance (OHA). The SCO may rely on the embassy for medical services, may use TRICARE, or may use a combination of the two. All of this depends upon which embassy the SCO is assigned to and the support relationship it has with the embassy. However, it is up to the SCO to make sure everyone working in the SCO understands these issues and where to turn for assistance.

### **Promoting Rationalization, Standardization, and Interoperability (RSI) and Other Defense Cooperation Measures**

RSI is an integral consideration in evaluation and planning. One of the biggest issues DoD has

faced in recent coalition operations is the lack of RSI; in fact, many of our coalition partners do not standardize basic logistical support systems among their own services. RSI is not limited, however, to the standardization of equipment, ammunition, fuel types, or interchangeable repair parts and subsystems. Rather, it pertains to the full spectrum of operations and logistics and concerns aspects of military doctrine, communications, medical evacuation, transportation, mapping, and other areas.

CJCSI 2700.01, *Rationalization, Standardization and Interoperability (RSI) Activities*, contains DoD's primary policy guidance on RSI. This instruction encourages DoD component participation in multinational organizations in order to enhance international interoperability with key partners, especially NATO and NATO member countries. It also recognizes that DoD's ultimate goal for RSI is not necessarily using the exact same systems or procedures but achieving as much compatibility between systems and procedures as is practical.

Joint Publication 3-16, *Multinational Operations*, which is referenced in CJCSI 2700.01, defines rationalization, standardization, and interoperability as follows:

- Rationalization: Any action that increases the effectiveness of multinational forces through more effective use of defense resources; achieved through consolidation, reassignment of national priorities to higher multinational needs, standardization, specialization, mutual support or improved interoperability, and cooperation.
- Standardization: Achieving the closest practical cooperation among multinational partners through the efficient use of resources and the reduction of operational, logistic, communications, technical, and procedural obstacles in multinational military operations.
- Interoperability: Achieving compatibility between international forces across material and nonmaterial capabilities through the use of similar technologies, doctrine, procedures, communication systems and equipment, and training.

Ultimately, if the host nation is obtaining defense articles, services, and training from the United States, RSI is occurring at some level, and this will make it easier for us to integrate our forces for joint and combined operations. An excellent example of rationalization is how some countries within an alliance are focusing their efforts on airlift while others are focusing on fighter capabilities to create, in turn, cost efficiencies by sharing resources, creating economies of scale, and establishing specialization among militaries.

### **Liaison Functions Exclusive of Advisory and Training Assistance**

SCO personnel have the responsibility to perform general DoD representational and liaison activities with the host nation defense and security establishments, attend host nation ceremonies, and observe host nation exercises. On occasion, the U.S. ambassador may also task SCO personnel to assist with embassy protocol functions and perform representational duties.

There are, however, caveats or restrictions on liaison and engagement. SCO personnel may provide limited advisory and training assistance to the host nation, but this assistance must be minimal and cannot interfere with other SCO responsibilities. When the host nation has more extensive needs for advisory and training services, the SCO can request, and would then manage, U.S.-sourced advisors or teams. Except in very limited circumstances approved by Congress, SCO personnel may not directly and substantially engage in extensive advisory and training activities. This function, and the limitations associated with it, is explained in greater detail in Section 515(a) of the FAA and in the SAMM, C2.1.7.4.2.

## **SCO SECURITY COOPERATION DUTIES**

In addition to the traditional SA functions described, the SCO also typically manages a variety

of SC programs, many of which are addressed in Chapter 1 of this textbook. These SC duties may involve any work associated with combined exercises, contact activities, DoD humanitarian assistance programs, and armaments cooperation. Our engagement with different countries requires different combinations of authorities, funding, and programs. Where possible, the SCO should integrate SC activities with traditional SA to advance the U.S. goals and objectives for the host nation. The SAMM, C2.1.7, and the DSCU *Security Cooperation Programs* handbook list and describe many of the SA and SC “tools” available, categorized by legal authority or program purpose.

### **Administrative Support to Non-SA Missions**

The SA-funded members of the SCO may provide standard administrative support for non-SA personnel assigned/attached/TDY to the SCO performing SC and DoD functions until such support detracts from their primary SA missions. The SDO/DATT determines when additional administrative support is required and should coordinate with the respective CCMD to request temporary augmentation or the addition of a non-SA funded billet IAW the NSDD-38 process. For some activities, the SDO/DATT may request that the executive agent for a planned or ongoing activity provide temporary augmentation.

### **Security Cooperation Education and Training (SCET) Teams**

SCO personnel have a mandate from Congress to act in a management, coordination, and liaison capacity for SC programs. They are generally not to provide training or technical assistance. These functions are defense services and should be specifically authorized and priced. Normally, the host nation funds their needs for training and technical assistance, and the default is to do so via the FMS process. When such functions take place in country, a SCET team will often conduct the training. These teams act as an extension of the SCO and, among other details, the SCO must coordinate in advance their presence, administrative support and force protection with the embassy country team.

According to Section 515(b) of the FAA, “advisory and training assistance” conducted by SCO personnel shall be kept to an absolute minimum: “It is the sense of Congress that advising and training assistance in countries to which military personnel (i.e., SCOs) are assigned under this section shall be provided primarily by other personnel.”

Military department training activities detail SCET teams for limited periods to perform specific tasks. Additionally, SCOs advisory assistance must not extend to combat operations. SCOs must refer any such requests to the COM and the CCMD.

A variety of SCET teams exist, and they travel to a country for training or other missions. SCET teams deploy on either a permanent or temporary basis. Some teams have an official existence of ten years or longer. A source of funding establishes and then maintains a team. Typically, this source of funding is an FMS case or the country’s current year IMET program. The term “team” is used loosely, as it can in fact consist of a single individual. The terminology sometimes varies according to the U.S. military service providing the team. The following is a listing of the common types of SCET teams:

- Extended Training Service Specialist (ETSS)
- Contract Field Services (CFS)
- Technical Assistance Field Team (TAFT)
- Mobile Education Team (MET)
- Mobile Training Team (MTT)
- Technical Assistance Team (TAT)
- Language Training Detachment (LTD)



- Weapon System Logistics Officer (WSLO)
- Quality Assurance Team (QAT)
- Site Survey Team (SST)
- Expeditionary Requirements Generation Team (ERGT)

### ***SCO Oversight and Support of Security Cooperation Education and Training (SCET) Teams***

Guidance on SCETs is specific. SAMM, C11.8.11, including Table C11.T17, addresses requirements related to SCO oversight and support. The SCO chief exercises operational and administrative control/oversight for these teams and also provides administrative and logistical support to in-country SCETs. Specific duties vary based on the duration of the SCET activity.

### **Support to U.S. Defense Industry**

The SCO, led by the SDO/DATT, is the principal point of contact in U.S. missions for most U.S. defense industry representatives attempting to market defense equipment or services. SCOs support the marketing efforts of U.S. companies while maintaining strict neutrality between U.S. competitors. The SCO facilitates the flow of U.S. systems information, subject to releasability and export licensing considerations, while avoiding advocacy of specific U.S. producers or suppliers, if the effort involves multiple and competing U.S. commercial entities. SCOs should be well informed about, and responsive to, U.S. defense industry interests in the host country. The SCO should draw on resident embassy experts (e.g., the commercial attaché or political/economic counselor) to inform industry representatives of the country's financial position, relevant International Monetary Fund (IMF) controls or restrictions on credit, and the organization and functions of the Ministry of Defense and other government branches involved in national defense. Further details on support to U.S. defense industry are covered in the SAMM, C2.1.8.

### ***Rules of Engagement with United States Industry***

While SA is principally a foreign policy tool for the USG, it also provides benefits to U.S. industry and the United States in general in the form of jobs, profits, maintenance of critical industries, reduction in trade deficits, tax revenue, etc. Nearly all FMS cases involve the procurement of goods and services, directly or indirectly, from U.S. industry. In support of these benefits, and in support of the standardization and interoperability of foreign defense and security forces with U.S. forces, it is generally to the advantage of the United States that other countries buy American products and services when they identify a military requirement. In this regard, the relationship between SCO personnel and representatives of U.S. industry, although unofficial, is important.

The current U.S. Conventional Arms Transfer policy expects SCO personnel, as appropriate, to actively involve themselves in promoting transfers that are of particular importance to the United States. Such support could include attendance at or support of international air and trade exhibitions when permitted by the Secretary of Defense and Congress; providing introductions or arranging meetings between U.S. contractors and host nation defense officials; advising defense contractors on appropriate cultural approaches for marketing products or on realistic estimates of procurement priorities and budgets; or offering unclassified, non-sensitive, and releasable copies of host country defense white papers, organizational charts, etc.

The SCO must, however, maintain strict neutrality in promoting different U.S. firms competing for the same potential sale and should not endorse one specific American product or vendor over another unless specifically directed by DSCA. Any assistance rendered to one vendor must be offered or made available to other U.S. competitors. On the other hand, in cases where it is clear that there is only one



U.S. source for a certain product or service, the SCO may endorse that American product to the host nation. While supporting U.S. industry, the SCO must also be an honest broker, considering both U.S. and host nation defense and policy interests. Should the SCO judge that the marketing and/or sale of a product is not consistent with U.S. interests, is inappropriate for the host nation's best interests, or could adversely impact U.S. credibility or bilateral relations, the SCO should relay these concerns to the COM, DSCA, and the CCMD. The SAMM, C2.1.8, is the primary source for policy guidance on the interface between SCOs and U.S. industry, and Attachment 4-3 to this chapter offers a checklist for SCO personnel for use in meetings with representatives of U.S. defense vendors.

If possible, the SCO should attend vendor meetings with the host nation in order to help facilitate any follow-up actions or requests for clarity or further information when vendor representatives are not present. Likewise, the SCO must not disclose information about a U.S. vendor that may provide an unfair advantage to an American or foreign competitor. If a SCO representative cannot attend particular meetings or be involved in other communications regarding a sale or potential sale, U.S. industry representatives should debrief the SCO on the results of these communications. In addition, all vendors should disclose license information to SCO personnel when requested to demonstrate their authorization by the Department of State to sell particular products or services to particular countries.

### ***Role of the Department of Commerce and the Commercial Attaché***

SCO interactions with the Department of Commerce (DoC) will focus on trade promotion and regulation enforcement. The two primary points of contact within DoC for security cooperation issues are the Advocacy Center/Foreign Commercial Service and the Bureau of Industry and Security.

#### ***Advocacy Center***

The Advocacy Center (AC), which is a unit of the Global Markets/Commercial Service (GM/CS) of the International Trade Administration of the DoC, provides executive branch support, both military and civilian, to U.S. exporters seeking foreign government contracts. These efforts can often support security cooperation objectives. Often, but not always, the points of contact overseas for the AC and other elements of DoC are commercial offices located within U.S. embassies. More than 75 U.S. embassies have a commercial office. In regard to proposed marketing to countries or areas where no commercial services office is present, interested parties can direct questions regarding trade promotion and USG advocacy to the AC at <http://export.gov/advocacy>.

Companies seeking to obtain USG advocacy support on foreign public procurement opportunities apply to the AC via an advocacy questionnaire. The AC then vets the company, product, and proposed sale through the U.S. embassy commercial office, economics section, and SCO. If the embassy supports the request, the AC then channels the advocacy request through other agencies within the DoC, DoS, and DoD to ensure that commercial offerings align with U.S. foreign policy goals. An advocacy request is approved only after all stakeholders agree to support the company and project. Approvals are formally granted through national interest determinations. Requests for advocacy from companies are approved on a case-by-case basis and for specific procurements. The AC supports both FMS and DCS sales as well as purely commercial product sales (which are not described here).

#### ***Bureau of Industry and Security***

The Bureau of Industry and Security (BIS) of the DoC is responsible for the enforcement of the Commerce Control List (CCL) and the licensing of included items, often described as “dual-use” items, which may have both regular, legitimate civilian, and military purposes. End-use monitoring and pre-license checks are managed by BIS, and SCOs may encounter them at post. These enforcement actions are considered a form of end-use monitoring, which Chapter 18 of this textbook describes in greater detail.

## MISCELLANEOUS SCO FUNCTIONS

In addition to the aforementioned duties, SCOs perform a wide variety of collateral functions, both operational and administrative in nature. The more common functions are described below.

### **Anti-Terrorism/Force Protection and Security Responsibilities**

The SDO/DATT has additional responsibilities for anti-terrorism and force protection (AT/FP), as stated in DoDD 5205.75, *Department of Defense Operations at U.S. Embassies*. Most U.S. missions have established a memorandum of agreement (MOA) on AT/FP responsibilities in conjunction with the CCMD that delineates whether the COM or the CCMD has AT/FP responsibility for DoD personnel and dependents in country. In any case, the SDO/DATT has overall responsibility for the security of all DoD personnel in a given host country and must work closely with the appropriate regional security office (RSO) and the CCMD concerning issues such as force protection measures, foreign clearance guide requirements, and Noncombatant Evacuation Operation (NEO) plans. The SDO/DATT and all SCO personnel are also individually responsible for safeguarding U.S. classified information located in foreign countries. Except for classified information authorized for release to a foreign government or international organization pursuant to DoD Directive 5230.11, and under the security control of that government or organization, the retention of U.S. classified material is authorized only if it is necessary to satisfy USG mission requirements. C2.1.9 of the SAMM addresses further details regarding SCO responsibilities related to security.

During a crisis, the COM is responsible for making all decisions with regards to the safety and well-being of American citizens in a given country. The COM makes these decisions by relying on the advice of the Emergency Action Committee (EAC). Select members of the embassy country team make up the EAC and the Deputy Chief of Mission (DCM) chairs the EAC. The EAC is responsible for devising courses of action to deal with any potential crisis that could occur in country or within the region. The EAC develops courses of action that are typically post-specific and then captures them in detail in the post's emergency action plan (EAP). DoS *Foreign Affairs Handbook*, Volume 12 (12 FAH-1) is the overarching doctrine that provides the framework for the EAP.

### **Dealing with the Press**

SCO members must also occasionally work with members of the local and international media, as well as providing information and support to the CCMD's public affairs office. When a SCO's work requires interaction with members of the press, such as for interviews or press releases, the SCO should consult with the embassy's public diplomacy office and, depending on the issue involved, coordinate with the CCMD's public affairs office. SCO preparation for approved media contacts should involve: 1) knowing the issues and the audience; (2) developing a message; and (3) practicing message delivery. Whenever possible, a member of the embassy's PDO should accompany SCO representatives to any interviews or public presentations and should review prepared talking points.

### **Managing Official Visitors**

In many countries the host nation ministry of foreign affairs delegates to the COM certain limited authorities to clear U.S. official visitors into the country. In turn, and generally for DoD entities only, the COM delegates similar authorities to the SDO/DATT, who retains overall responsibility for all DoD visitors in the host country and for clearances of U.S. military ships and aircraft traveling to or passing through the country's territory. For host nation visitors to the United States or U.S. facilities located in third-party countries overseas, responsibilities will be determined by the organization sponsoring the trip to the United States, or that organization in conjunction with the host country. More information concerning official visits can be found in Chapter 7.

## **The Foreign Clearance Guide (FCG) and Country Clearances**

The FCG is the authoritative reference for DoD-sponsored travel overseas. It applies to all DoD service members, civilian employees, and sponsored contractors. The clearance requirements and processes described in the FCG apply to clearing not only personnel, but also U.S. military aircraft and vessels. The authoritative version of the FCG is strictly the online version, which HQ USAF/A10P - the designated executive agent for the FCG - updates continually. It is located at <https://www.fcg.pentagon.mil/fcg.cfm>. All DoD travelers must check the FCG before travel and comply with all requirements for country, regional, and special area clearance prior to travel. Both DoD and DoS use automated, web-based systems to request and approve/disapprove country clearances. The DoD system is the Aircraft and Personnel Automated Clearance System (APACS), while the DoS system is the Electronic Country Clearance (eCC) system. The FCG will indicate if you must submit a country clearance request via this system in addition to or in lieu of an APACS request. Prospective travelers can find further APACS information at <https://apacs.milcloud.mil/apacs/> and additional information on eCC at <https://fam.state.gov/FAM/02FAH02/02FAH020110.html#H114>.

Normally, the DAO drafts the input/updates to the FCG entry for the host nation and processes country clearance requests, but these duties may also fall upon the SCO.

### **Vessel and Aircraft Visits**

SCOs frequently provide administrative and logistical support for both vessel and aircraft visits. In addition to clearance approvals, visits may require refueling, security, emergency maintenance, and crew services. Ship visits are significantly more complicated than aircraft visits, as they require more extensive chandler services, to include providing water, fresh foods, etc., and vessel crews are larger and typically spend more time in country. Moreover, ship visits may also involve organized morale and welfare activities, diplomatic representational events, and humanitarian assistance projects or other security cooperation both aboard and ashore. The SCO should expect the DAO's U.S. Navy attaché (ALUSNA) or U.S. Coast Guard attaché (COGATT) to take the lead in ship visits, but the size and complexity of these visits usually warrant assistance from the SCO.

### **Distinguished Visitor (DV) Support**

DV visits are important and a necessary part of the SCO's duties. DVs visit specific countries to further USG policy in relation to the partner nation and region. As with all matters in country, the COM is the approval authority for the visit and will determine which embassy agency will be responsible for the DV visit. Generally, the SDO/DATT will take the lead for all DoD visitors. The SDO/DATT will designate a control officer to be in charge of coordinating the many details required to conduct a successful DV visit. A non-exhaustive list of considerations linked to these visits includes the following: coordinating schedules between the DoD visitor's agency, the embassy, and the host nation; planning meetings, office calls, and social events; preparing for special protocol considerations (e.g., gift exchanges, local customs); exchanging biographic information on key party members/host nation officials; establishing uniform and other clothing requirements; arranging billeting, meals, local transportation, communications, security, interpreters/translators, and work space/facilities; preparing talking points and embassy "scene setters;" creating branch events and programs for separate party members (e.g., DV spouse program); coordinating media/press plans; and arranging for initial funding and post-event billing. Contingency planning for bad weather, vehicle malfunctions, lost baggage, medical emergencies, etc., can be critical, and SCO members (especially the control officer) should remain flexible.

## **Aircraft Operations**

Several SCOs around the world operate their own C-12 on behalf of DSCA, which is used as regional shuttles for the DoD; transporting cargo, moving personnel, assisting in search and rescue, and facilitating other missions. SCOs with such aircraft assigned will normally have maintenance personnel and military pilots augmenting the SCO. Such personnel will also carry out other SCO responsibilities when not directly supporting aircraft operations.

## **ADDITIONAL ISSUES AND CONCERNS**

### **Legal Status of SCO Members**

The provisions of one or more treaties, international agreements, or laws affect the legal status of SCO personnel while they are performing their official duties in foreign countries. In many cases, the immunities afforded by these agreements are specific to the country and to the status of the individual involved. This section discusses the various immunities that may be afforded to SCO personnel abroad.

A primary element of national sovereignty is the exercise of jurisdiction by a government over persons within its territory. The USG strives to obtain legally binding international agreements that provide protections and immunities for DoD personnel overseas to protect them against arbitrary, discriminatory, or politically motivated legal abuses. DoD personnel not diplomatically accredited or otherwise protected under an existing multinational convention or bilateral agreement are entirely subject to the host nation's laws and jurisdiction while in that country. Jurisdiction applies not only to criminal issues, but also to routine civil/administrative legal matters such as taxation, civil liabilities, etc. Fortunately, the Vienna Convention on Diplomatic Relations of 1961 provides both criminal and civil protections—to varying degrees—for SCO personnel; however, the level of protection varies according to the employment status, citizenship, and specific diplomatic accreditation of individual members.

SCO members considered “diplomatic agents” receive the most comprehensive protection. Normally, this level of protection extends only to the SDO/DATT and his/her dependents as the other SCO members are typically not fully accredited diplomats. Governments often refer to this status as “full diplomatic immunity,” and, under Article 31 of the Vienna Convention, personnel with this status receive diplomatic protection against criminal and civil penalties at all times while in the country that granted them accreditation. The host government may not search or detain personnel in such status and may not search or enter their homes, offices, and vehicles in accordance with Articles 29 and 30 of the Vienna Convention.

In addition, a diplomat is not obliged to give evidence as a witness in the courts of the receiving country. However, the sending government (or government that the diplomat represents), may waive this immunity. Alternately, the sending government may elect to prosecute the diplomat for certain offenses committed in the foreign state that are also unlawful in the sending state, once the diplomat returns to the sending state. In addition, those with full diplomatic status do not enjoy immunity from civil and administrative jurisdiction related to private business activities not associated with their position or conducted on behalf of the sending state.

The second recognized category of protection is “administrative and technical” (A&T) status. Persons in this category and their families receive full immunity against criminal prosecution but receive only partial protection against the receiving country's administrative and civil jurisdiction. In particular, civil protections only extend to acts performed in conjunction with official duties and not conduct or actions that occur while off duty. Most SCO personnel and their sponsored dependents fall into this category.

**Figure 4-1**  
**Protections under the Vienna Convention of 1961**

	<b>Jurisdiction</b>			
	<b>Criminal</b>		<b>Civil and Administrative</b>	
	Acts Performed within Duties	Acts Performed outside Duties	Acts Performed within Duties	Acts Performed outside Duties
<b>Diplomatic Agent</b>	Yes	Yes	Yes	Yes
<b>Administrative and Technical Staff</b>	Yes	Yes	Yes	No

Personnel having diplomatic rank will generally possess diplomatic passports. A&T staff will carry either diplomatic or official passports but still only have A&T status. The type of passport is not the critical issue; a registry on the host nation’s official diplomatic list, normally maintained by the Ministry of Foreign Affairs (MFA) in the receiving state, determines proof and accreditation level for diplomats. More practical verification of status comes in the form of personnel demonstrating possession of either a diplomatic identification card issued by the MFA—often known as a “carnet”—or possession of a diplomatic visa. The U.S. embassy’s human resources office normally obtains and tracks these credentials for all U.S. embassy personnel.

In addition to the Vienna Convention, the USG has also established more than one hundred multilateral and bilateral agreements, known as status of forces agreements (SOFAs), that address the presence and activities of U.S. forces (military and civilian) in a foreign country. While there are no formal requirements concerning the form, content, length, or title of a SOFA, a SOFA typically addresses, but is not limited to the following: criminal and civil jurisdiction; the wearing of uniforms; taxes, fees, and customs; the use of radio frequencies; the importation, use, and export of official and personal weapons; and motor vehicle registration and requirements for driver licensing. The USG has concluded SOFAs as short as a few pages (e.g., Botswana) and in excess of 200 pages (e.g., Germany). A SOFA may be written for a specific event or provide general, long-term coverage. The DoS negotiates these agreements in cooperation with the DoD.

It is important to remember that a single person can only fall into one of these three categories (diplomatic, A&T, or SOFA status) at any given time, and LE staff will normally fall under host nation laws.

Regardless of a DoD visitor’s rank or position, foreign countries do not consider visiting (TDY) DoD personnel part of the local U.S. embassy’s administrative and technical staff. As such, these visitors do not receive immunity under the Vienna Convention. However, a SOFA or similar agreement may provide a degree of protection and privileges. As part of the planning process for the arrival of DoD training teams, DVs, and other deployed personnel, SCOs should verify the jurisdictional status of those personnel and appropriately advise the travelers concerned. SCOs should consult the staff judge advocate (SJA) of the appropriate CCMD or the MFA of the country in unusual circumstances to make a formal determination on the status of visitors.



## Ethics and Standards of Conduct

Serving the USG and fundamental integrity requires SCO personnel to maintain the highest standards of ethics in both their professional and personal conduct. In all instances, SCO personnel must maintain strict standards of integrity and ethics, and avoid even the appearance of impropriety. USG employment is a matter of public trust and requires that DoD personnel place loyalty to country, ethical principles, and the law above private gain and other interests (Executive Order 12674, April 12, 1989, as amended).

Conflicts of interest related to financial corruption are of particular concern to the USG. As a result, Congress has created numerous laws that establish standards and guidelines as to what constitutes a breach of fiduciary duty by a federal official. Most of these laws have been codified under Title 18 of the United States Code, which governs “Crimes and Criminal Procedure.” 18 U.S.C., Chapter 11, § 201(b)(c) defines both bribery and graft and prescribes criminal penalties for each type of offense. Bribery is the corrupt giving or offering of anything of value to a public official with the intent to influence official acts, perpetrate fraud or create the opportunity for fraud, or promote official conduct contrary to public duty.

The reciprocal offense that corresponds to bribery is graft—the seeking by a public official of something of value in order to assure that his public acts will conform to those desired by the prospective donor. This is also specifically prohibited under the law, IAW 18 U.S.C., Chapter 11, 201(c).

In addition to establishing penalties for bribery and graft, Congress legislated 18 U.S.C. 207, which restricts the business activities of former USG employees. Section 207 provides that any former employee of the USG who, after his/her employment has ceased, acts for another in seeking a determination in regard to a claim or contract in connection with duties in which he/she personally and substantially participated while a USG official shall be vulnerable to a \$50,000 fine and up to five years confinement for willful violation. SCO personnel who anticipate leaving government service to seek employment with a U.S. defense vendor or to officially represent a foreign government must be aware of these constraints and others. DoDD 5500.7-R, *Joint Ethics Regulation* (JER), provides guidance on conflicts of interest, including post-government employment following government service.

Gifts and gratuities are also an important issue for SCO personnel because of their work in a diplomatic environment and their frequent contact with contractors. Certain countries and cultures, to include respective corporate cultures, use gifts for promotional purposes. These cultures expect the giving and accepting of gifts as a matter of routine, and the gifts may have substantial value. The JER, however, prohibits DoD personnel from accepting gratuities from those who have or seek business with the DoD (e.g., defense contractors and foreign purchasers), and places additional restrictions on certain categories of DoD employees, such as procurement officials (41 U.S.C. 2101 et seq).

For clarification and pertinent to the vast majority of SCO members, Section 821 of the FY 2017 National Defense Authorization Act does not consider those making “micro-purchases” (less than \$5,000 per purchase), to be procurement officials. Nonetheless, the JER prohibits all DoD employees, regardless of assignment from soliciting or accepting, with limited exceptions, any gift from a “prohibited source.” A prohibited source includes anyone seeking official action from, doing business with, or having substantial interests affected by an employee’s agency or an individual employee’s official duties. DoD 5500.7-R defines a gift as any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or any other item or service having monetary value. When DoD personnel or their families accept a gift, no matter how innocently tendered, it may prove to be a source of embarrassment to the DoD, may affect the objective judgment of the DoD personnel involved, or may simply impair public confidence in the integrity of the government.

However, Title 5, Code of Federal Regulations, Section 2635 (5 CFR 2635) provides several exceptions to the general prohibition of accepting gifts. For example, USG employees, subject to more



restrictive standards set by their agency, may accept unsolicited gifts having an aggregate value of no more than \$20 per occasion, subject to a \$50 limitation per donor per calendar year. This exception does not cover or include gifts of cash, stocks, bonds, or certificates of deposit. USG employees may not accept such gifts. This limitation applies to gifts from not only contractors, but also state-owned industries and other sources. More generally, SCO personnel may also accept a gift based on a personal relationship. However, the personal nature must be abundantly clear, such as a family relationship or prior existing personal friendship, and it must be clear that acceptance of the gift has no bearing on the official capacity of the employee.

Additionally, SCO members may accept the following, which regulations do not consider gifts: modest items of food and refreshments, such as soft drinks, coffee, and donuts, offered other than as part of a meal; greeting cards and items with little intrinsic value, such as plaques, certificates, and trophies; opportunities and benefits available to the general public or to a specific class of government employees (e.g., uniformed military members); or anything for which fair market value is paid by the employee. Regarding gifts from a foreign government—a reality for many SCO members—DoDD 1005.13, *Gifts and Decorations from Foreign Governments*, provides specific guidance.

### **Working in a SCO Environment**

The vast majority of SCOs are small offices with the task of administering a wide range of complex programs in remote locations while dealing with differences between service, agency, and country cultures. As such, SCO personnel must remain adaptable, creative, flexible, and congenial, and must be able to leverage and network the broader resources of supporting USG agencies, including those of the CCMD, DSCA, the embassy, the implementing agencies, etc., as well as those of the host country, other countries, and international organizations. Effective strategies to employ these resources include developing and maintaining a comprehensive point-of-contact list for both host nation personnel and relevant DoD, USG, and other organizations and foreign embassies; fully utilizing available automation systems (e.g., SCIP, SAN, and OHASIS); gaining familiarity with appropriate DoS, DoD, and CCMD publications; participating, as much as possible, in local professional associations, community activities, and official social events; and learning as much as possible about the host country's language, society, politics, economics, history, customs, and defense and security structures.

There is normally a direct correlation between the size of a SCO and the magnitude of a country's SC programs (including DoD-executed SA). Those countries with large programs, especially involving major FMS purchases, and those in which the U.S. has key strategic interests, generally have larger SCOs—although this is not universally true. In developing countries, where SA programs are small, SC programs often take on a more prominent role, requiring much greater SCO involvement in defense planning, case development, equipment deliveries, etc. In developed countries, on the other hand, the host nation may be largely self-sufficient in terms of its defense planning, procurements, and logistical support but have more complex programs related to international armaments cooperation, so the roles and responsibilities of the SCO may be different. In summary, the size of the SCO, the relationship with the host nation military, and the scope and volume of current programs, both in SA and SC, all combine to produce a unique working environment in each SCO.

## **SUMMARY**

This chapter presented the definition of the security cooperation organization, an explanation of SCO relationships and functions, and an overview of the considerations, challenges, and issues, which impact each SCO's environment. The SCO is the DoD's key field organization for coordinating and implementing security cooperation and DoD-executed security assistance programs. SCO personnel generally assume a level of responsibility and a strategic communications role seldom experienced in other DoD assignments.

## REFERENCES

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- DoD Foreign Clearance Guide (<https://www.fcg.pentagon.mil/fcg.cfm>)
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**Attachment 4-1**  
**Sample (Notional) Letter of Instruction from the President to Newly Appointed Ambassadors**



(Selected text placed in bold by DSCU)

**The Honorable (Name)**  
**American Ambassador to [country]**

**Dear Mr./Madam Ambassador:**

Thank you for your willingness to serve our country as my personal representative to [country].

Together we have a great task before us. We must renew America's security and standing in the world through a new era of American leadership. The United States will advance its interests through a core pragmatism rooted in America's enduring values. We must rebuild our traditional alliances and pursue new partnerships based on mutual interests and respect, so that together we can confront key common challenges of the 21st century, including weapons of mass destruction, terrorism, poverty, pandemic disease, dependence on fossil fuels and global climate change. America is strongest when we act alongside other nations and peoples. Our security also is enhanced through principled and sustained engagement with those who think differently. As my personal representative, you will be the front line of our efforts.

Our security and prosperity are inextricably linked with those of other countries and people around the world. To strengthen both our national and global economies, we must expand trade as well as financial and scientific cooperation, and we will advance mutual understanding through educational and cultural diplomacy. We must work in concert with others to prevent, resolve, and mitigate conflict, combat transnational threats, strengthen law enforcement cooperation, and promote democratic values and human rights.

I will need your support for our efforts to provide forward-thinking, sustained diplomacy in every part of the world. We will apply pressure where it may be needed, and look for opportunities to advance U.S. interests. As appropriate, you should reach out to other government agencies, nongovernmental organizations, the private sector, international organizations, and our military to leverage your own initiatives. I also urge you to pursue diplomacy and public outreach with 21st century tools and technology.

As Chief of the U.S. Mission, one of your most important jobs will be to take care of our diplomatic personnel and to ensure that they have the tools they need to support your efforts. The Mission should be seen as a welcoming and supportive place for American citizens and American businesses abroad. I have asked you to represent the United States in [country] because I am confident that you possess the skills, dedication, and experience necessary to meet the many challenges that we face in these extraordinary times.

This letter contains your detailed instructions as my personal representative and the U.S. Chief of Mission. These instructions have been shared with relevant departments and agencies, and I have directed that they give you their full cooperation. I expect you to carry out your mission to the best of your ability and in full conformance with the law and the highest ethical standards. I am counting on your advice and leadership as Chief of Mission to help protect America's interests and to promote America's values.

Attachment 4-1 (Continued)  
Sample (Notional) Letter of Instruction from the President to Newly Appointed Ambassadors

**As Chief of Mission, you have full responsibility for the direction, coordination, and supervision of all U.S. Executive Branch employees in [country], regardless of their employment categories or location, except those under command of a U.S. area military commander or on the staff of an international organization. With these exceptions, you are in charge of all Executive Branch activities and operations in your Mission.**

You will report to me through the Secretary of State. Under my direction, the Secretary of State is, to the fullest extent provided by the law, responsible for the overall coordination of all United States government activities and operations abroad. The only authorization channel for instruction to you is from the Secretary or me, unless the Secretary or I personally instruct you to use a different channel.

**All Executive Branch agencies under your authority, and every element of your Mission, must keep you fully informed at all times of their current and planned activities. You have the right to see all communications to or from Mission elements, however transmitted, except those specifically exempted by law or Executive decision.**

**You have full responsibility for the direction, coordination, and supervision of all Department of Defense personnel on official duty in [country] except those under the command of a U.S. area military commander. You and the area military commander must keep each other currently and fully informed and cooperate on all matters of mutual interest. Any differences that cannot be resolved in the field will be reported to the Secretary of State and the Secretary of Defense.**

I expect you to take direct and full responsibility for the security of your Mission and all the personnel for whom you are responsible, whether inside or outside the chancery gate. Unless an interagency agreement provides otherwise, the Secretary of State and you as Chief of Mission must provide for the security of all United States government personnel on official duty abroad other than those under the protection of a U.S. area military commander or on the staff of an international organization and their accompanying dependents. You and the U.S. area military commander should consult and coordinate responses to common threats.

I ask that you review programs, personnel, and funding levels regularly, and ensure that all agencies attached to your Mission do likewise. Rightsizing the United States government presence abroad is a continuing requirement. To better meet our foreign policy goals, I will be expanding the Foreign Service and strengthening civilian capacity to work alongside the military. At the same time, we need to eliminate unnecessary duplication in our foreign operations. Functions that can be performed effectively and efficiently by personnel based in the United States or at regional offices overseas should not be performed at post. We should make greater use of the expertise of host country citizens, and outsource functions when it is effective and efficient to do so. In your reviews, should you find staffing to be either excessive or inadequate to the performance of priority Mission goals and objectives, I urge you to initiate staffing changes in accordance with established procedures.

Every Executive Branch agency under your authority must obtain your approval before changing the size, composition, or mandate of its staff. If a Department head disagrees with you on staffing matters, that individual may appeal your decision to the Secretary of State. In the event the Secretary is unable to resolve the dispute, the Secretary and the respective Department head will present their differing views to me for decision.

**All United States government personnel other than those under the command of a U.S. area military commander or on the staff of an international organization must obtain country clearance before entering [country] on official business. You may refuse country clearance or may place conditions or restrictions on visiting personnel as you determine necessary.**

I expect you to discharge your responsibilities with professional excellence and in full conformance with the law and the highest standards of ethical conduct. You should ensure that there is equal opportunity at your Mission and no discrimination or harassment of any kind. Remember as you conduct your duties that you are representing not only me, but also the American people and America's values.

Sincerely,

**Attachment 4-2**  
**SCO-U.S. Industry Relations**



Office of the Secretary of Defense  
Washington, DC, 20301-1000

1 Jan 20XX

MEMORANDUM FOR

SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE  
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DEPARTMENT OF DEFENSE FIELD ACTIVITIES

**SUBJECT:** Department of Defense Policy for Relations with U.S. Industry in Sales of Defense Articles and Services to Foreign Governments

The Department of Defense (DoD) is committed to greater cooperation with U.S. industry to facilitate sales of U.S. defense articles and services when in support of U.S. national security and foreign policy objectives. DoD is prepared to assist and cooperate with U.S. Industry regardless of the type of sale, e.g., Direct Commercial Sale, Foreign Military Sale, or a combination of the two.

The purpose of this policy is to improve communication and teamwork between DoD and U.S. Industry in the Security Cooperation process. DoD and U.S. Industry participants must establish specific roles and responsibilities by developing DoD and U.S. Industry arrangements. In cases where only one U.S. contractor is involved, the military departments will be the DoD representatives for weapon systems under their cognizance. The Defense Security Cooperation Agency (DSCA) will be the DoD representative when more than one U.S. contractor is competing until down selection is complete. DoD representatives will not favor one U.S. contractor over another in competition process.

The level of cooperation and assistance will be determined on a case-by-case basis. While the mechanism(s) for a DoD/U.S. Industry cooperative effort of this nature are being developed as part of the Security Cooperation reinvention process, certain actions will be common to all situations. We expect industry to advise the DoD of cooperation and assistance it desires for a particular effort. Receipt of that information will prompt: (a) identifying DoD/U.S. Industry principal players, (b) establishing formal lines of communication, (c) defining roles, and (d) developing a joint approach. Conversely, DoD may request support from industry.

FOR THE SECRETARY OF DEFENSE:

//SIGNED//



**Attachment 4-3**  
**Checklist for Meeting Representatives of U.S. Defense Industry**

**(See SAMM C2.1.8 for detailed guidelines on interface with industry)**

1. Exchange business cards
2. Inquire about the articles and/or services which the vendor is marketing
3. Ask to see the vendor's export license, or inquire about the status of license approval. Ask what provisos (limitations) are associated with the license
4. Indicate that, in general, the USG has no preference as to whether a sale is made via FMS or DCS channels (SAMM C4.3.4). Inquire as to whether or not the vendor has a preference (some vendors have a preference for DCS on file with DSCA; see SAMM C4.3.6)
5. Ask the vendor about the marketing of similar articles or services to other countries in the region
6. As appropriate, provide an overview of host nation military situation:
  - a. Organization
  - b. Known requirements and priorities
  - c. U.S. and DoD relations with host nation
  - d. Host nation defense industry
7. As appropriate, review the host nation procurement strategy:
  - a. Key decision-makers within MOD and the services
  - b. Defense budget and expected availability of FMF, if any
  - c. MOD procurement system (preferences for FMS vs. DCS)
  - d. Host nation offset policy, if appropriate
  - e. Foreign competition
8. Ask if the vendor has an in-country purchasing agent
9. Ask if the vendor would like marketing assistance from the Department of Commerce through the embassy's commercial attaché or local Foreign Commercial Service (FCS) representative
10. Determine if the vendor wants assistance in appointments with host nation officials and/or other U.S. embassy offices
11. Request a back-brief from the vendor after meetings with host nation



**Attachment 4-4**  
**SDO/DATT Appointment Letter**



SECRETARY OF DEFENSE  
1000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1000

19 Feb 20XX

Colonel Robert X. Hanseman, USAF  
U.S. Defense Attaché Office Bandaria  
1000 Bandaria Place  
Washington, DC 20521-1111

Dear Colonel Hanseman:

You hereby are appointed SDO/DATT in the Republic of Bandaria. As SDO/DATT, you are the principal Department of Defense official at the American Embassy in Bandaria and my representative to the Ambassador and the government of Bandaria. You will represent the geographic combatant command, the Defense Intelligence Agency (DIA), and the Defense Security Cooperation Agency (DSCA) to the U.S. embassy country team and the host nation. Congratulations on your selection to serve in this key position.

I charge you with the overall direction and management of the Defense Attaché Office and the Office of Security Cooperation (SCO), and the coordination of U.S. defense issues and activities in Bandaria in accordance with DoD Directive 5205.75 and DoD Instruction C-5105.81. I expect you to provide strong and ethical leadership and to set the standard for personal excellence.

You will receive guidance and instructions from DIA on your duties as the Defense Attaché and from the geographic combatant command and DSCA on your duties as Chief, SCO. The Office of the Secretary of Defense will provide additional policy guidance as required. You will communicate regularly with your geographic combatant command, DIA, and DSCA to address the multi-faceted equities of each.

As you prepare for your mission, remember you are representing an important and integral part of the U.S. foreign policy process. I wish you great personal and professional success.

//SIGNED//  
Secretary of Defense

Enclosures:

1. Letter of Introduction to U.S. Ambassador
2. Letter of Introduction to Bandarian Minister of Defense
3. CJCS Letter of Introduction to Bandarian Chief of Defense

**Attachment 4-5**  
**Letter of Introduction to U.S. Ambassador**



SECRETARY OF DEFENSE  
1000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1000

19 Feb 20XX

Honorable Jane J. Reynolds  
American Embassy Bandaria  
Department of State  
1000 Bandaria Place  
Washington, DC 20521-1111

Dear Madam Ambassador:

This letter introduces Colonel Robert X. Hanseman, United States Air Force, whom I appointed as the Senior Defense Official (SDO)/Defense Attaché (DATT) to your Embassy. As the SDO/DATT, Colonel Hanseman is my representative to you and, subject to your authority as Chief of Mission, the diplomatic representative of the Defense Department to the government of Bandaria. I urge you to take full advantage of Colonel Hanseman's expertise and resources as your principal military advisor.

Colonel Hanseman is an exceptionally experienced and qualified officer, in whom I place my full trust and confidence. He commanded United States Air Force organizations in combat and in peace with success and served with distinction as a member of the Air Staff. I commend Colonel Hanseman to you as an officer who will serve the interests of both the Department of Defense and the Department of State.

I urge you to communicate through him any matters affecting our mutual interests that you feel deserve my attention. Of course, you are welcome to communicate with me directly for those matters you feel are appropriate.

//SIGNED//  
Secretary of Defense

**Attachment 4-6**  
**Letter of Introduction to Bandarian Minister of Defense**



SECRETARY OF DEFENSE  
1000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1000

19 Feb 20XX

His Excellency Dr. Karl Alfonsas Vanderjager  
Minister of Defence and Justice  
Republic of Bandaria

Dear Doctor Vanderjager;

This letter introduces Colonel Robert X. Hanseman, United States Air Force, as the Senior Defense Official/Defense Attaché at the United States Embassy in Bandaria. Colonel Hanseman serves as my personal representative and as the principal representative of the United States Department of Defense. He serves under the authority of our Ambassador.

Colonel Hanseman is an exceptionally experienced and qualified officer, in whom I place my full trust and confidence. He commanded United States Air Force organizations in combat and in peace with success and served with distinction as a member of the Air Staff. I commend Colonel Hanseman to you as an officer who will serve the interests of both of our countries, and I request that you afford him the status and recognition appropriate to his position.

I urge you to communicate through Colonel Hanseman any matters affecting our mutual interests that you feel deserve my attention. Of course, I also welcome you to communicate with me directly for those matters you feel are appropriate.

//SIGNED//  
Secretary of Defense

**Attachment 4-7**  
**CJCS Letter of Introduction to Bandarian Chief of Defense**



OFFICE OF THE CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
9999 JOINT STAFF PENTAGON  
WASHINGTON, DC 20319-9999

19 Feb 20XX

Lieutenant General Sami Anan  
Chief of Defense Staff  
Minister of Defence and Justice  
Republic of Bandaria

Dear General Anan;

I am pleased to introduce Colonel Robert X. Hanseman, United States Air Force, to you as the Senior Defense Official and Defense Attaché at the United States Embassy in Herat. He serves under authority of the Ambassador as my personal representative and the principal representative of the United States Department of Defense. As an exceptionally experienced and qualified officer, he has my full trust and confidence.

Colonel Hanseman has successfully commanded United States Air Force organizations in combat and peace. I commend him to you as an officer who will serve the interests of both of our countries, and request that you afford him the status and recognition appropriate to his position.

I urge you to communicate through him any matters affecting our mutual interests that you feel deserve my attention. Of course, you are also welcome to contact me directly when you deem it necessary.

//SIGNED//  
Chairman, Joint Chiefs of Staff

**Attachment 4-8**  
**Titles of Security Cooperation Organizations**  
**( Sample List – Not Comprehensive)**

<b>ACRONYM</b>	<b>LOCAL TITLE</b>
JUSMAG	Joint U.S. Military Assistance Group (Philippines)
JUSMAGTHAI	Joint U.S. Military Advisory Group (Thailand)
JUSMAG-K	Joint U.S. Military Affairs Group—Korea
KUSLO	Kenya U.S. Liaison Office
MAP	Military Assistance Program (Jordan)
MDAO	Mutual Defense Assistance Office (Japan)
ODC	Office of Defense Cooperation (Europe; select East Asian, Caribbean, and other countries)
ODR	Office of Defense Representative (Costa Rica)
ODR-P	Office of Defense Representative—Pakistan
OMC	Office of Military Cooperation (Kuwait, Bahrain, Egypt, Kazakhstan, Kyrgyzstan, Oman, Qatar, Turkmenistan, Uzbekistan, Yemen)
OSC	Office of Security Cooperation (all African countries except Kenya)
OSC-I	Office of Security Cooperation—Iraq
SAO-A	Security Assistance Office—Afghanistan; this office is a staff element within the NATO Training Mission—Afghanistan/Combined Security Transition Command—Afghanistan (NTM-A/CSTC-A)
USLO	U.S. Liaison Office (United Arab Emirates)
USMAAG	U.S. Military Assistance Advisory Group (Dominican Republic, Peru)
USMILGP	U.S. Military Group (several South and Central American countries)
USMLO	U.S. Military Liaison Office (several South and Central American countries)
USMTM*	U.S. Military Training Mission (Saudi Arabia) *Within Saudi Arabia, in addition to USMTM, there are other DoD organizations that have an “advise, train, and equip” mission. Because they do not work with the Ministry of Defense and Aviation, and because their charters allow them to conduct training, they are not formally considered SCOs
USODC	U.S. Office of Defense Coordination (Mexico)





## Chapter

# 5

# FOREIGN MILITARY SALES PROCESS

## INTRODUCTION

The Foreign Military Sales (FMS) program is part of Security Assistance (SA) authorized by the Arms Export Control Act (AECA) and is a fundamental tool of United States (U.S.) foreign policy. Under Section 3 AECA, the U.S. may sell defense articles and services to foreign countries and international organizations when the President makes a determination that a prospective purchaser is eligible. The Defense Security Cooperation Agency (DSCA) issues the *Security Assistance Management Manual* (SAMM), DSCA 5105.38-M. The SAMM provides policy and guidance for the administration and implementation of SA in compliance with the AECA, the Foreign Assistance Act (FAA), and other related statutes and directives. Table C4.T2 of the SAMM identifies partner nations and organizations designated as eligible to purchase defense articles and services through the FMS program. Questions regarding eligibility should be referred to DSCA. FMS programs are conducted through binding contractual agreements between the U.S. government (USG) and an authorized foreign purchaser. These government-to-government agreements to transfer defense articles and services are called Letters of Offer and Acceptance (LOAs). A signed LOA, along with its associated revisions, is called an FMS case, though the terms “LOA” and “FMS case” are often used interchangeably. Chapter 8 of this textbook will address LOA revisions, referred to as amendments or modifications.

While this textbook offers an overview of the FMS process, it is not intended to replace the SAMM or other official policy references. The SAMM and DSCA policy memoranda can be found on DSCA’s website: <http://www.samm.dsca.mil/>. In this dynamic national security environment, it is important to keep abreast of new or revised SA policies and procedures by periodically reviewing the SAMM and policy memoranda. There is also a convenient link to the SAMM and policy memoranda at the Defense Security Cooperation University (DSCU) [www.dscu.mil/](http://www.dscu.mil/). These references are essential to understanding the FMS process. Much of the information discussed in Chapters 5 and 6 of this textbook correlates to Chapters 1-6 of the SAMM. Since the DoD executes FMS on behalf of the State Department, it is also security cooperation (SC), in addition to SA.

Before discussing the FMS process itself, it is important to understand that the USG infrastructure supporting FMS is not a stand-alone arrangement but, rather, uses the existing domestic structure of the DoD. Therefore, policies, databases, and organizational elements supporting FMS vary among DoD agencies managing LOAs. Military departments (MILDEPs) and other DoD agencies involved in writing and managing FMS programs are collectively referred to as Implementing Agencies (IAs) and are listed in Table 5-2 of this Chapter. Table C5.T2 of the SAMM also provides a list of IAs, along with associated mailing and message addresses.

The FMS process is complex and, for a major weapon system sale, may last for many years. The stages of the FMS process are outlined in Table 5-1 and are discussed throughout this chapter. DoD acquisition, logistics, financial, and training elements of the FMS process are further addressed in subsequent chapters of this textbook. This chapter addresses the entire FMS process starting with the preliminary stages when the customer begins to define requirements and ending with a discussion of FMS program/case closure.

It is important to realize that FMS could very well be just one activity, event, operation, or investment inside of a Line of Activity, within a Line of Effort, with other lines of activity, trying to accomplish end states (goals and objectives) in U.S. (e.g., the DoS and DoD) and partner nation plans for U.S. and international partners' national security. For example, senior key leader engagements (SKLE), military-to-military contact events, building partner capacity (BPC) cases, international military education and training (IMET), FMS cases, combined exercises, and more may be required, within a single line of effort, to try to accomplish end states in U.S. and/or partner nation plans. Figure 19-3 illustrates this well.

FMS fits within this structure and within the U.S. and partner nation's whole-of-government approach to help the partner nation achieve full-spectrum capability, which increases U.S. national security and also partner nation national security.

The DoD, DoS, and Congress are constantly trying to speed up the FMS process by trying to reduce time in several different lanes to include the following: LOA development, foreign disclosure and technology transfer decisions, acquisition, contracting, and more.

**Table 5-1**  
**Foreign Military Sales Process**

<b>Pre-Case Development</b>	<b>Preliminary and Definition</b>  <i>Indefinite Time Period</i>	Customer identifies defense capabilities gaps Customer researches options/sources Customer refines requirements SCO prepares Pre-LOR Assessment Request (PAR) for classified and advanced technology release decisions, if applicable Customer and U.S. exchange technical information
	<b>Request</b>  <i>Indefinite Time Period</i>	Customer prepares Letter of Request (LOR) Price and Availability (P&A) and/or LOA Country Team Assessment (CTA) LOR channels of submission Security Assistance survey teams
<b>Case Development</b>	<b>Offer</b>  45-150 days  Anticipated Offer Date depends on type and complexity of case; formal Congressional review is 15-30 days	IA and sometimes DSCA receive and evaluate LOR IA develops LOA data (LOAD) DSCA Case Writing Division (CWD) finalizes LOA Congressional notification, if required, is concurrent with LOA development DSCA-CWD countersigns LOA after DSCA HQ, IA, & DoS approval IA issues LOA to customer
	<b>Acceptance</b>  OED is generally 85 days from IA approval in DSAMS  (includes at least 60 days for country review)	Customer signs LOA by Offer Expiration Date Customer sends signed LOA to the IA Customer sends signed LOA and Initial Deposit to Defense Finance and Accounting Service - Security Cooperation Accounting (DFAS-SCA), Indianapolis

<b>Case Implementation and Execution</b>	<b>Implementation</b> 10–15 days average	DFAS issues Obligational Authority (OA) IA issues implementing directive Case maybe implemented in all applicable data systems
	<b>Execution</b> Longest phase: depends on delivery schedule	Articles/services/training are ordered/contracted Articles shipped and services performed Training conducted IA reports performance and deliveries to customer/DFAS–SCA
	<b>Closure</b> 2 years from supply/services complete (Accelerated Case Closure Procedures)	IA/DFAS/customer reconcile records IA sends closure certificate to DFAS–SCA DFAS–SCA issues final bill to customer

## PRE-CASE DEVELOPMENT: PRELIMINARY AND DEFINITION

The FMS process begins when the partner nation conducts a threat analysis based on its national security objectives. During this assessment, the customer typically looks at materiel and non-materiel solutions to address mission deficiencies. Non-materiel solutions may involve areas such as military doctrine, force structure, and training philosophy. For potential materiel solutions to defense requirements, the customer may explore options by seeking information from the USG about specific systems. An important element of this analysis is for the customer to quantify system life cycle costs to determine if the potential capability is a viable cost alternative. Normally, there should be ongoing consultations between the purchaser and U.S. representatives, especially the in-country U.S. Security Cooperation Organization (SCO), to assist with defining and refining requirements. Chapter 4 of this textbook discusses SCO roles and responsibilities in detail.

When the SCO becomes aware of credible demand signals indicating the probable submission of a Letter of Request for either a Price and Availability (P&A) or a Letter of Offer and Acceptance (LOA), or a commercial Request for Information (RFI) or Request for Proposal (RFP) for sensitive or classified defense articles or services, the SCO should develop a Pre-LOR Assessment Request (PAR), as directed in SAMM C3.1.2. The intent of the PAR is to inform the interagency community and the cognizant implementing agency to initiate the Technology Security and Foreign Disclosure (TSFD) process for timely release of determinations.

As the partner nation continues to define requirements, follow-on discussions will often expand to include U.S. defense contractors as well as representatives from the IAs and other DoD organizations. These discussions may include such topics as required security agreements, acquisition alternatives, training plans, transportation plans, methods of financing, and concepts of operations and support. U.S. defense strategy plans, concerns for standardization, and interoperability should complement the purchaser's plans and budgets whenever feasible. Follow-on discussions for the more complex sales may even lead to an international agreement or a Memorandum of Understanding (MOU) between the partner nation and the U.S. to document the rights and obligations of each party with regard to weapon systems development, production, or transfer. Chapter 13 of this textbook, "Systems Acquisition and International Armaments Cooperation," discusses these types of agreements in detail.

## PRE-CASE DEVELOPMENT: REQUEST

Upon identifying U.S. systems and/or services to meet defense requirements, the customer may submit a Letter of Request (LOR) to the USG. An LOR can be communicated through formal correspondence (such as a letter or message), email, or a Request for Proposal (RFP). Less formal methods of communication such as minutes to a meeting or perhaps even oral discussions may be

acceptable for transmission of an LOR, but USG representatives should ensure that the request is appropriately documented for future reference and accountability. SAMM C5.1 has a detailed discussion on LORs.

### **Letter of Request Response Documents**

A customer's LOR can be a request for either a Price and Availability (P&A) or a Letter of Offer and Acceptance (LOA). The key differences between these two types of USG responses to LORs are outlined below.

#### ***Price and Availability***

P&A data refers to a rough order of magnitude (ROM) estimate reflecting projected cost and availability for defense articles and services identified in an LOR. Generally the IA will use existing financial and logistics information to respond to a P&A request. P&A is intended for planning purposes only and should not be used by the potential purchaser for budgeting purposes. Normally, nonstandard subsystems will not be included in P&A responses unless approved by DSCA. These ROM estimates are not valid for use in preparation of an LOA, and therefore should not be construed as USG commitments to provide the requested materiel and/or services. In other words, a P&A response is not an official USG offer to sell. After reviewing P&A data, a separate LOR for LOA is required if a partner nation desires to pursue a purchase. It is not necessary for an LOR for P&A data to precede an LOR for an LOA. To avoid confusion, the term P&A should not be used when referring to data developed for an LOA—such data should be referred to as LOA data (LOAD). Refer to SAMM C5.3 for further discussion of P&A data.

#### ***Letter of Offer and Acceptance***

The LOA, addressed in C5.4 of the SAMM, is the authorized document used by the USG as an offer to sell defense articles, services, and training to a partner nation or international organization. For instructional purposes, DSCU's Bandarian Security Cooperation Program Sample Documents package includes a sample LOA, including many related FMS process documents. By policy, the IA should offer 85 percent of its LOA documents within 45 to 150 days after the receipt of an LOR, depending on the type and complexity of the case. The specific time parameters and associated criteria will be addressed in more detail later in this chapter. The LOA represents a bona fide offer by the USG to sell the described items identified in the document. The LOA becomes an agreement when the purchaser accepts (signs) it and provides the initial deposit payment specified in the LOA. While P&A and LOA data are both estimates, an LOA is developed based on the partner nation's specific requirements and contains the most precise data available at the time the document is prepared. If logistical or financial requirements change after the FMS case is implemented, it may be necessary to amend or modify the case. LOA Amendments and Modifications are discussed later in Chapter 8. The LOA is subject to many conditions and restrictions referred to as the LOA Standard Terms and Conditions, also described in Chapter 8 of this textbook.

### **Letter of Request Format**

There is no standard or prescribed format for an LOR. The key to a good LOR is that it provides sufficient information to adequately communicate the partner nation's requirements to the USG. A complete and "actionable" LOR is essential so the IA can prepare a response that most accurately reflects those requirements. Figure 5-1 is a generic checklist depicting the categories of information that may need to be addressed in an LOR. While not all these categories are necessarily applicable to all LORs, the checklist provides good insight into the type of information the USG needs in order to be

able to construct an LOA. These categories of information are described in detail in the LOR Writing Guide found in the “Learning Guides” section of DSCU’s website. The U.S. Army, U.S. Air Force, and U.S. Navy also have excellent tools available to assist in LOR preparation via generic and commodity-specific LOR checklists found on their websites. Links to these resources can be found in the SAMM C5.F14 or in the references section at the end of this chapter. Starting with the MILDEP checklists and then adding in any missing information from Figure 5-1 Letter of Request Checklist, should result in a complete, and actionable LOR.

**Figure 5-1  
Letter of Request Checklist**

<b>General Info / Special Considerations</b> <ul style="list-style-type: none"> <li>• Purchaser</li> <li>• Related purchases / MOU or MOA</li> <li>• Commercial negotiations</li> <li>• Transparency / special reports</li> <li>• Interoperability</li> <li>• Acceptance time frame</li> <li>• International solicitation</li> </ul>	<b>Services Considerations</b> <ul style="list-style-type: none"> <li>• Description / type of service</li> <li>• Period of performance / location</li> <li>• DoD or U.S. contractor</li> <li>• Case/program reviews</li> </ul>
<b>Major Item Considerations</b> <ul style="list-style-type: none"> <li>• Quantity</li> <li>• Item identification / description</li> <li>• Intended end use</li> <li>• Model / configuration</li> <li>• Desired delivery date</li> </ul>	<b>Training Considerations</b> <ul style="list-style-type: none"> <li>• Type / level of training</li> <li>• Number / skill level of students</li> <li>• Proposed location and dates</li> <li>• DoD or U.S. contractor</li> <li>• Training program concept</li> </ul>
<b>Acquisition Considerations</b> <ul style="list-style-type: none"> <li>• Pre-negotiations</li> <li>• Sole source</li> <li>• Offsets</li> </ul>	<b>Support Considerations</b> <ul style="list-style-type: none"> <li>• Operations Concept</li> <li>• Maintenance Concept</li> <li>• Supply Concept</li> <li>• Initial Spares</li> <li>• Support Equipment</li> <li>• Facilities / Site Survey</li> <li>• Publications</li> <li>• Warranties</li> <li>• Follow-on Support</li> </ul>
<b>Financial Considerations</b> <ul style="list-style-type: none"> <li>• Funding source / availability</li> <li>• Payment Schedule/Initial Deposit</li> <li>• Financial Waivers</li> </ul>	<b>Delivery Considerations</b> <ul style="list-style-type: none"> <li>• Freight forwarder</li> <li>• Pilot pickup</li> <li>• DTS Port of Debarkation (POD)</li> <li>• Air or surface movement</li> </ul>



In addition to the checklists and online tools, partner nations and SCOs can contact the IA headquarters’ offices to request assistance (if needed) with LOR preparation. The financial or logistical success of an FMS program can hinge on clear and comprehensive LOR information. To enhance communication and ensure a complete and accurate LOA, purchaser involvement in the pre-LOA and LOA development process is encouraged, especially on major system sales cases. See the SAMM C5.4.5.2 for more information.

### **Total Package Approach**

Successful program and case management and customer satisfaction are generally the results of careful, up-front planning and foresight. Effective planning for an FMS weapon system sale involves anticipating not only the requirements for the weapon system itself, but also the associated initial and follow-on support articles and services necessary for introduction and sustainment of the system. This philosophy is called the total package approach (TPA). Planning for what should be included in the system sale will vary according to the type of weapon system. The MILDEP commodity-specific checklists mentioned earlier in this chapter can be a valuable tool in identifying the myriad of items or services to be considered for a proposed sale. This type of checklist can provide the customer, the SCO, and the case manager with the questions that need to be considered to ensure all requirements are identified in an LOR and are subsequently incorporated into the LOA to achieve TPA. See SAMM C4.3.2 for more discussion on TPA.



## Security Assistance Survey Teams

Commodity-specific checklists may be sufficient for anticipating all the variables during LOA development for weapon system sales, especially in instances where the purchaser is a new FMS customer or when the LOA is introducing a new weapon system capability for the first time. When requested by a country, a team can be organized to conduct a survey to review/assess military capabilities in support of SC objectives and to help identify and/or clarify the purchaser's requirements. Surveys are conducted in-country and are generally funded by the partner nation. A survey team typically includes a combination of USG personnel, purchaser representatives, and commercial contractors. Though there are various types of survey teams, a site survey is often used to assess facilities and required levels of maintenance and support capabilities as they pertain to a specific program. Looking at in-country facilities early in the process is crucial to ensure the partner nation is prepared to receive, operate, and maintain the new capability. Normally the best time to conduct a site survey is prior to writing the LOA. This will help ensure the IA has vital insight and required information up front to develop the most accurate pricing and delivery schedules possible for the LOA. Information regarding survey teams is contained in SAMM C2.4 and C2.F1. A detailed site survey checklist is also contained in the Navy Product Support Manual which may be viewed in the online *DSCU LOR Writing Guide*, under "Resources."

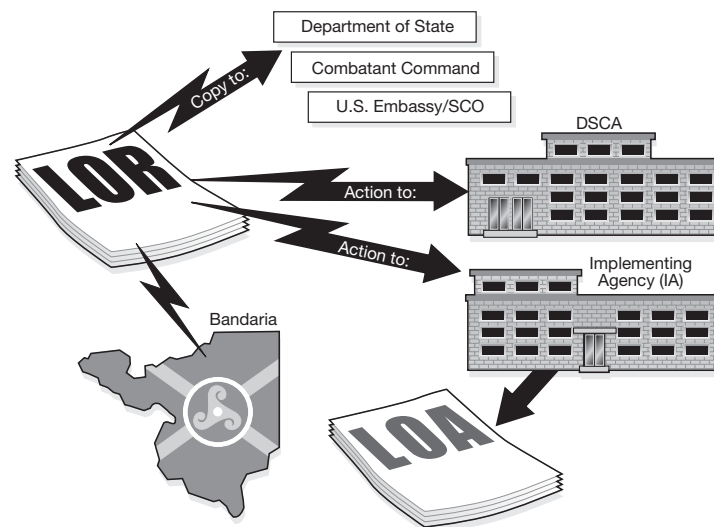
Though not considered a substitute for other types of SA survey teams, an Expeditionary Requirements Generation Team (ERGT) may be used to help augment combatant command (CCMD) staffs and SCOs with translating partner nation capability needs into high-quality LORs. An ERGT, which is organized and deployed by DSCA in response to a CCMD request, typically consists of representatives from DoD agencies, appropriate MILDEPs, and other interagency stakeholder organizations as needed to address the country's specific requirements. See the SAMM C2.4.2 for further information about ERGTs.

## Letter of Request Channels of Submission

Before discussing LOR submission procedures, it is important to understand a few key terms. The *U.S. Munitions List* (USML) is included in part 121 of the *International Traffic in Arms Regulations* (ITAR). Items highlighted with an asterisk on the USML require increased export controls because of their capacity for special military utility or capability. These items are called significant military equipment (SME). A link to the ITAR is provided in the list of references at the end of this chapter. Items of SME having a nonrecurring research and development cost of more than \$50 million or a total production cost of more than \$200 million are called major defense equipment (MDE). Appendix 1 of the SAMM identifies MDE items and provides an associated prorated nonrecurring cost for each. Chapter 12 of this textbook, "Financial Management," discusses nonrecurring costs for MDE in more detail. By policy, the action addressees for an LOR should be the IA and DSCA. The IA is the USG organization authorized to receive and process LORs. As mentioned earlier in this chapter, Table 5-2 includes a listing of authorized IAs and Table C5.T2 in the SAMM provides addresses and routing information for each IA. An LOR can originate from in-country or from purchaser representatives in the U.S. Regardless of where the LOR originates, there are key organizations that should receive a copy. In addition to the action addressees (IA and DSCA), the U.S. embassy/SCO and the applicable CCMD should receive a copy. If it is not clear which IA has responsibilities for the system requested, or if the subject of the LOR is sensitive enough to require a higher-level review, then the U.S. embassy or customer may send the LOR directly to DoS/PM and/or DSCA. Figure 5-2 shows the typical channels of request for an LOR.



**Figure 5-2  
Channels of Request**



## Country Team Assessment

There may be times when an LOR must be accompanied by a Country Team Assessment (CTA). A CTA is prepared by senior U.S. embassy leadership by evaluating an LOR and developing a coordinated position in support of the proposed sale. Normally, the SCO prepares the CTA submission and staffs it with the various members of the country team.

In accordance with the SAMM C5.1.4, a CTA is required if any of the following circumstances apply:

- The LOR is likely to result in a congressional notification pursuant to Section 36(b) of the AECA. Congressional notification will be addressed in detail later in this chapter.
- Regardless of cost, the proposed sale would result in the introduction of a new capability in the country.
- The LOR requests defense articles or services of a sensitive nature (as identified in the SAMM C5.1.4.2).
- If DSCA (Operations Directorate) requests a CTA. For example, there could be a proposed sale that doesn't meet one of the above criteria, yet is controversial enough (perhaps politically sensitive) to warrant the level of review and analysis required for a CTA.

In accordance with Table C5.T1 of the SAMM, all CTAs must address certain factors pertaining to the proposed sale of defense articles/services. These factors include the planned end use, contribution to the defense/security goals of the U.S. and the recipient nation, impact on the recipient's military capabilities, source of financing and economic impact on the recipient nation, the recipient's ability to account for and safeguard sensitive technology, and the recipient's human rights record. An additional required element was added in June 2019 as a result of DSCA Policy memorandum 19-21. This additional requirement addresses the efforts to reduce the risk of national or coalition operations causing civilian harm. The CTA must now include information addressing additional training or support that will be necessary to reduce the risk that the recipient will inadvertently cause civilian harm during operations. In addition to these common CTA elements, DSCA requires additional information when the LOR is for any defense article or service of a sensitive nature as listed in the SAMM, Table C5.T1a. For each specific sensitive item listed in C5.T1a, there is a separate table identifying the supplemental information required in the CTA (see Tables C5.T1b through C5.T1g). Note that some of this additional information may require an input from the appropriate Combatant Commander.

## **Negative Responses to Letters of Request**

If the IA believes an LOR should be disapproved, the IA must first contact DSCA. DSCA will then coordinate with DoS/PM and other relevant agencies before formally notifying the customer of the disapproval. Refer to SAMM C5.2.2 for more details.

### **CASE DEVELOPMENT: OFFER**

The IA must process the LOR so case development can begin. The individual responsible for doing this is generally found at the headquarters element of the IA's security assistance organization. This person may be referred to as the country director, country program director (CPD), country program manager (CPM), command country manager (CCM), or country desk officer. For ease of discussion in this text, the term "country director" will be used. Normally, the country director will process all LORs the IA receives for a given country or region. However, for large and complex FMS programs, there may be more than one country director assigned.

#### **Initial Processing of the Letter of Request by the Implementing Agency**

Within five days of LOR receipt, the IA must validate the LOR to confirm that the purchaser is eligible for FMS and that there are no sanctions in place, ensure the item may be sold, ensure the request was received through proper channels, and confirm that the country is authorized Dependable Undertaking. Chapter 12 of this textbook, "Financial Management," addresses Dependable Undertaking and other terms of sale used on LOAs. The IA loads the LOR data into the Defense Security Assistance Management System (DSAMS), the DSCA-managed data system used for case development and implementation, and acknowledges receipt of the LOR to the purchaser. DSAMS is described in Appendix 1 of this textbook, "Security Cooperation Automation." Within ten days of LOR receipt, the IA establishes the case in DSAMS and tasks organizations to compile the LOA data (LOAD) that will be used in preparing the LOA.

Country directors at the IAs often have a checklist of tasks or questions to answer in order to complete the processing of the LOR. Information for evaluating LORs can be found in SAMM C5.1.7 and Table C5.T3. Typical country director checklist items can include, but are not limited to the following:

- Did copies of the LOR go to the proper USG organizations for action/review?
- Is the LOR complete, and does it comply with TPA policy?
- Does the LOR contain an identifiable customer reference or serial number?
- Is the LOR a result of a foreign solicitation?
- Are there additional LOR references, such as an MOU or pre-negotiated conditions?
- Is the request for a valid military requirement?
- Was DSCA provided with congressional notification data within ten days?
- Is this a sensitive technology request?
- Is the request for missile-related technology or classified information?
- Will production be in-country?
- Will any production be used for third-country sales?
- For standard U.S. materiel, was a valid national stock number (NSN) provided?
- If the request is for nonstandard materiel, has a military specification (MILSPEC) package or engineering data description been included?

- What initial spare parts are required to be delivered with the end items?
- Is sufficient information included to process a sole source request?
- Was the request screened to determine if there is a concurrent commercial bid?
- Does a quality inspection team need to inspect materiel upon delivery?
- Does the customer require any special USG or contractor services such as an in-country weapon system logistics officer?
- Does the customer require a not-to-exceed (NTE) or firm-fixed-price (FFP) response?
- Does the LOR contain unique customer budget or payment schedule requirements?
- Is a site survey required?
- Does the request indicate that FMF will be used as a method of financing?
- Has a negative response been coordinated with DSCA?

### **Letters of Request Requiring Special Processing**

There may be many USG agencies not identified in this chapter that need to review an LOR and a proposed offer. The type and breadth of the USG reviews vary to a large extent depending on the items being requested. It is the responsibility of the IA to ensure that the correct USG organizations have the opportunity to review the LOR. To the extent possible, the required reviews should occur concurrently to minimize the response time to the FMS customer.

### ***LOR Advisory and LORs Requiring Unique Review***

In some instances, DSCA may need to prepare an LOR Advisory to notify the Under Secretary of Defense for Acquisition and Sustainment (A&S) and the Chairman of the Joint Chiefs of Staff of certain proposed sales. The SAMM C5.1.8 describes LOR Advisories and how they are processed. Table C5.T4 of the SAMM identifies the types of defense articles requiring either an LOR Advisory or some other type of special review. Each entry in the table provides a hyperlink to either a specific form or to a specific section of the SAMM explaining the unique review process for that item. An LOR Advisory does not replace required disclosure or releasability actions being worked by the MILDEPs. Examples of the types of items requiring an LOR Advisory or unique review include the following:

- First introduction of MDE into the purchaser's country
- MDE that is expected to require congressional notification
- Coproduction or licensing agreements for MDE
- MDE that has not yet completed Operational Test and Evaluation (OT&E)
- Night Vision Devices (NVDs)
- Ballistic Missile Defense capability
- Command, Control, Communications, Computer, Intelligence, Surveillance, and Reconnaissance (C4ISR)
- Communications Security (COMSEC) equipment
- Nonstandard Significant Military Equipment (SME)
- Integration of non-U.S. subsystems

- Other defense articles and services of a sensitive nature

## Letters of Request Requiring Congressional Notification

If the IA estimates that an LOR will result in an LOA that meets or exceeds certain dollar thresholds (as specified in Section 36(b) of the AECA), the IA must provide congressional notification data to DSCA within ten days of LOR receipt. SAMM Figures C5.F7 through C5.F10 are templates for the information to be provided by the IA. Upon receipt of the information, DSCA prepares the notification package and coordinates with the DoS/PM and congressional staff personnel to ensure potential concerns and sensitivities are resolved prior to providing the notification package to Congress. After this preliminary review period and upon the DoS/PM concurrence, DSCA submits a numbered certification to the Speaker of the House of Representatives and the chairman of the Committee on Foreign Relations of the Senate. The financial reporting thresholds and congressional review periods, which vary by country, are summarized in Figure 5-3 of this textbook. A more detailed outline of congressional notification requirements and criteria is provided in the SAMM Table C5.T13.

**Figure 5-3**  
**Foreign Military Sales Notification to Congress**

<b><u>Reporting Threshold</u></b>	
NATO countries, Japan, Australia, New Zealand, Israel, Jordan, and Republic of Korea	<ul style="list-style-type: none"> <li>• \$100M total case value</li> <li>• \$25M major defense equipment (MDE)</li> <li>• \$300M design and construction services</li> </ul>
All other countries	<ul style="list-style-type: none"> <li>• \$50M total case value</li> <li>• \$14M major defense equipment (MDE)</li> <li>• \$200M design and construction services</li> </ul>
<b><u>Congressional Review Period</u></b>	
NATO, NATO countries, Japan, Australia, New Zealand, Israel, Jordan, and Republic of Korea	<ul style="list-style-type: none"> <li>• 15 days statutory (formal) notification</li> </ul>
All other countries	<ul style="list-style-type: none"> <li>• 30 days statutory (formal) notification</li> </ul>

Unless other prior arrangements are made, Congress must be in session at the start of the statutory notification period. Therefore, it is important for partner nations, SCOs, and IAs to consider the congressional calendar when planning key milestones for FMS programs. Congressional notification data is considered classified until the DoS specifically authorizes (through DSCA) “For Official Use Only (FOUO)” handling or until formal notification to Congress occurs. At the start of the statutory notification period, the notification data becomes public domain information and is posted in the Federal Register and on DSCA’s website. Also, when the statutory notification period begins, the IA may, with DSCA approval, give the purchaser an advance copy of the LOA. However, this advance copy must be unsigned and annotated as a draft, and is therefore not considered an official offer.

Congress can object to a proposed LOA by passing a joint resolution. In the absence of a joint resolution prior to expiration of the statutory notification period, DSCA may electronically countersign the LOA at the end of the notification period and then release it to the IA for official offer to the partner nation. The SAMM C5.5 provides details about the congressional notification criteria, data handling, information to be provided by the IA (including sample formats), and the notification process itself. Chapter 2 of this textbook, “Security Cooperation Legislation and Policy,” also addresses congressional notification.

## **Compilation of the Letter of Offer and Acceptance Data (LOAD) by the Implementing Agency**

In order for the USG to be as responsive as possible to a partner nation's LOR, LOA development should run concurrently with the congressional notification process. To initiate LOA development, the country director tasks preparation of the LOAD using DSAMS. Every LOA has an assigned case manager, and it is normally the case manager who has primary responsibility for the overall LOA content. Case management will be addressed in more depth later in this chapter.

For major system sales, the case manager must coordinate with weapon system program managers and item managers to determine the LOA line items to be included on the case to meet requirements identified in the partner nation's LOR. Cost and availability estimates are developed for all articles and services included in each LOA line. These estimates may be based on current DoD inventories or on information from U.S. defense contractors. IA personnel also prepare LOA notes that pertain specifically to the LOA lines and FMS case being developed. If the partner nation has requested any waivers, the IA will staff the waiver request(s) and ensure it is appropriately reflected in the LOA document.

As the data is being developed, the case manager and country director should both be alert for issues that may require further coordination, not only within the IA and other DoD organizations, but also with DoS and other non-DoD agencies. When outside coordination is required, the time required and the level at which it should occur will depend on a number of political, technical, and financial factors. For example, a routine follow-on support case will likely require little or no coordination with organizations outside the IA. Cases involving more than one proponent MILDEP (e.g., U.S. Navy helicopters with U.S. Army electronics) require coordination across service lines. More complex sales involving political issues, such as basing rights, may require participation by DSCA, the Office of the Deputy Under Secretary of Defense for Policy, the CCMD, or the DoS. Unique or complex financial or other business arrangements may also require coordination with the Departments of Commerce and Treasury.

### **Correlating the Letter of Request with the Military Articles and Service List**

During LOA development, the IA will construct a separate LOA line item for each generic category of materiel or services to be provided. The IA will assign the appropriate materiel *Military Articles and Services List* (MASL) number to each LOA line item. The complete materiel MASL, which is substantial, resides in DSAMS. Key elements of the MASL data include generic codes, MASL numbers, and MASL descriptions. A table of generic codes can be found in the SAMM, Appendix 4.

It is important to note that there are two separate and distinct MASLs: one for materiel and services and another for training. They should not be confused. Each contains different kinds of information and has different uses. DSCA maintains the materiel MASL with input from the MILDEPs. The security assistance training activities of the MILDEPs maintain the training MASLs, which are accessed via the Security Cooperation Training Management System (SC-TMS) within the Security Assistance Network (SAN).

### **Developing a Complete Offer with the Total Package Approach**

When compiling LOAD, case managers should adhere to the policy of TPA mentioned earlier in this chapter and in the SAMM C4.3.2. TPA ensures FMS purchasers are afforded the opportunity to acquire the full complement of articles and services necessary to field, maintain, and utilize major items of equipment efficiently and effectively. To a large degree, TPA depends on receiving a comprehensive LOR. In addition to the weapon system itself, an LOA that follows the TPA concept will address areas such as training, technical assistance, publications, initial support, and follow-on support.

As part of the TPA, IAs should ensure that LOAs for equipment include at least a one-year supply of spare parts, but preferably two to three years. See SAMM C5.4.7.10 for more information. These packages are referred to as concurrent spare parts (CSP) or initial spare parts (ISP). LOAs should



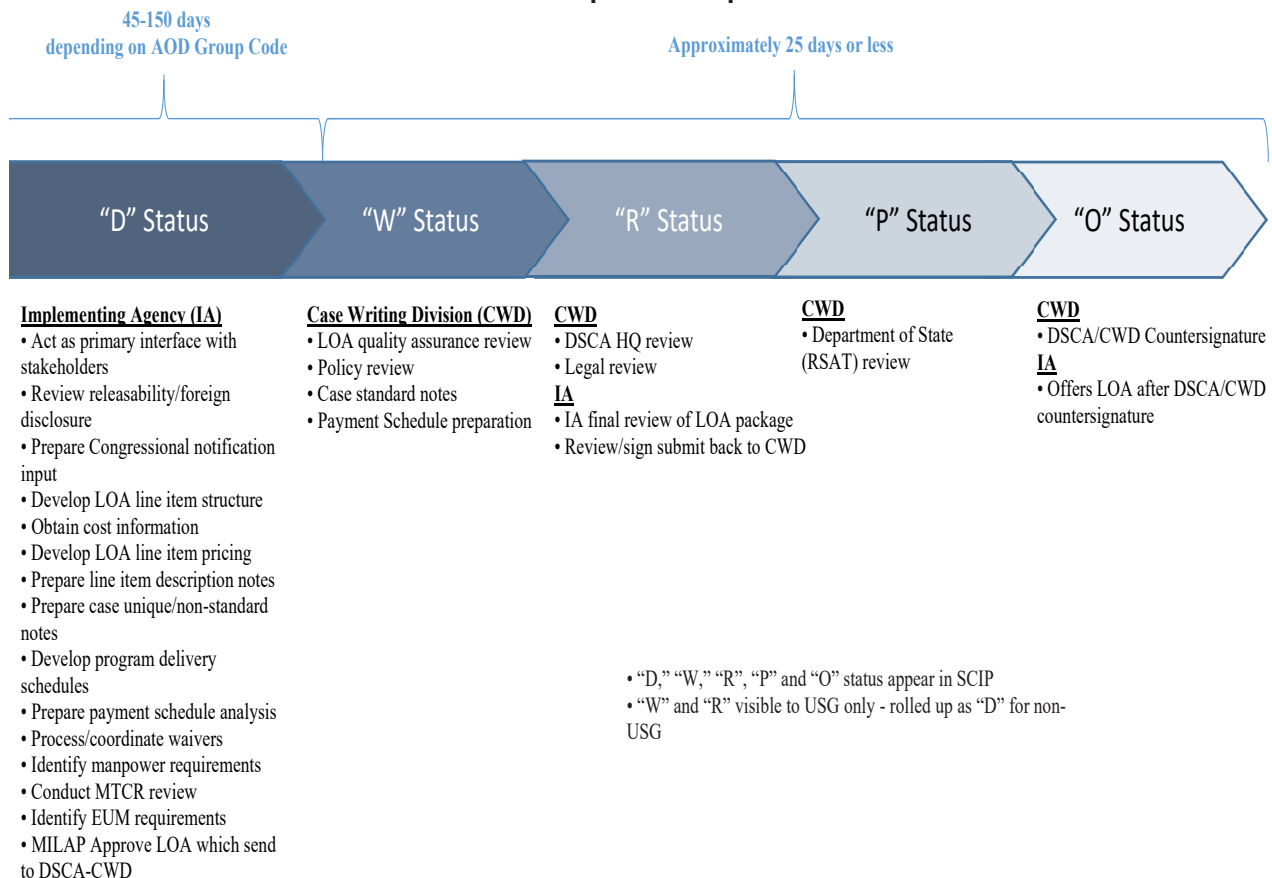
include CSP or ISP for all support and ancillary equipment listed on the LOA as well as for major weapon systems. IAs normally require that a significant portion of CSP and ISP be in country before they will release major end items for delivery. CSP and ISP are often identified by category and total value rather than itemized on the LOA.

## Defense Security Cooperation Agency Review and Countersignature

In addition to the IA, the DSCA Case Writing Division (DSCA-CWD) plays a key role in case development. When the IA has completed the LOAD process and its quality review of the LOAD package, it will post the MILDEP approval (MILAP) milestone in DSAMS, which moves the document from “Development to Write” status in DSAMS and creates a case record on their respective case-tracking system for offline documentation to be uploaded for transmission to the DSCA-CWD. SAMM C5.4.14 and DSCA policy 16-03 describe the documents and information the IA must provide DSCA-CWD, along with the draft LOA for document writing. DSCA-CWD then completes the LOA writing process by accomplishing a quality review for policy compliance and by adding the payment schedule and the standard LOA notes. After finalizing the LOA document, DSCA-CWD staffs it for the IA, headquarters DSCA, and legal reviews as appropriate. When this coordination process is complete, DSCA-CWD forwards the LOA document to the DoS/PM for final review. Upon DoS concurrence, DSCA-CWD electronically countersigns the LOA, indicating that the IA can sign the case and officially offer it to the purchaser. A more complete description of the IA and DSCA-CWD roles in the case development process is shown in Figure 5-4 and Table C5.T8 of the SAMM.

The single-digit alpha codes reflected in Figure 5-4 are case status codes found in a database called the Security Cooperation Information Portal (SCIP). Additional information about SCIP can be found in Appendix 1 to this textbook, “Security Cooperation Automation.”

**Figure 5-4**  
**Case Development Responsibilities**





## Letter of Offer and Acceptance Response Time

The time required to respond to an LOR with an LOA depends on the type of case being prepared and the complexity of the program. The policy time frame for a USG response to an LOR is based on the Anticipated Offer Date (AOD). An AOD is assigned for every LOR based on the group categories identified in Figure 5-5. Depending on the AOD group assigned, the IA has between 45 and 150 days from LOR receipt to prepare the LOA for offer. Receiving comprehensive LORs that accurately reflect partner nation requirements is crucial to successful accomplishment of these goals. Refer to Chapter 6 of this textbook, “Types of LOAs,” for more information about the different types of cases referenced in Figure 5-5. More details regarding the LOA response time policy can be found in SAMM C5.4.2 and Table C5.T6.

**Figure 5-5**  
**Letter of Request to Letter of Offer and Acceptance**  
**Response Times Anticipated Offer Date Groups**

Group	Description
A	45 days for Blanket Order LOAs, Blanket Order Training LOAs, Cooperative Logistics Supply Support Arrangements (CLSSAs), and associated Amendments and Modifications.
B	100 days for Defined Order LOAs (including training LOAs), and associated Amendments, and Modifications. An LOA document assigned to AOD Group Code B can be re-assigned to AOD Group Code C if the IA later determines the LOA document meets the requirements of AOD Group Code C.
C	<p>150 days for Defined Order LOAs, and associated Amendments considered “purchaser-unique” in nature. Associated Modifications to this group will be placed in Group B.</p> <p>The IA must identify why the LOA document is “purchaser-unique” by selecting one or more of the following CDEF factors or sub-factors and document the number of days these factors are expected to significantly impact the LOA development processing time.</p> <p>First-time purchase of a defense article or service by an FMS purchaser</p> <p>First-time FMS purchase by a specific country or international organization with limited experience or knowledge of FMS processes/procedures</p> <p>Case requires engineering, system integration, or special acquisition</p> <p>Requested use of the system is different from its use by U.S. military forces (e.g., Navy ship missile to be fired from an Army or foreign country’s helicopter)</p> <p>Detailed release/disclosure coordination required</p> <p>5a. Technology Release</p> <p>5b. Policy Release</p> <p>Complex pricing effort required</p> <p>6a. Contractor Pricing Delays</p> <p>Extraordinary coordination required inside or outside the IAs</p> <p>7a. Congressional Notification</p> <p>7b. Waiver Required</p> <p>7c. Excess Defense Articles (EDA)</p> <p>Purchaser LOR Incomplete</p> <p>8a. Changing Requirements Funding Issues or Delays</p> <p>Other (Unique circumstances requiring detailed milestone explanation in DSAMS)</p> <p>1. Other (must be explained by detailed milestone comments in DSAMS)</p>
D	60 days for all BPC LOAs and associated Amendments and Modifications.

## **CASE DEVELOPMENT: ACCEPTANCE**

Once DSCA-CWD countersigns and releases the LOA, the IA receives notification that the case is in “Offered” status within DSAMS, the IA signs the document and sends it to the purchaser for acceptance. Every LOA includes an offer expiration date (OED) on the cover page. Generally, the OED is computed as eighty-five days from the MILAP milestone in DSAMS. This OED period is generally based on twenty-five days for U.S. administrative processing and sixty days for country review. SAMM Figure C5.F6 identifies those countries with DSCA-approved OEDs longer than eighty-five days. To officially accept the LOA, the partner nation must fill in the “purchaser provided information” at the bottom of the LOA cover page, sign the case by the OED, and send signed copies to the IA and the Defense Finance and Accounting Service Security Cooperation Accounting in Indianapolis (DFAS–SCA). The purchaser must also send the initial deposit (as reflected on the LOA) to DFAS–SCA. Payment must be in U.S. dollars and may be paid via check or wire transfer. Distribution instructions are found in the LOA following the payment schedule.

Partner nations should strive to accept an LOA by the offer expiration date (OED). If this is not feasible, the purchaser may request an extension from the IA. If an extension is required, the purchaser should notify the IA as soon as possible, preferably in the LOR. Many considerations, such as contract deadlines for multi-country programs or policy concerns, may preclude granting an extension. Partner nations should note that, even if an extension is granted, cost and delivery estimates are perishable and will tend to degrade over time. An extended time period between the LOA offer and LOA acceptance may result in less accurate cost and delivery estimates. Occasionally, the USG will give the purchaser a shorter than authorized OED, generally in conjunction with contractual requirements (e.g., grouping purchases for economy of scale and reduced prices for all concerned). When this occurs, the USG should advise the partner nation in advance and must include a special note in the LOA explaining the reason for the short OED.

## **CASE IMPLEMENTATION AND EXECUTION**

### **Implementation**

After receiving the initial deposit, DFAS–SCA releases obligation authority (OA) to the cognizant IA. OA is forwarded via DSAMS to the unique MILDEP FMS management financial computer systems. The OA is evidence of proper case acceptance, including receipt of initial deposit, and signals that the case may be implemented. OA is not money, but it provides financial authority allowing the IA case manager to implement the case. Upon receipt of OA, the IA may begin to incur obligations against the case (i.e., negotiate a contract, submit requisitions, schedule training, etc.). There is no standard metric or time frame for case implementation; however, it is generally accomplished within ten to fifteen days.

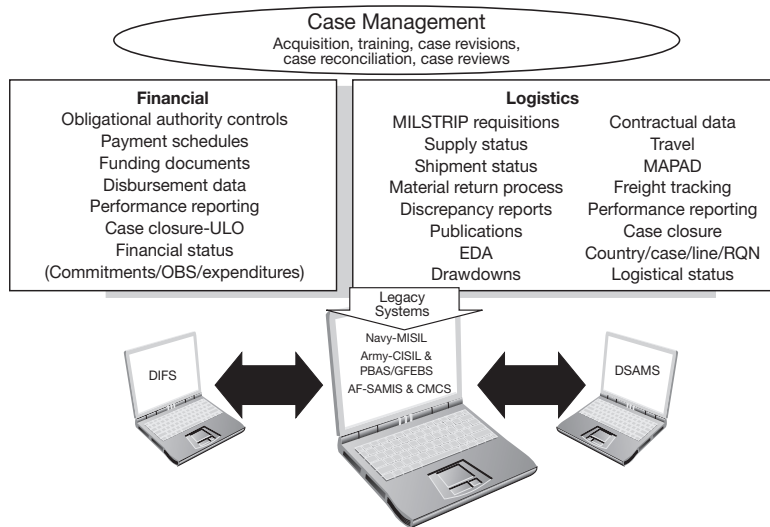
Although an LOA provides basic information and authority for an FMS case, it may have insufficient information for case implementation. A case manager may issue internal supplemental guidance (e.g., a case directive) in order to provide more detailed case logistical and financial implementation instructions to line managers and supporting organizations. The term “FMS case directive” has several definitions, depending on the variations of case directive documents. In the broadest context, a case directive is a document, or an assortment of documents, used to implement an accepted LOA. The case directive is also known as the project directive for the Navy and the international program directive for the Air Force. Case directives should be revised as appropriate whenever LOAs are modified or amended.

### **Execution**

Implementation ends and Execution begins when orders for the LOA materiel and services are processed against the case. Execution is the longest phase in the life cycle of an FMS case. It can last many years for a major system sale case. During case execution, there are many actions that occur in

the areas of acquisition, finance, logistics, and training. There are separate chapters in this textbook dedicated to each of these important functional areas. Figure 5-6 depicts many of the financial and logistics transactions that occur during the life of an FMS case.

**Figure 5-6  
Foreign Military Sales Case Execution**



### ***Military Department Security Assistance Computer Systems***

The MILDEPs use DSAMS to develop, write, and implement LOAs. Once implemented, a single FMS case can generate thousands of logistical and financial transactions. With approximately 14,000 implemented cases for countries worldwide, effectively accounting for all the transactions during case execution can be a daunting task. Each MILDEP has dedicated FMS data systems to provide internal control and management of security assistance transactions. These systems are used to monitor the supply and financial performance of the implemented cases. They are also used to report case status to the purchasers and to DFAS-SCA. These systems interface with DSAMS and with the DFAS-managed Defense Integrated Financial System (DIFS). These MILDEP systems are often referred to as legacy systems. The case execution data systems currently used by the MILDEPs are as follows:

#### **U.S. Army**

- Centralized Integrated System for International Logistics (CISIL)
- Program, Budget, and Accounting System (PBAS)
- General Funds Enterprise Business System (GFEBS)

#### **U.S. Navy**

- Management Information System for International Logistics (MISIL)

#### **U.S. Air Force**

- Case Management Control System (CMCS)
- Security Assistance Management Information System (SAMIS)

### ***Security Cooperation Information Portal (SCIP)***

SCIP is a web-based portal that enables the security cooperation (SC) community to view logistical and financial case data from various SA data systems. SCIP was initially developed to provide the FMS purchaser with visibility into the MILDEP legacy systems mentioned above but has become so popular that its scope, capabilities, and user base are continuously being expanded. SCIP is discussed in more detail in Appendix 1, “Security Cooperation Automation,” of this textbook. The DSCU online learning guide “Introduction to SCIP” is another great resource.

### ***Foreign Military Sales Case Management Policy, Procedures, and Concepts***

The management of FMS programs and their associated cases, like the concept of management itself, is often regarded by some as more of an art than a science. While it is beyond the scope of this chapter to assess that contention, an argument can be made that FMS program and case management follows the same universal management principles of other DoD and USG programs or even nongovernmental ventures (e.g., the principles of planning, organizing, coordinating, communicating, and directing). Because of the large number of USG organizations involved in SA, communication is vital to effective program and case management. Some organizations play a role in the up-front policy decisions, some are involved in case development, and others actually execute the programs. It is, therefore, critical that managers of FMS programs understand the overall process and are familiar with the key players involved. It is not an understatement to say that FMS has a language of its own and that learning and communicating with the numerous acronyms, special terms, and organizational symbols is very often half the battle.

SAMM C6.3.1 dictates that acquisition in support of FMS cases will be conducted in the same manner as it is for U.S. requirements, thus affording the purchaser the same benefits and protection that apply to DoD procurement. This is one reason why partner nations often prefer to buy via FMS. Accordingly, procurement and supply actions for FMS cases are normally carried out in the same manner by the same DoD procurement and logistics activities that support U.S. forces, although IAs may establish offices or positions within these organizations, specifically to coordinate and monitor FMS support. A typical FMS case includes items from both U.S. supply stocks and from new procurement. FMS procurement requirements may be consolidated on a single contract with U.S. requirements or may be placed on a separate contract, whichever is most expedient and cost effective.

### ***Case Manager***

An FMS case is not generally under the sole domain of any one organization. Many organizations can touch or impact an FMS case during its life cycle. As such, many organizations and people can be involved in the management of an FMS case. However, as indicated earlier in this chapter, there should be one person assigned as the case manager for each LOA. Prior to case implementation, the IA assigns a case manager to integrate and manage all aspects of the case. The SAMM Table C2.T1 identifies the following specific responsibilities of a case manager:

- Serves as the central point of contact for matters related to the case. Establishes and publishes initial and long-range goals, objectives and plans for case management and execution. Issues and maintains a program master plan with key program milestones as the case is implemented
- Ensures program goals and objectives are in accordance with approved foreign disclosure and technology transfer requirements
- Considers customer transportation preferences during LOA development. Ensures transportation documents are in place (e.g., transportation plan, DSP-94, CISMOA, etc.)
- Ensures contracting milestones are met

- Ensures appropriate integration of requirements, such as supply requisitions, contracts, training, etc., are accomplished with internal and external organizations
- Ensures funding is in place and financial requirements are met
- Ensures material and services performance is met in relation to required performance specifications. Ensures that appropriate actions are taken to maintain accountability of training events to include DSAMS-TM entry
- Ensures that delivery and performance reports are timely and accurate. Checks that automated records and data sources, such as SCIP, reflect accurate information
- Maintains a case file of significant events, documents, and decisions. Ensures that case records are retained for a period of ten years after final closure in accordance with DoD 7000.14.-R Volume 15, Chapter 6
- Reconciles the case throughout its life cycle starting with implementation, and prepares the case for closure
- Becomes familiar with policies, management information systems, internal and external organizational elements and the stages of the FMS process

The case manager is accountable for all aspects of assigned FMS cases in compliance with applicable laws and regulations. This includes planning and execution functions as well as all financial, logistical, and acquisition matters associated with each program. The objective is to provide all articles and services within the cost and schedule estimated on the LOA. The case manager must stay on top of the assigned program and be aware of any problems that could impact the estimated cost or schedule. The case manager develops a program master plan that separates the case into management components, indicates significant activities in the execution of the case, and establishes an implementation schedule. Depending on the size or nature of the case, the plan covers the following: case description, key milestones (contract status, transportation plan, delivery schedule, training, contractor support, etc.); status, issues/risk; and key points of contact and responsibilities. The case manager provides the master plan to higher authority and to the FMS customer to forecast events and track progress. The master plan will be updated and reissued after significant project milestones, prior to Program Management Reviews, and as part of the development of amendments to the FMS case. Master plans are discussed in SAMM C2.2.6.

The case manager cannot accomplish all these objectives alone. Effective case management requires frequent communication with the weapon system program manager, the contracting officer, and numerous other key personnel in other organizations. When potential cost overruns or delays are identified, the case manager is expected to consult with the program manager, the contractor, and the partner nation to ensure all potential options are explored and informed decisions can be made. LOA amendments and modifications should be processed promptly to ensure the case reflects up-to-date estimates and descriptions for the program. After all articles and services have been provided, the case manager ensures that cases are closed in a timely manner.

Case management organizations and procedures vary among the MILDEPs. The case manager for blanket order or Cooperative Logistics Supply Support Arrangement (CLSSA) cases normally resides at the applicable MILDEP International Logistics Control Organization (ILCO). The case manager for defined order cases may be in the ILCO or in the MILDEP weapon system program office. The case manager for training cases resides at the MILDEP security assistance training organization.

The case manager serves as the central point of contact, and acts as the U.S. representative to the FMS customer and to the SCO for questions and problem resolution.

## ***Foreign Military Sales Reviews***

DSCA requires that FMS case reviews be conducted at least annually. Case reviews can also involve reviewing all FMS cases associated with a particular country. Case reviews have various names (depending on the country and the MILDEP) and can be attended by USG, purchaser, and contractor personnel, depending on program, case size, and complexity.

In addition to case reviews, Program Management Reviews (PMRs) are effective tools for U.S. case managers and purchasers to assess the overall program status relative to its objectives. PMRs focus on a specific weapon system sale and may include several related FMS cases. These program reviews, which usually involve face-to-face discussions with the partner nation, identify problems as early as possible so that resolution can be accomplished before program milestones are impacted or compromised. PMRs also provide USG and purchaser representatives with updates and exchanges of information. The frequency and the location of PMRs should be indicated in the LOA notes.

SAMM C6.5 provides more comprehensive information on FMS reviews. Table C6.T5 of the SAMM identifies various types of reviews as well as the typical USG representatives, frequency, and timing for each. The manpower funding matrix in Chapter 9 of the SAMM helps identify the appropriate source of funding for each type of review. Depending on the type of review and the country/program involved, the following topics may be addressed during a case or program review as applicable:

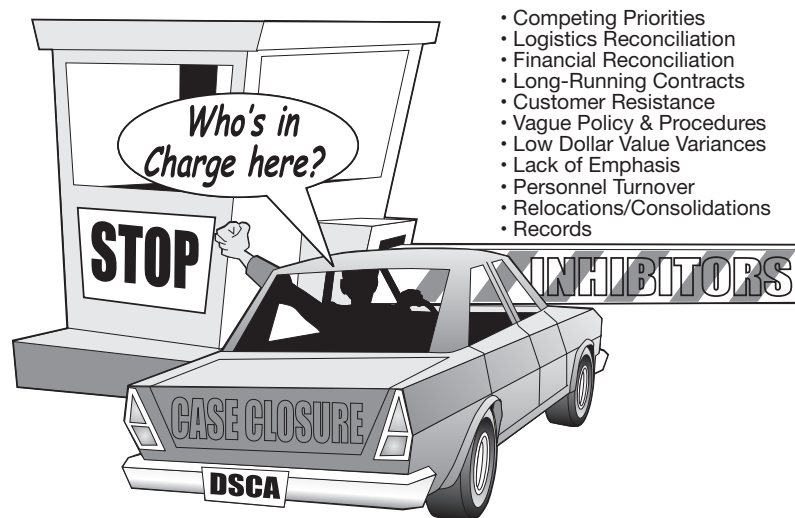
- Major item contract status
- Major item delivery status
- Supply Discrepancy Reports (SDRs)
- Critical/urgent requirements and procedures
- Spares, supply, and shipment status
- Configuration issues
- Case financial status (commitments, obligations, and expenditures)
- Payment schedule adjustments
- Price increases and funding issues
- Transportation/shipping problems
- Training program
- Case closure

### **Case Closure**

As the delivery of articles and services listed on an LOA nears completion, the case manager should begin making preparations to complete reconciliation and close the case. Figure 5-7 illustrates many of the potential inhibitors to case closure. The key players in FMS case closure are the IA, DFAS–SCA, and the partner nation. But, ultimately, the responsibility for successful case closure falls on the shoulders of the case manager at the IA.



**Figure 5-7**  
**Case Closure Inhibitors**



## **Reconciliation**

While closure is the final phase in the FMS life cycle, reconciliation should occur throughout the life of the case, starting with implementation. As indicated earlier in this chapter, a single case can generate thousands of requisitions and procurement actions. Closing out all these transactions requires aggressive planning and continuous follow-up. Reconciliation can include the following:

- The financial and logistical actions that ensure proper accounting
- Accuracy and thoroughness of data
- Currency of schedules
- Timeliness and completeness of reporting

Case managers must reconcile cases at least annually. Case managers who defer reconciliation until the end of a case are setting themselves up for failure. Conversely, thorough and continuous reconciliation starting at implementation helps facilitate a successful case closure.

## **Supply and Services Complete**

It is DSCA policy to close an FMS case as soon as it is feasible to do so. Timely closure reduces the administrative distraction of monitoring dormant cases that are logistically, but not financially, complete. This allows case managers to focus on executing and reconciling active cases. Additionally, closing cases promptly expedites the release of excess case funds back to the partner nation. An IA declares that a case is a candidate for closure when it is Supply and Services Complete (SSC) and meets the following criteria:

- All materiel has been delivered.
- All services have been performed.
- For a blanket order case, no orders have been placed against it for 180 days or more.
- Purchaser has confirmed there will be no new orders.
- Purchaser has not submitted a request to keep the case open.

- All supply discrepancy reports (SDRs) are resolved.
- All warranty periods have elapsed.

Chapter 16 of the SAMM is dedicated to policies and procedures applicable to case reconciliation and closure. SAMM C16.4.3 requires IAs to include a note in most LOAs identifying an estimated closure date. After a case is declared SSC, the IA will reconcile the case logistical and financial records and submit a case closure certification to DFAS–SCA within a specified time frame depending on the applicable case closure procedure used (types of case closure procedures are addressed in the next section). DFAS will then complete the case closure/reconciliation process and ultimately provide the customer with a final bill. An FMS case is considered closed when the purchaser receives the final bill or a final statement of account (DD Form 645).

### **Procedures for Case Closure**

There are two methods of case closure: Accelerated Case Closure Procedures (ACCP) or non-ACCP. ACCP is the standard case-closure method for FMS cases. ACCP is voluntary, except for those partner nations whose programs are financed with Foreign Military Financing (FMF). SAMM Table C4.T2 identifies which countries participate in ACCP. If a purchaser participates in ACCP, then all of that country’s FMS cases will be closed under that program, including those implemented prior to the date the partner nation decided to participate in ACCP. Since most purchasers participate in ACCP, it is now considered the standard for case closure. ACCP requires cases be closed within twenty-four months after the case is SSC. The ACCP methodology allows a case to be closed even if there are outstanding unliquidated obligations (ULO) against the case. Examples of an obligation include a work request for services, a procurement contract, or an inventory requisition. Under ACCP, the case manager, with assistance from contract and financial management personnel, estimates the unliquidated obligation value. The ULO value is the difference between the estimated final-case obligations and the current cumulative case expenditures. The ULO amount is billed and collected from the purchaser and placed by DFAS–SCA into a customer-owned, country-level Case Closure Suspense Account (CCSA). At this point, the case is considered “Interim Closed,” and the partner nation receives a final bill (DD 645) indicating that the case is closed. Subsequent case disbursements for the ULOs will be processed against the CCSA, thus enabling cases closed by ACCP to remain closed. Purchasers receive regular CCSA statements as part of their quarterly DD Form 645 FMS Quarterly Billing Statement attachments. If the CCSA balance exceeds anticipated ULOs, the partner nation may receive a refund. However, if the CCSA balance is in arrears \$100,000 or more for longer than six months, DFAS–SCA may require payment of the entire balance owed. Even though the purchaser receives a “final bill” when a case is interim closed under ACCP, eventually the case has to be “Final Closed.” An Interim Closed case is not moved into Final Closed status until all outstanding obligations equal the final disbursements. If there are excess ULO collections at final closure, the partner nation may receive a reimbursement from the CCSA.

Non-ACCP is used for partner nations that have elected not to participate in ACCP and whose programs are wholly financed with national funds. Normally, the estimated closure date for a non-ACCP LOA is thirty-six months after the completion of the longest underlying contract. Under non-ACCP, cases may be closed when there are no unliquidated obligations (ULO) against the underlying open contracts. If no contracts apply, then the estimated closure date is normally thirty-six months from the last scheduled delivery or service. Since closing a case under non-ACCP can be cumbersome and time-consuming, most purchasers elect to participate in ACCP. Non-ACCP procedures are used to close all pseudo LOAs supporting Building Partner Capacity (BPC) programs, and many FMS cases for organizations, regions and NATO-specific programs.

## Processing Transactions After Case Closure

Although final closure marks the end of the life cycle of an FMS case from a practical and operational standpoint, cases never really close from a DoD accounting perspective. DoD policy requires that all charges or credits against a case be processed, regardless of when they arise. Thus, although very infrequent, it is possible for a case to be considered closed for many years, only to be reopened when a final audit finds a lost expenditure. If the partner nation participates in the ACCP, this newly discovered expenditure will be processed against the CCSA. If the purchaser is a non-ACCP participant, then the affected case could be reopened.

Reopening a case is undesirable for both the partner nation and the IA. For the partner nation, it may mean trying to justify a new expenditure for a case reported as delivered and complete years before. At a minimum, reopened cases distract all concerned from the important business of processing, implementing, managing, reconciling, and closing currently active cases.

## IMPLEMENTING AGENCY ORGANIZATIONS IN SUPPORT OF FOREIGN MILITARY SALES

### Implementing Agency (IA)

A partner nation may request an LOA for U.S. defense articles or services through Foreign Military Sales (FMS). An LOR for an LOA is forwarded through the channels described in this chapter. The action addressees should be the IA and the DSCA. An IA is a DoD organization authorized to receive and respond to LORs with an LOA.

Although most open FMS cases are managed by the three MILDEPs (Army, Navy, and Air Force), a number of other agencies also function as IAs.

### Implementing Agency (IA) Codes

DSCA has assigned each of the IAs a one-letter code that identifies the responsible organization for a given FMS case. This code is reflected in the middle position of the FMS case identifier. For example, the Bandarian case shown in Attachment 6-1 (Chapter 6) of this textbook is identified by the case identifier BN-B-ULY. The “B” in the middle position of the case identifier is called the IA Code. Below is a list of active IA codes. SAMM Table C5.T2 includes a comprehensive list of IAs, along with applicable IA codes, email, and mailing addresses, currently authorized to receive LORs and prepare LOAs.

**Table 5-2**  
**Implementing Agency Codes**

<b>IA Code</b>	<b>Organization</b>
B	Department of the Army
C	Defense Information Systems Agency (DISA)
D	Department of the Air Force
F	Defense Contract Management Agency (DCMA)
I	Missile Defense Agency (MDA)
M	National Security Agency (NSA)
P	Department of the Navy
Q	Defense Security Cooperation Agency (DSCA)
R	Defense Logistics Agency (DLA)
U	National Geospatial-Intelligence Agency (NGA)
Z	Defense Threat Reduction Agency (DTRA)

## **Military Departments**

The three MILDEPs manage approximately 95 percent of FMS and Building Partner Capacity (BPC) pseudo cases. Accordingly, the offices that support Security Assistance, for the most part, overlay the existing domestic infrastructure. As one might expect from such an arrangement, the policies, databases, and organizational elements used to manage FMS vary among MILDEPs. Still, the MILDEP FMS organizations are similar in that each has the following:

- A dedicated FMS headquarters element
- An International Logistics Control Office (ILCO) that is responsible for support equipment, spare parts, and repair services.
- An FMS training activity that manages both stand-alone schoolhouse training, such as Professional Military Education (PME), and training in support of systems sales

Additionally, all MILDEPs and other IAs use DSAMS to task and prepare LOAs. Normally, the headquarters element is the point of entry for materiel LORs. DSAMS is then used to designate a lead organization for the preparation of the P&A or LOA data. The lead organization is responsible for obtaining data from other relevant organizations to prepare the P&A and/or LOA.

Read Chapter 3, “U.S. Government Organizations,” Chapter 10, “Logistics Support of Security Cooperation Materiel Transfers,” and Chapter 14, “International Training,” of this textbook for more discussion on the overall MILDEP FMS organizational structure, ILCOs, and training activities. See Appendix 1 of this textbook and SAMM, Chapter 13, for a discussion of DSAMS and other security cooperation information management systems.

### **United States Army (IA Code “B”)**

The U.S. Army is the largest implementing agency, in terms of total cases written.

Two organizations share FMS headquarters responsibilities for the U.S. Army. The Office of the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation (DASA-DE&C) has management oversight for Army Security Assistance policy as well as for international armaments cooperation, foreign disclosure, technology transfer, and munitions export licensing. Headquarters, U.S. Army Security Assistance Command (USASAC), located in Huntsville, Alabama (Redstone Arsenal) receives all Army LORs for materiel and OCONUS training, which it then tasks out via DSAMS. USASAC has a branch organization in New Cumberland, Pennsylvania (USASAC-NC), that acts as the Army ILCO and writes/manages cases for follow-on support. Central case managers for the Army are found at USASAC-NC.

The Security Assistance Training Field Activity (SATFA), located at Fort Eustis, Virginia, is the Army organization that writes and manages cases for CONUS and institutional training. SATFA may receive tasks from USASAC-Huntsville or may receive LORs directly.

Another U.S. Army organization connected to FMS training is the Security Assistance Training Management Organization (SATMO) at Fort Bragg, North Carolina. SATMO is responsible for selecting, training, and supporting mobile training teams (MTTs) that deploy overseas to support security cooperation training requirements. There is no comparable organization in the other two MILDEPs. SATMO works closely with SATFA and with SCOs.

The U.S. Army Corps of Engineers (USACE) in Washington, DC, is the organization responsible for receiving LORs and writing/managing FMS cases for Army design and construction services.

USACE may receive tasks from USASAC-Huntsville or may receive LORs directly. The USACE is the Army's principal organization for civil engineering, design, and construction. USACE supports the combatant commands (CCMDs) in designing and executing engineering projects and water resource management in over one hundred countries and currently has offices in thirty countries. Some of the construction and public works projects USACE has provided under security cooperation programs in the last decade include construction of maintenance and storage facilities in support of major systems and stand-alone projects such as the construction of piers, seawalls, firing ranges, schools, barracks, water wells, health clinics, simulation and training facilities, munitions storage bunkers, dining facilities, prisons, roads, and runways.

### **United States Navy (IA Code "P")**

The Navy International Programs Office (Navy IPO) is the Security Cooperation headquarters element in the U.S. Navy. Navy IPO handles not only FMS, but also other international programs such as international armaments cooperation and technology transfer. It also acts as the executive agent for security cooperation matters related to the U.S. Marine Corps and U.S. Coast Guard. Accordingly, Navy IPO is the action addressee/point of entry for all LORs related to U.S. maritime articles and services. Case managers for the Navy are often in the SYSCOMS and Program Executive Offices (PEOs). The Navy ILCO is the Naval Supply Systems Command Weapons Systems Support (NAVSUP WSS-N52), located in Philadelphia, Pennsylvania. Navy IPO tasks NAVSUP WSS-N52 to write cases for follow-on support.

The Naval Education and Training Security Assistance Field Activity (NETSAFA) in Pensacola, Florida, is the agency that has oversight for FMS maritime training. Almost every LOA for the sale of a major maritime system will include a training line prepared by NETSAFA. However, unlike its counterparts in the Army and Air Force, NETSAFA is not authorized to receive LORs directly. Instead, LORs for maritime training must go to Navy IPO who will, in turn, task them to NETSAFA via DSAMS.

Navy IPO, NAVSUP WSS-N52, and NETSAFA also work closely with counterpart offices in the U.S. Marine Corps and U.S. Coast Guard to access resources to meet FMS maritime requirements.

### **United States Air Force (IA Code "D")**

The Office of the Deputy Under Secretary of the Air Force for International Affairs (SAF/IA) is the Air Force headquarters element for security cooperation. In addition to headquarters functions performed by Army DASA DE&C and Navy IPO, SAF/IA also has extensive political and military responsibilities. SAF/IA receives LORs for major system programs but generally tasks the Air Force Security Assistance and Cooperation (AFSAC) Directorate at Wright-Patterson AFB, Ohio, to prepare the LOA. AFSAC is also the Air Force ILCO in that it receives LORs and writes, signs, and manages cases for follow-on support.

The Air Force Security Assistance Training (AFSAT) squadron at Randolph Air Force Base, Texas, receives LORs and writes, signs, and manages cases for Air Force training. Air Force training via FMS may be included as a line on an LOA for a system sale or may be provided via a separate FMS case typically a blanket order case.

### **Additional Implementing Agencies**

In addition to the three MILDEPs, there are eight defense agencies that receive LORs and write/manage LOAs for their products and services. These additional IAs are responsible for approximately 5 percent of the total FMS and BPC pseudo LOAs executed by the DoD.



## **National Security Agency (IA Code “M”)**

The National Security Agency (NSA) is the largest of the other IAs, both in terms of total cases written, and total case value. The NSA writes cases for special communications systems, communications security (COMSEC) devices, and cryptographic equipment. This equipment may be provided to the MILDEPs for incorporation into major systems, or they may be provided as standalone systems to partner nations. NSA is the national manager and the FMS authority for all encryption equipment. MILDEPs must coordinate with and obtain approval from NSA before committing to selling products containing encryption equipment.

## **Defense Logistics Agency (IA Code “R”)**

The Defense Logistics Agency (DLA) has inventory management responsibility for over 90 percent of consumable items and spare parts in the DoD supply system. These are provided to FMS customers through LOAs written and managed by the MILDEPs. However, the DLA writes and manages LOAs for catalog data and excess property, managed by two of its service centers.

The DLA manages the Federal Logistics Information System (FLIS), which is the repository of all national stock numbers and part numbers used by the DoD and other federal agencies. The DLA provides catalog data and cataloging services to partner nations through the DLA Logistics Information Service, which serves as the national codification bureau for the U.S.

The DLA also manages surplus property disposal of non-lethal equipment, which may be granted to or purchased by partner nations through the DLA Disposition Services (formerly known as DRMO).

Both the DLA Logistics Information Service and the DLA Disposition Services receive LORs and write and manage LOAs for their respective products.

## **National Geospatial-Intelligence Agency (IA Code “U”)**

The National Geospatial-Intelligence Agency (NGA) provides geospatial intelligence (GEOINT), to include aeronautical, hydrographic, topographic, geodesy and enhanced targeting data products, for security and capacity-building capabilities. NGA is both an Implementing Agency (IA) that writes/manages LOAs for GEOINT products and services, and is frequently a line-item manager for MILDEP-managed cases.

Many military articles, including fighter aircraft, helicopters, naval vessels, and border security monitoring systems, rely on NGA-produced GEOINT to function. For these systems to function effectively for foreign partners, NGA must authorize disclosure and/or release of GEOINT data. MILDEPs must coordinate with and obtain approval from NGA before committing to selling products containing GEOINT.

NGA participates in pre-LOR discussions and negotiations to determine the level of support that NGA is able to provide, and to coordinate the releasability of GEOINT data. NGA also conducts site surveys to determine a country’s GEOINT production capabilities as well as its ability to conduct precision point measurements for use in deploying precision-guided munitions.

## **Defense Information Systems Agency (IA Code “C”)**

The Defense Information Systems Agency (DISA) is a combat support agency that provides, operates, and ensures command and control and information-sharing capabilities and a globally accessible enterprise information infrastructure in direct support to joint warfighters, national-level leaders, and other mission and coalition partners across the full-spectrum of military operations. DISA provides internet connection services, networking systems, command and control systems, software, and information assurance support services through FMS LOAs to coalition partners.



### **Defense Contract Management Agency (IA Code “F”)**

The Defense Contract Management Agency (DCMA) provides Contract Administration Services (CAS) to partner nations who elect to purchase their defense articles and/or services through Direct Commercial Sales (DCS). Foreign purchasers’ government representatives may possess all the skills and abilities to negotiate a favorable contract with U.S. industry, but the subsequent process for DCS contract administration, quality control, inspection, acceptance, and audit functions may present both a logistical and financial barrier. The U.S. contractor may perform work at multiple geographically dispersed locations. Thus, it may be difficult and expensive for partner nations to conduct these functions throughout the U.S. DCMA provides a cost-effective option to the partner nation by providing contract administration, oversight, and quality inspection services.

### **Defense Threat Reduction Agency (IA Code “Z”)**

The Defense Threat Reduction Agency (DTRA)/U.S. Strategic Command Center for Combating Weapons of Mass Destruction (SCC-WMD) is the DoD’s Combat Support Agency for countering weapons of mass destruction. For nearly two centuries, the U.S. has played a leading role in international agreements that restrict the development, production, stockpiling, distribution and usage of weapons, especially weapons of mass destruction. DTRA/SCC-WMD assists partner nations in the destruction of weapons, and verification of weapons destruction that countries do themselves. DTRA also conducts vulnerability assessments on weapon storage facilities.

### **Missile Defense Agency (IA Code “I”)**

The Missile Defense Agency (MDA) is the newest IA, having been established in 2011. Prior to 2011, MDA was a subordinate activity of the U.S. Army. The MDA is responsible for developing, testing, and fielding the U.S. Ballistic Missile Defense System (BMDS), and works with combatant commanders and partner nations to protect against hostile ballistic missile attacks. The MDA provides AN/TPY-2 Radar Systems and Terminal High Altitude Area Defense (THAAD) ballistic missile defense systems to partner nations through FMS LOAs.

### **Defense Security Cooperation Agency (IA Code “Q”)**

The Defense Security Cooperation Agency (DSCA) reserves the right to write and manage FMS cases, but has not done so since 2002. At the time of this publication, DSCA has no implemented LOAs.

### **LOR Submission**

Refer to SAMM Table C5.T2 for a comprehensive list of IAs, email, and mailing addresses, currently authorized to receive LORs and prepare LOAs.

## **SUMMARY**

The process of FMS management follows a logical sequence of steps over a prescribed timeline. A purchaser initiates the FMS process by identifying defense requirements and submitting an LOR for U.S. defense articles and/or services. As emphasized throughout this chapter, it is very important for the LOR to be complete, i.e., contain sufficient information for the USG response to accurately reflect the partner nation’s requirements. Failure to provide a complete LOR can delay processing while requirements are being clarified and can impact program cost and schedule. Both the LOR and the USG response should comply with the TPA philosophy that many partner nations view as an advantage of the FMS process.

Whether an LOR is initiated in country or by a country’s representative in the U.S., the action addressees should be the IA and the DSCA. The U.S. embassy/SCO and the applicable CCMD should see information copies of LORs. The DoS/PM should receive copies of LORs for SME. Further, a CTA

may be required to accompany an LOR. It is the IA's responsibility to ensure the appropriate USG agencies receive the LOR.

Depending on the nature of the partner nation's requirements, a purchaser may request either P&A data or an LOA. A P&A is not an official USG offer but may be needed by the foreign government for rough estimates on prices and delivery time frames. When a partner nation requests an LOA, the USG response time is based on an Anticipated Offer Date, which is described in Figure 5-5.

The LOA is an official offer for the USG to provide defense articles and services to a partner nation or international organization. The LOA is considered implemented when the customer accepts it and provides the required initial deposit to DFAS-SCA. The information in the accepted LOA, including associated amendments and modifications, provides the basis for the IA case manager to execute the FMS program. As the program is executed, the resulting financial and logistical documents and transactions are tracked by FMS unique computer systems. As the LOA requirements are delivered, they are reported to DFAS-SCA, and the purchaser receives a quarterly billing statement. When all the materiel has been delivered and the services completed, the case becomes Supply and Services Complete (SSC). Under ACCP, the case should be Interim Closed within two years of becoming SSC. The case will remain Interim Closed until all the final expenditures have been processed. Eventually a case will move into "Final Closed" status.

Within the three stages of the foreign military sales process, the U.S. Government and the international purchaser have specific responsibilities, as shown in Attachment 5-1. Some responsibilities are concurrent and some are done sequentially. The USG's FMS activities involve many different organizations. Many of the functions shown here are discussed in detail in the following chapters.

## REFERENCES

DoD 7000.14-R, *Financial Management Regulation* (FMR), Volume 15. "Security Cooperation Policy."

DSCA Manual 5105.38-M. *Security Assistance Management Manual* (SAMM). <http://www.samm.dsca.mil/>

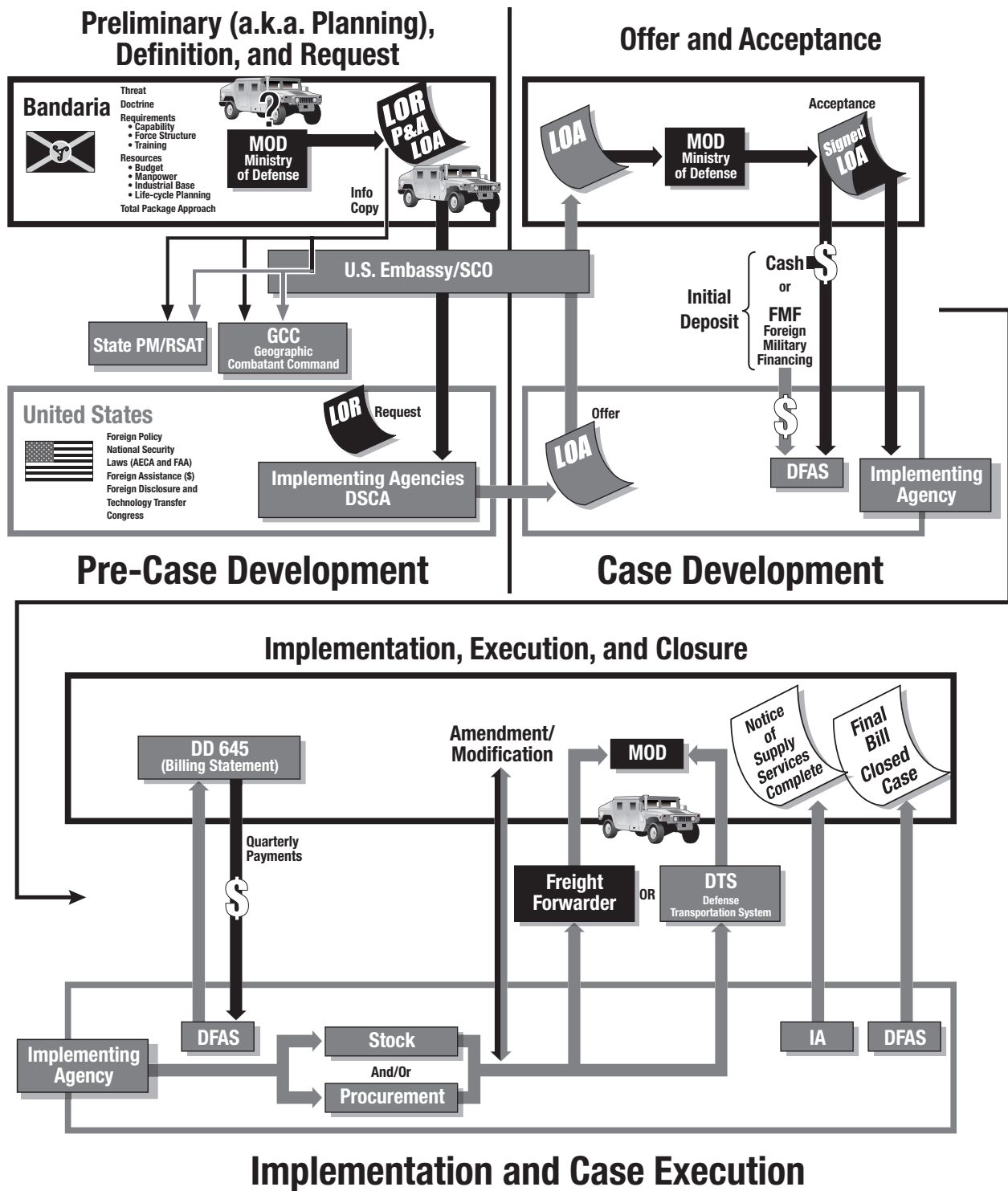
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U.S. Navy checklists: <https://www.secnav.navy.mil/nipo/Pages/About/Security%20Assistance/Requesting-Products-and-Services.aspx>

# Attachment 5-1 Foreign Military Sales Process





## Chapter

# 6

# TYPES OF LOAs

## INTRODUCTION

The foundation of any U.S. Government (USG) sponsored sale of defense articles, services, or training is the Letter of Offer and Acceptance (LOA). Except for pseudo LOAs (explained later in this chapter), an LOA is a document used by the USG to sell defense articles, defense services, training, and design and construction services to a partner nation or international organization under authorities provided in the Arm Export Control Act (AECA). The LOA is written by a U.S. military department (MILDEP) or other USG Implementing Agency (IA) and based on applicable laws/regulations and the requirements that have been set forth in the requesting document. As indicated in Chapter 5 of this textbook, “Foreign Military Sales Process,” the LOA, when combined with associated amendments or modifications, is commonly referred to as an FMS case. Each LOA has a unique case identifier (described later in this chapter), which enables both the USG and the partner nation to track it throughout its life cycle and to distinguish it from the thousands of FMS cases currently active.

## CATEGORIES OF LOAs

In accordance with the SAMM C5.4.3 and C15, there are four categories of LOAs:

1. Defined order LOAs
2. Blanket order LOAs
3. Cooperative Logistics Supply Support Arrangement (CLSSA) LOAs
4. Pseudo LOAs

### Defined Order Foreign Military Sales LOA

A defined order case is one in which the defense articles, services, or training desired by the partner nation or international organization are specified/quantified by the customer in the Letter of Request (LOR), and subsequently identified in the LOA document. A defined order LOA is most commonly used for the sale of major end items, generally significant military equipment (SME), which require more rigorous export and trade security controls throughout the sales process. SME items and major defense equipment (MDE), must be separately reflected on the LOA and not embedded in other lines on the case. LOAs for major end items generally include related initial support items and services (generally one to three years), in accordance with the Total Package Approach (TPA) philosophy. Refer to Chapter 5 of this textbook to review the definitions of SME, MDE, and TPA. The IA is responsible for preparing and submitting requisitions (orders) on defined order cases. Attachment 6-1 is a partial extract of a U.S. Army defined order FMS LOA.

A defined order case normally requires an LOA data analysis for the separately deliverable LOA line items in order to give the purchaser the best available estimate of item costs and delivery schedules within an allowable processing time frame. This data study includes information on payment schedules, financial analysis for program milestones, delivery schedules, and projected payments to contractors. When appropriate and available, the IA may also use historical data when developing LOA pricing.

The types of defense articles and services normally sold via defined order cases include, but are not limited to, the following:

- SME and MDE—includes major end items and weapon systems (e.g., tanks, ships, airplanes, missiles, etc.), and related support requirements to activate and operate an item or system during an initial period of time
- Explosives, including munitions
- Classified/sensitive articles
- Specific services (transportation, aircraft ferrying, etc.)
- Technical data packages (TDP)

### **Blanket Order Foreign Military Sales LOA**

A blanket order case is one in which the partner nation or international organization purchases a category of items, services, or training at a set dollar value ceiling with no definitive listing of the exact items or quantities desired. Since the dollar ceiling is usually established by the customer, an LOA data analysis is generally not required to develop LOA pricing. On a blanket order case, purchasers can submit requisitions as long as the case has funds available. Attachment 6-2 is a partial extract of a U.S. Air Force blanket order LOA.

The types of defense articles, services, and training normally sold via blanket order cases include, but are not limited to, the following:

- Spares and repair parts: consumable and repairable items that become part of a higher assembly during use (generally for follow-on support of a major item or weapon system)
- Support equipment: special tools, test equipment, vehicles, construction equipment, materials handling equipment, etc., used in direct or indirect support and maintenance of weapon systems or end items
- Publications: forms, catalogs, manuals, stock lists, technical orders, engineering drawing specifications, reports, books, charts, etc.
- Maintenance: repairs, repair services, and minor modifications/alterations as authorized by the cognizant IA
- Repairables: supply items of a durable nature and design, which, when unserviceable, normally can be economically restored to a serviceable condition through regular repair procedures (includes such major components as aircraft engines, communications equipment, radars, motor vehicle engines, and transmissions or secondary items such as generators); may be repaired at the request of the customer and with the approval of the appropriate IA
- Technical assistance services: site/system survey teams, installation and testing of major items, systems evaluation, technical assistance teams, advice from specialists, feasibility studies, systems integration, study groups to develop engineering requirements plans, etc.
- Training: formal (classroom) or informal (on-the-job) instruction of international students by DoD components, contractors (including instruction at civilian institutions), or by correspondence course to include technical, educational, or informational publications, and instructional media of all kinds
- Training aids: items that supplement training programs such as videotapes, DVDs, slide films, microfiche, transparencies, etc.



A blanket order case is typically used for follow-on support and training for a major item or weapon system following the initial support period. Initial or concurrent support is usually included in the original system sale defined order case as part of the TPA. Depending on the IA, a blanket order follow-on support case may be established for each category of item/service to be provided, for each major item/weapon system, or perhaps for support of multiple systems.

### ***Restrictions on Blanket Order Procedures***

There are a number of instances where, by regulation, blanket order case procedures do not apply (see SAMM, C5.4.3.2.2). These items must be ordered on a defined order case. Items that are generally restricted from being ordered on a blanket order case include the following:

- SME, including MDE
- Initial logistics support that is normally ordered for concurrent delivery (e.g. TPA)
- Classified materiel (except classified publications, which must be on a stand-alone line)
- Lumber, sand, gravel, household goods and other commercial-type material
- Technical data packages (TDPs)
- Ozone-depleting substances
- Explosives, including munitions

### ***Defined versus Blanket Order Procedures***

There are instances when either a defined order or blanket order case may be used, depending on the specific IA and country involved. IA policy, partner nation preference, and item application (i.e., support for a specific system or program, or general support to a customer service, unit, depot, etc.), will dictate which type of case is most appropriate. Partner nations may sometimes prefer a blanket order case, because the Anticipated Offer Date (AOD) for the USG to offer the LOA is generally shorter than a more complex defined order case. This is due to the fact that the purchaser usually establishes the LOA dollar value, thereby eliminating the need for a more time-intensive LOA data analysis. Refer to Chapter 5 of this textbook for a review of AODs. Blanket order cases can also provide more flexibility, since items are not specifically identified and requisitions can be submitted as long as funds remain on the case. However, since the responsibility for preparing and submitting requisitions lies with the purchaser on blanket order cases, the partner nation or international organization must be familiar with DoD requisitioning procedures and supply systems.

An important feature of both defined order and blanket order cases is that materiel requirements are normally filled from DoD stocks only if on-hand assets are above the control level, also known as the reorder point. The only time that FMS requisitions will normally be filled below this reorder point is through a mature (programmed) CLSSA.

### **Cooperative Logistics Supply Support Arrangement (CLSSA) LOAs**

A CLSSA is designed to provide more responsive follow-on spare parts support for U.S. produced military hardware owned by partner nations or international organizations. IAs may offer such arrangements with approval from the Defense Security Cooperation Agency (DSCA). A CLSSA consists of two LOAs. One LOA, the Foreign Military Sales Order (FMSO) I case, is established up-front to buy “equity” in the DoD’s supply system for DoD-stocked, non-SME items used by the purchaser on a recurring basis. This enables the DoD to augment defense stocks in anticipation of FMS demands and increases the probability of spare and repair parts being available for issue from DoD stock. The second LOA, the FMSO II case, is a blanket order CLSSA case used by the purchaser

to requisition those items. Many purchasers prefer CLSSAs for follow-on support. Chapter 10 of this textbook, “Logistics Support of International Military Sales,” provides additional information on CLSSAs.

### **Pseudo LOA**

The first traditional Title 22 security assistance-based FMS agreements started in the early 1950s. They were the result of the Cold War and represented a U.S. Department of State (DoS) tool of foreign policy. Pseudo LOAs were first introduced in 2005. Pseudo LOAs came about because the DoD’s perspectives on training and equipping foreign military forces slowly began to change after the September 11, 2001 terrorist attacks on the United States. Defense officials began to regard the defeat of terrorist groups in the countries where they train and prepare as essential to U.S. national security. There was a realization that these groups could not be disrupted and defeated solely with U.S. forces under existing arrangements.

Thus the DoD, with DoS concurrence, petitioned Congress to provide additional authorities within U.S. law to use U.S. appropriated funds (other than Foreign Military Financing [FMF] and International Military Education and Training [IMET] funds) to transfer defense articles and services to friends and allies. Typically, these additional authorities allow the DoD and DoS to focus on building capacities of partner nation security forces and enhancing their capabilities to conduct/support:

- Counterterrorism operations
- Counter drug operations
- Counterinsurgency operations
- U.S. military and stability operations
- Multilateral peace operations

These types of activities funded with U.S. Government appropriations are called Building Partner Capacity (BPC) programs and are administratively managed using the FMS infrastructure. IAs develop pseudo LOAs for BPC programs using established security assistance automated systems. It is important to note that DSCA has dedicated Chapter 15 of the SAMM as the source for comprehensive policy for pseudo LOAs and BPC guidance. The terms “pseudo LOA” and “BPC case” can be used interchangeably. A partial extract of a pseudo LOA is shown in Attachment 6-3.

Typical (though not all-inclusive) BPC programs that may result in a pseudo LOA are described in SAMM C15.1.4. The most common are as follows:

- Afghanistan Security Forces Fund (ASFF)
- Coalition Readiness Support Program (CRSP)
- Global Peacekeeping Operations Initiative (GPOI)
- Global Security Contingency Funds (GSCF [multiple])
- Global Train and Equip (Sections 2282 and 333)
- International Narcotics Control and Law Enforcement (INCLE)
- Iraq Train and Equip Fund (ITEF)
- Peacekeeping Overseas Contingency Operations (PKO/OCO) (FAA Section 551)

Each of these BPC programs will have its own unique authorization that will influence its execution guidelines and fiscal law constraints. For example, the program to build the capacity of foreign security forces, NDAA Section 333, contains both one fiscal year and two fiscal year obligation authority and should be used for emergent threats related to training and equipping a foreign country's national security forces (forces not limited to the authority of the Ministry of Defense [MOD]) to conduct counterterrorism or counternarcotics operations or participate in/support military and stability operations in which U.S. armed forces are participating. The Section 333 authority can also be used to build the capacity of a foreign country's maritime security forces (including non-MOD elements) to conduct counterterrorism or counternarcotics operations. Thus, it is important that any participant involved in the development or execution of a BPC program recognize that each program has its own unique program guidelines.

The pseudo LOA process starts with the requesting authority submitting a pre-coordinated BPC request or proposal to the Implementing Agency (IA) and DSCA. The requesting authority could be the security cooperation organization (SCO) at the U.S. Embassy, a Combatant Command (CCMD), Component Command, Department of State, another federal agency, or a combination of all of these organizations. The request, called a Memorandum of Request (MOR), is similar to a traditional FMS LOR, and it will identify the required services, equipment, and the BPC legal authority for the program. The IA may conduct a feasibility assessment to ensure such areas as requirements definition, transportation plans, technology/disclosure, special contracting issues, etc., are addressed and compliant with the BPC program guidelines. The assessment will also verify that the requirements identified are actionable within the program budget constraints and obligation timelines.

While not yet required for every BPC request, Section 333 requests are now requiring that before the MOR is submitted that an initiative design document (IDD) and objective tree logic framework are submitted to the Joint Staff and DSCA for consideration. The IDD and objective tree logic framework are linked to the Integrated Country Strategy (ICS) and Country-specific SC Section (CSCS) of the CCMD Campaign Plan (CCP) and are designed to help determine if the request is a priority and executable.

The IDD and objective tree logic framework help to document the initial assessment, partner nation baseline, desired security cooperation outcome, logic framework, theory of change, indicators and milestones, activities and resources required, monitoring plan, risks and guidance to stakeholders.

The theory of change is intended to make implicit assumptions more explicit, describe why certain actions will produce a desired change and clearly states what the intended outcome of the initiative will be and how it will be achieved. The objective tree logic framework maps goals and "SMART" (Specific, Measurable, Achievable, Relevant, Time-bound) objectives to activities necessary to achieve desired changes and visually describes activities and the planned process to achieve goals and objectives. For more on this, see Theory of Change and Logic Framework descriptions in Chapter 19.

If the IDD and objective tree logic framework are approved, the requesting authority will then begin development of the MOR. MORs have a very specific format (SAMM C15.T4), which includes an Excel spreadsheet, PowerPoint "Quad Charts," and Country Team Assessment. The requesting authority should submit the completed MOR no later than the first quarter of the fiscal year to allow adequate time for case development and funds obligation to the DSCA Integrated Regional Team in the BPC directorate and copy the implementing agency. DSCA then forwards the MOR to OUSD(P) and other organizations for review in accordance with DoD Instruction 5111.19. The project then enters the program design phase.

Each CCMD is responsible for multi-year planning of BPC activities and strategies for the regions and countries within its theater of operations, documented in the CCMD Campaign Plan (CCP) (SAMM C15.1.3.5).

Chapter 15 of the SAMM also includes specific operating guidelines required when developing and executing the pseudo LOA:

- Congressional notification is required for all pseudo LOAs.
- The pseudo LOA is not signed by the country or organization receiving the articles and/or services. Once implemented, pseudo LOA documentation may be shared with the recipient (benefitting) country on a case-by-case basis in accordance with DSCA guidance.
- Transportation is typically provided by the USG to an in-country destination, and the SCO is responsible for conducting an inventory before transferring possession of the materiel to the customer.
- For programs where the title transfers, it transfers at the point of delivery vice the initial point of shipment. The SCO is responsible for documenting the transfer to the benefitting country.
- LOA standard terms and conditions do not apply to pseudo LOAs.
- DSCA will issue a policy memorandum each fiscal year to identify the funding authority, a unique two-position alpha-numeric program code, and specific pseudo LOA preparation procedures for each BPC program. Reviewing these policy memoranda on DSCA's website can help provide a more thorough understanding of pseudo LOAs.
- The unique two-position alpha-numeric/alpha-alpha program code will become part of the pseudo LOA case identifier.
- The pseudo LOA will cite the program authority and will note the period of availability for the financial authority.
- One or more benefitting countries identified to receive the program materiel or services may be identified in the pseudo LOA.
- DoD and DoS "Leahy" human rights vetting must be completed before receiving BPC program assistance, as applicable.

The SCO and the CCMD play a significant role in the pseudo LOA process. They must interface with the recipient country in order to translate the specific BPC program objectives into detailed package requests. As stated previously, BPC program requests should be linked to country and theater planning documents. Since some BPC cases have a short financial life cycle and are authorized only to counter immediate crisis situations, they generally do not contain sustainment support. Therefore, these sustainment support elements should be considered and funded through other SC programs such as FMS or IMET. The SCO and CCMD should include these sustainment elements in their planning documents.

## LOA CASE IDENTIFIER

To differentiate among the approximately 14,000 implemented FMS cases, each LOA is assigned a unique case identifier. This case identifier is assigned by the IA and should be provided to the customer as soon as possible after receipt of the LOR. However, if the proposed sale must be notified to Congress, the case identifier may not be available until the proposed sale is entered in the *U.S. Federal Register*. The case identifier is found on every page of every LOA. The case identifier has three major components:

1. SC Customer Code: A two-position code representing the purchasing country or organization. A list of DoD country/activity codes is found in SAMM, Table C4.T2. For pseudo LOAs, the customer code is replaced by a Program Code that represents the U.S.

security cooperation program authorizing the transfer. Program codes are listed in SAMM C4.T2 and C15.T2.

2. **Implementing Agency (or service) Code:** A single alpha code that identifies the U.S. MILDEP or other IA that manages the item/system requested and is responsible for preparing the LOA on behalf of the USG. The most common codes are “B” for Army, “D” for Air Force, and “P” for Navy. Refer to Chapter 5 or Attachment 5-1 of this textbook, or SAMM Table C5.T2 for a listing of IA codes.
3. **Case Designator:** A three-position alpha code assigned by the IA to identify a specific offer to a country. The first position of the case designator generally identifies the category of item or service to be provided to the purchaser. The meaning of this first position code varies by MILDEP and is not dictated by DSCA policy. See Table 6-1 of this chapter or Figure C5.F6 of the SAMM for general guidelines used by the MILDEPs in determining the first position of a case designator. The second and third positions are assigned sequentially to distinguish among a country’s separate FMS cases for that same category of item or service.

As an illustration, the case identifier on the LOA in Attachment 6-2 is BN-D-EZY. For this example, “BN” is the SC Customer Code for the fictional country of Bandaria. The IA code is “D” for U.S. Air Force, and case designator “EZY” indicates that this is likely one of several cases that the U.S. Air Force has prepared for Bandaria in the “E” equipment category. The case identifier should be used on all documentation relating to its associated LOA, including amendments and modifications, as well as logistical and financial transactions. It is used to track the status of the LOA and is perpetuated in case directives, Military Standard Requisitioning and Issue Procedures (MILSTRIP) documents, FMS billing documents, and the DSCA 1200 computer system.

**Table 6-1**  
**First Position of Case Designator\***

First Position of Case Designator	Implementing Agency	Purpose	Type of LOA
A	Army	Materiel and Services for BPC Programs	Pseudo
A	Navy	Ammunition and Explosives	Defined
A	Air Force	Munitions	Defined
A	DCMA	Contract Administration Services	Blanket
A	DLA	Services for BPC Programs	Pseudo
A	NSA	Communications Security Equipment	Defined
B	Army	Repair Parts	Blanket
B	Navy	Spares and Components	Defined or Blanket
C	Navy	Spares and Components	Defined or Blanket
C	Air Force	Cartridge Actuated Devices/Propellant Actuated Devices (CAD/PAD)	Defined or Blanket
D	Army	Training OCONUS (SATMO)	Defined/Blanket/Pseudo
D	Air Force	Communications/Electronic Systems Sale	Defined
D	Navy	Equipment Support Services	Defined
E	Air Force	Equipment	Blanket
E	NSA	Communications Security Equipment	Defined
F	NSA	Communications Security Equipment	Defined
F	DLA	Packing, Crating and Handling Services	Defined or Blanket
F	Navy	Technical Assistance	Defined or Blanket
F	Army	Local Purchase Equipment and Training for Afghanistan	Pseudo
G	DISA	Communications Systems/Networks	Defined
G	NSA	Communications Security Equipment	Defined
G	Navy	Technical and Engineering Services	Defined or Blanket
G	Air Force	Services	Defined or Blanket
G	Navy	Materiel and Services for BPC Programs	Pseudo
G	Navy	Technical Services and Support	Defined or Blanket
H	Army	Corps of Engineers Construction Services	Defined
H	Navy	Direct Requisition Procedures	Defined
H	Navy	Global Peace Operations Initiative Construction and Support	Pseudo
H	NSA	Communications Security Equipment	Defined
I	Army	Excess Defense Articles	Defined
J	Navy	Direct Requisition Procedures	Blanket
J	NGA	Geospatial and Flight Information Publications	Defined
K	Army	Foreign Military Sales Order I and II	CLSSA
K	Navy	Foreign Military Sales Order I and II	CLSSA
K	Air Force	Foreign Military Sales Order I and II	CLSSA
L	Navy	Major End Items, Components and Equipment	Defined
L	Air Force	Equipment	Defined
M	Army	Medical Equipment from the US Army Medical Materiel Agency	Defined
M	Navy	Repair and Return Maintenance	Blanket
M	Air Force	Repair and Return Maintenance	Blanket
M	DLA	Excess Defense Articles and Related Services	Defined or Blanket
N	Army	Coproduction	Defined
N	Air Force	Special Support	Defined
O	Army	Training CONUS (SATFA)	Blanket



**Table 6-1 (Continued)**  
**First Position of Case Designator\***

First Position of Case Designator	Implementing Agency	Purpose	Type of LOA
O	Air Force	Communications Security Devices	Defined
P	Air Force	Publications	Defined or Blanket
P	Navy	Cartridge Actuated Devices/Propellant Actuated Devices (CAD/PAD)	Defined
Q	Army	Materiel/Services from US activities located in Europe	Defined
Q	Air Force	Systems Sustainment Support	Defined or Blanket
Q	NGA	Geointelligence Products and Services	Defined
R	Navy	Medical Equipment, Spares, Publications, Support Equipment	Blanket
R	Air Force	Spares and Components	Blanket
S	Navy	Weapon System Sale (Ship or Aircraft)	Defined
S	Air Force	Aircraft System Sale	Defined
T	Army	Publications	Blanket
T	Navy	Training	Defined or Blanket
T	Air Force	Training	Defined or Blanket
U	Army	Materiel/Services provided from various Life-Cycle Management Commands, including but not limited to system package sales, munitions, spare parts, equipment, technical services, maintenance, etc.	Defined or Pseudo
U	DLA	Packing, Crating, and Handling Services in Support of BPC Programs	Pseudo
U	DTRA	Vulnerability Assessment and Protection Services	Defined
U	Navy	Major Items in Support of BPC Programs	Pseudo
V	Army	Materiel/Services provided from various Life-Cycle Management Commands, including but not limited to system package sales, munitions, spare parts, equipment, technical services, maintenance, etc.	Defined
V	Air Force	Modifications and Upgrades	Defined or Blanket
W	Army	Materiel/Services provided from various Life-Cycle Management Commands, including but not limited to system package sales, munitions, spare parts, equipment, technical services, maintenance, etc.	Defined
W	Missile Defense Agency	Missile Defense Systems and Services	Defined
X	Army	Materiel/Services provided from various Life-Cycle Management Commands, including but not limited to system package sales, munitions, spare parts, equipment, technical services, maintenance, etc.	Defined
Y	Army	Materiel/Services provided from various Life-Cycle Management Commands, including but not limited to system package sales, munitions, spare parts, equipment, technical services, maintenance, etc.	Defined
Y	Air Force	Missile System Sale	Defined
Y	DLA	Catalog/Services/Logistical Data	Blanket
Z	Army	Materiel/Services provided from various Life-Cycle Management Commands, including but not limited to system package sales, munitions, spare parts, equipment, technical services, maintenance, etc.	Defined
Z	Air Force	Airborne Warning and Control Systems	Defined
Z	DLA	Catalog Services/Logistics Data	Blanket

\*Table 6-1 shows the most common applications of the case designator first position. However, each IA may make exceptions to how the first position is assigned.

## SUMMARY

The FMS case concept is crucial to understanding and managing FMS programs. FMS cases fall into one of three categories as defined by the SAMM: defined order, blanket order, and CLSSA. Some BPC programs are implemented through the existing FMS infrastructure using a fourth category of case called a pseudo LOA.

Each FMS case is assigned a unique case identifier, composed of a customer code, IA code, and case designator. The case identifier is used for all managerial tasks associated with the case, such as financial and logistics tracking. Pseudo LOA case identifiers contain a unique program code assigned by DSCA.

## REFERENCES

DSCA Manual 5105.38-M, *Security Assistance Management Manual (SAMM)*. <https://samm.dsca.mil/>.

U.S. Air Force Manual, AFMAN 16-101, *International Affairs and Security Assistance Management*.

U.S. Army Regulation, AR 12-1, *Security Assistance, Training, and Export Policy*.

U.S. Navy Naval Supply (NAVSUP) Systems Command Publication 526, *Foreign Military Sales Customer Purchaser Supply Systems Guide*.

**Attachment 6-1  
Sample Defined Order Case**



**United States of America  
Letter of Offer and Acceptance (LOA)**

**BN-B-ULY  
BULLSEYE**

Based on Government of Bandaria, Ministry of Defence Letter, Ref: (continued on page 2)

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to the Government of Bandaria, Office of the Military Attaché, 2468 16th Street NW, Washington DC 20009, the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items," set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA is for the procurement of BULLSEYE missiles and supporting equipment.

Estimated Cost: \$454,691,120

Initial Deposit: \$8,717,741

Terms of Sale:

Cash Prior to Delivery

Dependable Undertaking

Congressional Notification: 20-999

This offer expires on 21 February 2021. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This LOA consists of page 1 through page 30.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

_____	06 Sep 2020	_____	13 Feb 2021
U.S. Signature	Date	Purchaser Signature	Date
Sotheavy C Jenkins		General Malaise	
Director, EASTCOM Regional Operations		Defense Chief of Staff	
_____ Typed Name and Title		_____ Typed Name and Title	
US Army Security Assistance Command, Redstone Arsenal, AL 35898			
_____ Implementing Agency		_____ Agency	
DSCA Reviewed/Approved		12 Sep 2020 <b>IMPLEMENTATION DATE : 22 Feb 2021</b>	
_____ DSCA		_____ Date	

Information to be provided by the Purchaser:

Mark For Code\_C\_, Freight Forwarder Code\_2\_, Purchaser Procuring Agency Code\_B\_, Name and Address of the Purchaser's Paying Office:\_Office of the Military Attaché, 2468 16th Street NW, Washington DC 20009

**Attachment 6-1 (Continued)**  
**Sample Defined Order Case**

Customer reference continued: BN2060, 01 March 2019, Office of the Military Attaché, 2468 16th Street NW, Washington DC 20009.

**Items to be Supplied (costs and months for delivery are estimates):**

(1) Itm Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
001 L 5	B1U 1324658790132 (Y)(M)(R)(IV) BULLSEYE MISSILE, Guided Missile (GM). Nomenclature is unclassified. Material is classified CONFIDENTIAL (Note(s) 1, 39)	95 EA	\$3,053,628.63	\$290,094,720 P(19-44) TA5 SP	Z	8
002 L	B6A 9B6A00MSLM0DS (N)(N)(R)(IV) MODIFICATION, MISSILE, TEST EQUIPMENT & SERVICES (Note(s) 39)			\$103,124,001 (Line Total)		
	a. PN 14622036 Launcher Station Modification Kit (LMK) (Note(s) 2)	28 KT	\$3,683,000.04	\$103,124,001 P(38-43) TA5	A	2
003 L	B1U 9B1U00BULLSEYE (N)(N)(R)(XIII) SUPPORT EQUIPMENT, BULLSEYE (Note(s) 39)			\$1,624,000 (Line Total)		
	a. Fire Solution Computer (FSC) Mod Kits (Note(s) 3)	24 EA	\$67,666.66	\$1,624,000 P(18-26) TA5 NR	X	2
004 L	B6A 9B6A00MSLM0DS (N)(N)(R)(IV) MODIFICATION, MISSILE, TEST EQUIPMENT & SERVICES (Note(s) 39)			\$1,522,500 (Line Total)		

**Attachment 6-1 (Continued)**  
**Sample Defined Order Case**

(1) Itm Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(5) SC/MOS/ TA (b) Total	(6) Ofr Rel Cde	(7) Del Trm Cde
	a. BULLSEYE Test Set (Note(s) 4)	3 EA	\$507,500.00	\$1,522,500	P(84) TA5	Z 4
005	B1U 9B1U00BULLSEYE (N)(N)(R)(XIII) L SUPPORT EQUIPMENT, BULLSEYE			\$1,249,266 (Line Total)		
	a. 9999-01-713-3333 Missile Trainer (Note(s) 5)	12 EA	\$104,105.50	\$1,249,266	P(12) TA5 SP	Z 4
006	B9A 9B9A00GMPARTS (N)(N)(R)(IV) L COMPONENT PARTS/SUPPORT EQUIPMENT (Note(s) 39)			\$6,800,500 (Line Total)		
	a. BULLSEYE Prescribed Load List (PLL), BULLSEYE Authorized Stockage List (ASL), Supplemental Items to Support Integration, BULLSEYE Sustainment Spares (Note(s) 6)	2 SE	\$3,400,250.00	\$6,800,500	P(19-55) TA5	Z 4
007	B9A 9B9A00GMPARTS (N)(N)(R)(IV) L COMPONENT PARTS/SUPPORT EQUIPMENT (Note(s) 39)			\$101,500 (Line Total)		
	a. BULLSEYE Missile Consumables OCONUS - Outside the Continental United States (Note(s) 7)	2 SE	\$50,750.00	\$101,500	X(44-80) TA4	A 5
008	B9A 9B9A00GMPARTS (N)(N)(R)(IV) L COMPONENT PARTS/SUPPORT EQUIPMENT (Note(s) 39)			\$5,785,500 (Line Total)		
	a. Unclassified BULLSEYE Spares - Continental United States (CONUS) (Note(s) 8)	2 SE	\$2,892,750.00	\$5,785,500	P(44-80) TA5	Z 4

BN-B-ULY  
Page 3 of 30 Pages

**Attachment 6-1 (Continued)**  
**Sample Defined Order Case**

(1) Itm Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(5) SC/MOS/ TA (b) Total	(6) Ofr Rel Cde	(7) Del Trm Cde
009	B9A 9B9A00GMPARTS (N)(N)(R)(IV)			\$7,105,000		
L	COMPONENT PARTS/SUPPORT EQUIPMENT			(Line Total)		
	(Note(s) 39)					
	a. CLASSIFIED BULLSEYE Spares - Continental United States (CONUS)	2 SE	\$3,552,500.00	\$7,105,000	P(44-80) TA5	Z 4
	(Note(s) 9)					
010	M2K02280000RRMSL (N)(N)(R)(XXI)	XX		\$2,436,000	P(38-74) TA5	A E
L	R-R MISSILES & SUPPORT EQUIPMENT					
	Repair and Return of BULLSEYE Ground Support Equipment (BULLSEYE)					
3	(Note(s) 10, 39)					
011	M2K02280000RRMSL (N)(N)(R)(XXI)	XX		\$3,146,500	P(38-43) TA5	A E
L	R-R MISSILES & SUPPORT EQUIPMENT					
	Repair and Return Missile and Support Equipment (BULLSEYE)					
3	Nomenclature is unclassified. Items for Repair and Return are classified CONFIDENTIAL					
	(Note(s) 11, 39)					
012	M1E 02050000LOGSV (N)(N)(R)(XXI)	XX		\$507,500	P(38-43) TA5	- 4
L	LOGISTICAL INTEGRATION SERVICES					
	Contractor System Integration and Checkout (SICO) and System Integration Demonstration (SID)					
3	(Note(s) 12, 39)					
013	M1E 02050000THERTA (N)(N)(R)(XXI)	XX		\$913,500	P(3-87) TA5	- 4
L	OTHER TECHNICAL ASSISTANCE CONTRACTOR PERSONNEL ONLY					
	Contractor Technical Assistance in Support of BULLSEYE Missiles					
3	(Note(s) 13, 39)					
014	R9A 079100SPCLACT (N)(N)(R)(XXI)	XX		\$2,933,162	X(1-84) TA4	- 4
L	SPECIAL ACTIVITIES					
	Missile Field Surveillance - BULLSEYE					
3	(Note(s) 14)					

BN-B-ULY  
Page 4 of 30 Pages



**Attachment 6-1 (Continued)**  
**Sample Defined Order Case**

(1) Itm Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(5) SC/MOS/ TA (b) Total	(6) Ofr Rel Cde	(7) Del Trm Cde
015	M1E 0205000TAUSGP (N)(N)(R)(XXI)	XX		\$3,888,685	X(13-73)	-
L	OTHER TECHNICAL ASSISTANCE - US GOVERNMENT PERSONNEL (NOT TECHNICAL ASSISTANCE TEAMS)			TA4		
3	U.S. Government Technical Assistance - Lower Tier Project Office (LTPO) (Note(s) 15)					
016	M1E 0205000TAUSGP (N)(N)(R)(XXI)	XX		\$1,486,283	S(13-73)	-
L	OTHER TECHNICAL ASSISTANCE - US GOVERNMENT PERSONNEL (NOT TECHNICAL ASSISTANCE TEAMS)			TA3		
3	U.S. Government Technical Assistance - Security Assistance Management Directorate (SAMD) (Note(s) 16)					

**Estimated Cost Summary:**

(8) Net Estimated Cost	\$432,718,617
(9) Packing, Crating, and Handling	0
(10) Administrative Charge	16,443,308
(11) Transportation	5,529,195
(12) Other	0
(13) Total Estimated Cost	\$454,691,120

**To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:**

**ESTIMATED PAYMENT SCHEDULE**

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Initial Deposit	\$8,717,741	\$8,717,741
15 Mar 2013	\$613,737	\$9,331,478
15 Jun 2013	\$302,311	\$9,633,789
15 Sep 2013	\$98,040	\$9,731,829
15 Dec 2013	\$144,870	\$9,876,699
15 Mar 2014	\$6,887,272	\$16,763,971
15 Jun 2014	\$18,690,408	\$35,454,379

**Attachment 6-1 (Continued)**  
**Sample Defined Order Case**

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
15 Sep 2014	\$31,754,467	\$67,208,846
15 Dec 2014	\$51,945,565	\$119,154,411
15 Mar 2015	\$67,795,628	\$186,950,039
15 Jun 2015	\$66,341,769	\$253,291,808
15 Sep 2015	\$82,242,009	\$335,533,817
15 Dec 2015	\$94,132,601	\$429,666,418
15 Mar 2016	\$2,030,561	\$431,696,979
15 Jun 2016	\$2,090,299	\$433,787,278
15 Sep 2016	\$2,100,033	\$435,887,311
15 Dec 2016	\$2,219,101	\$438,106,412
15 Mar 2017	\$2,398,171	\$440,504,583
15 Jun 2017	\$2,761,417	\$443,266,000
15 Sep 2017	\$2,915,286	\$446,181,286
15 Dec 2017	\$2,828,990	\$449,010,276
15 Mar 2018	\$2,392,496	\$451,402,772
15 Jun 2018	\$1,728,411	\$453,131,183
15 Sep 2018	\$939,935	\$454,071,118
15 Dec 2018	\$480,388	\$454,551,506
15 Mar 2019	\$78,655	\$454,630,161
15 Jun 2019	\$52,714	\$454,682,875
15 Sep 2019	\$8,245	\$454,691,120

Explanation for acronyms and codes, and financial information, may be found in the "Letter of Offer and Acceptance Information."

**Signed Copy Distribution:**

1. Upon acceptance, the Purchaser should return one signed copy of this LOA to Defense Finance and Accounting Service - Indianapolis ATTN: Security Assistance Accounting, DFAS-JAX/IN 8899 E. 56th Street Indianapolis, IN 46249-0230. Simultaneously, wire transfer of the initial deposit or amount due with acceptance of this LOA document (if required) should be made to ABA #021030004,

**Attachment 6-2  
Sample Blanket Order Case**



**United States of America  
Letter of Offer and Acceptance (LOA)  
BN-D-EZY**

Based on Government of Bandaria, Ministry of Defence Letter, Ref: (continued on page 2)

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to the Government of Bandaria, Office of the Military Attaché, 2468 16th Street NW, Washington DC 20009, the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items," set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA is for equipment in support of the C-130 aircraft.

Estimated Cost: \$5,000,000

Initial Deposit: \$280,894

Terms of Sale:

Cash Prior to Delivery

Dependable Undertaking

This offer expires on 5 March 2021. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This LOA consists of page 1 through page 14.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

_____	16 Dec 2020	_____	12 Feb 2020
U.S. Signature	Date	Purchaser Signature	Date

Andrew J Crawford  
Director, EASTCOM Branch

General Malaise  
Defense Chief of Staff

Typed Name and Title

Typed Name and Title

AFSAC International Division

Implementing Agency

Agency

DSCA Reviewed/Approved

16 Dec 2020

**IMPLEMENTATION DATE : 08 Mar 2021**

DSCA

Date

Information to be provided by the Purchaser:  
Mark For Code\_B\_, Freight Forwarder Code\_2\_, Purchaser Procuring Agency Code\_D\_, Name and Address of the Purchaser's Paying Office: Office of the Military Attaché, 2468 16th Street NW, Washington DC 20009

**Attachment 6-2 (Continued)**  
**Sample Blanket Order Case**

Customer reference continued: Request, FAX #3302, 29 October 2013.

**Items to be Supplied (costs and months for delivery are estimates):**

(1) Itm Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(5) SC/MOS/ TA (b) Total	(6) Ofr Rel Cde	(7) Del Trm Cde
001	A7A 492000000FA7A (N)(N)(R)(VIII)	XX		\$4,815,116	X(-)	Z
B4	GROUND HANDLING EQUIPMENT FOLLOW-ON			TA4		4
47	Unclassified equipment in support of C-130 aircraft (Note(s) 1)					

**Estimated Cost Summary:**

(8) Net Estimated Cost	\$4,815,116
(9) Packing, Crating, and Handling	16,355
(10) Administrative Charge	168,529
(11) Transportation	0
(12) Other	0
(13) Total Estimated Cost	\$5,000,000

**To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:**

ESTIMATED PAYMENT SCHEDULE

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Initial Deposit	\$280,894	\$280,894
15 Jun 2014	\$368,680	\$649,574
15 Sep 2014	\$653,793	\$1,303,367
15 Dec 2014	\$978,231	\$2,281,598
15 Mar 2015	\$1,140,451	\$3,422,049
15 Jun 2015	\$958,568	\$4,380,617
15 Sep 2015	\$496,490	\$4,877,107
15 Dec 2015	\$122,893	\$5,000,000

**Attachment 6-3  
Sample Pseudo LOA**

**United States of America  
Letter of Offer and Acceptance (LOA)  
7G-P-TPA  
Bandaria, 10 U.S.C. SEC 333, BPC**

Based on Funds provided and written direction from (continued on page 2)

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to the Department of Defense, the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items," set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA provides for training and medical services in (continued on page 2)

Estimated Cost: \$245,000

Initial Deposit: \$245,000

Terms of Sale:

Cash with Acceptance 10 U.S.C. Sec. 333 2020

This offer expires on 31 March 2020. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This LOA consists of page 1 through page 8.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

_____	10 Mar 2020	No Purchaser Signature required	15 Mar 2020
U.S. Signature	Date	Purchaser Signature	Date

SHELBY LYON

Deputy Director, EASTCOM

Typed Name and Title

\_\_\_\_\_  
Typed Name and Title

\_\_\_\_\_  
Navy International Programs Office

Implementing Agency

\_\_\_\_\_  
Agency

\_\_\_\_\_  
DSCA Reviewed/Approved

\_\_\_\_\_  
10 Mar 2020

**IMPLEMENTATION DATE : 15 Mar 2020**

DSCA

Date

Information to be provided by the Purchaser:

Mark For Code\_(0)\_, Freight Forwarder Code\_(W)\_, Purchaser Procuring Agency Code\_T\_,

Name and Address of the Purchaser's Paying Office: See Original Signed Document\_\_\_\_\_

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**Attachment 6-3 (Continued)  
Sample Pseudo LOA**

Customer reference continued: Defense Security Cooperation Agency (DSCA) Email dated 05 Nov 2019.

Case description continued: support of EASTCOM Operations.

**Items to be Supplied (costs and months for delivery are estimates):**

(1) Itm Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(5) SC/MOS/ TA (b) Total	(6) Ofr Rel Cde	(7) Del Trm Cde
001	N00 000000FMSTRNG TRAINING P CONUS Training. (Note(s) 1)	(N)(N)(R)(IX) XX		\$231,660 S(-) TA3 Jun 2020 - Sep 2021	X	4
CS	Benefitting Country - Bandaria					
002	N7E 000000S365003 MEDICAL SERVICES P (Note(s) 2)	(N)(N)(R)(IX) XX		\$5,500 S(-) TA3 Jun 2020 - Sep 2021	X	4
CS	Benefitting Country - Bandaria					

**Estimated Cost Summary:**

(8) Net Estimated Cost	\$237,160
(9) Packing, Crating, and Handling	0
(10) Administrative Charge	\$7,840
(11) Transportation	0
(12) Other	0
(13) Total Estimated Cost	\$245,000

**To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:**

**ESTIMATED PAYMENT SCHEDULE**

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Initial Deposit	\$245,000	\$245,000

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7G-P-TPA  
Page 2 of 8 Pages



**Attachment 6-3 (Continued)**  
**Sample Pseudo LOA**

Explanation for acronyms and codes, and financial information, may be found in the "Letter of Offer and Acceptance Information."

**Signed Copy Distribution:**

1. Upon acceptance, the Purchaser should return one signed copy of this LOA to Defense Finance and Accounting Service - Indianapolis ATTN: Security Assistance Accounting, DFAS-JAX/IN 8899 E. 56th Street Indianapolis, IN 46249-0230. Simultaneously, wire transfer of the initial deposit or amount due with acceptance of this LOA document (if required) should be made to ABA #021030004, U.S. Treasury NYC, Agency Location Code: 00003801, Beneficiary DFAS-JAX/IN Agency, showing "7G-P-TPA, payment from Section 333, FY20 (Base)"; or a check for the initial deposit, made payable to the US Treasury, mailed to Defense Finance and Accounting Services, ATTN: Disbursing Operations-FMS Processing Col 135D, 8899 E. 56th Street, Indianapolis, IN 46249, showing "7G-P-TPA, payment from Section 333, FY20 (Base)". Wire transfer is preferred.
2. One signed copy should be returned to Department of the Navy, Navy International Programs Office, 1250 10th Street, SE Bldg 200, Suite 2000, Washington, DC 20374-5165.

**Note 1. TRAINING.**

Line Item 001 provides for defined order training in support of EASTCOM Operations for Bandaria, the shipment of student training materials, and the payment of student travel and living allowance (TLA).

The Minimum English Comprehension Level (ECL) requirement is seventy percent (70%).

The U.S. Government Security Cooperation Organization (SCO) assigned responsibility for assisting the U.S. Diplomatic Mission in-country will provide services and technical assistance in preparing students to receive training in the United States. The SCO will coordinate scheduling with appropriate agencies and assist in selection of students to ensure they meet security, medical, English language, and technical requirements for training provided under this LOA. The SCO will ensure all students are briefed before their departure and prepare necessary administrative documents related to training, including Invitational Travel Orders (ITOs), medical records, and arrival messages.

Travel and Living Allowance (TLA) as established per the Security Assistance Management Manual (SAMM) DSCA 5105.38-M will be charged to this line. Living allowance per student is limited to the rates authorized in the SAMM, Table C10.T12.

No participation in a Training Program Management Review is anticipated for this LOA.

**Note 2. MEDICAL SERVICES.**

Line Item 002 provides for medical services incurred by trainees and are reimbursable under this LOA.

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7G-P-TPA  
Page 3 of 8 Pages

**Attachment 6-3 (Continued)**  
**Sample Pseudo LOA**

**Note 3. Tuition Rate.**

A charge of 50 percent of the tuition rate for the course phase shall be made for a student who is cancelled or rescheduled within 60 days before the starting date of the course or phase. For sequential training, the cancellation charge shall apply to courses or phases scheduled to start within the 60-day period. No charge shall be made for withdrawal from follow-on training when course cancellations or reschedulings are caused by the U.S.

Government or for students who attrite due to academic failure beyond the control of the student, or are disenrolled due to injury or illness incurred during training.

Cancellations or reschedulings shall be effective on the date notice is presented in writing to the U.S. overseas Security Assistance Organization (SAO) or other duly appointed and recognized U.S. Government representative. Charges for attrited (separated) students shall not be less than 50 percent of the tuition rate. Further, if the student completes more than half of the course, the cost shall be assessed on a pro rata share (e.g. 70 percent) of the tuition rate, or 100 percent of the tuition rate if a pro rata computation is not practicable.

**Note 4. Liability.**

The Purchaser is liable for any damages to U.S. Government equipment caused by negligence on the part of the student.

**Note 5. TRAINING - HOMELAND SECURITY INFORMATION AND FORFEITURE CHARGES.**

The purchaser or Benefitting Country must provide information for its personnel receiving training under this LOA to ensure that all training tracks in the Security Assistance Network (SAN) database have completed names, dates of birth, and places of birth (consisting of city and country) for each student no later than 16 calendar days prior to students' report date in the U.S. If the required information is not available in the SAN by such date, the U.S. Government will cancel or re-schedule the subject training. Forfeiture charges may apply in accordance with the DoD FMR, Volume 15, Chapter 7 and the Security Assistance Management Manual (SAMM), Chapter 10.

**Note 6. ASSOCIATED LETTERS OF OFFER AND ACCEPTANCE.**

This Letter of Offer and Acceptance (LOA) supports EASTCOM Operations for Bandaria, executed under authority of Title 10 United States Code, Section 333. This LOA is managed by NETSAFA and provides Training and Medical Services, the delivery of which determines if the Full Operational Capability provision applies to the Ground and Maritime Interdiction program.

**Note 7. CASE CLOSURE- SECTION 333, FY20 (1 YR BASE O&M).**

Closure activities will begin once all lines are supply service complete. Case closure will be completed not later than July 31, 2025.

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7G-P-TPA  
Page 4 of 8 Pages

**Attachment 6-3 (Continued)**  
**Sample Pseudo LOA**

**Note 8. FUNDS SOURCE AND AVAILABILITY - SECTION 333, FY20 (1 YR BASE O&M).**

Funds are provided in support of authority to build the capacity of foreign security forces per the functional capabilities listed in 10 USC Section 333.

1. The funds are subject to all the requirements and restrictions specified under Program Authority 10 U.S.C. Section 333 and Appropriation Authority P.L. 116-93 FY20.
2. The funds carry the same time, purpose, and availability restrictions associated with fund source 97 20 0100.
3. Funds not obligated within the period of availability ending on September 30, 2020 will be rendered unavailable for new obligations unless a subsequent authority extends the period of availability. Funds will cancel at midnight on September 30, 2025.
4. This is the only source of funding for costs associated with this LOA and funds are limited to the total estimated cost of this LOA. Neither DSCA nor the IA has other funds legally available to them for this requirement or for any costs that exceed the value of this LOA.

**Note 9. BUILDING PARTNER CAPACITY (BPC) MATERIEL TRANSFER.**

1. Shipment and Delivery:

- a. All shipments will be marked and labeled in accordance with DoD Standard Practice for Military Marking (MIL-STD 129).
- b. The U.S. Government agrees to provide transportation services for the items identified in this LOA to the point of delivery in the Benefitting Country. The SCO (or U.S. Government representative) will confirm receipt of all materiel deliveries.
- c. Any shipment discrepancies or damage will be reported by a U.S. Government representative through the existing DoD discrepancy reporting system (Transportation Discrepancy Report (TDR) or Supply Discrepancy Report (SDR)), according to procedures for processing U.S. Government-owned materiel transported through the Defense Transportation System (DTS)). The SDR (Standard Form 364) will be used by the SCO to promptly report any overage, shortage, damage, item deficiency, improper identification, improper documentation, or non-shipment of defense articles. The SCO may submit SDRs for documentation purposes regardless of the dollar value of the discrepancy, but only claims valued at \$200 or more (based on the value of the item plus any transportation and handling costs) will be reviewed for possible funding reimbursement. Discrepant articles will be returned to the U.S. Government's custody. Any claim, including a claim for shortage or nonperformance, received more than one year after delivery of the defense articles to the Benefitting Country (or after the end of the scheduled period of performance for services) will not be processed.
- d. The Benefitting Country is responsible for clearance of materiel through its customs at the point of debarkation (POD). After the U.S. Government has delivered materiel to the specified point of delivery in the Benefitting Country, the Benefitting Country is responsible for any required onward movement.

2. Title and Custody Transfer:

- a. The U.S. Government will retain title to and custody of the offered defense articles throughout transportation and delivery to the Benefitting Country, unless otherwise stated in this LOA.
- b. The U.S. Government representative will confirm delivery of materiel title and custody to an authorized Benefitting Country representative or agent by jointly signing a Transfer and Receipt document. The U.S. Government representative will keep documentation showing when, where, and to whom delivery was made and will provide a copy of this documentation to the DSCA Program Director and the IA.

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7G-P-IPA  
Page 5 of 8 Pages



**Attachment 6-3 (Continued)**  
**Sample Pseudo LOA**

**Note 10. AVAILABILITY OF FUNDS ACROSS FISCAL YEARS.**

Cross Fiscal Year Authority is provided by 10 USC 333(g) (2) (a) and authorizes the period of performance to begin when the program incurs the first financial obligation. All program activities must conclude no later than the end of the second fiscal year thereafter.

Training-only programs are only permitted to use the Cross Fiscal Year authority.

Full Operational Capability is provided by 10 USC Section 333(g) (2) (b). For a program to qualify for FOC, the U.S. Government must receive the last key article for the program (denoted on the Congressional Notification table) before the end of the fiscal year after the fiscal year in which the program incurs the first financial obligation. If all the key articles are delivered on time, the U.S. Government may provide the partner with defense articles, training (including Human Rights training), defense services (i.e. field service representatives contractor logistical support), supplies and small-scale military construction (subject to \$750,000 limit) associated with delivered of the key equipment.

These activities may continue into the next two full fiscal years after delivery of the equipment to the partner nation but must conclude before the end of that second fiscal year.

If the U.S. Government does not receive all the key articles (as denoted in the Congressional Notification table) for the program before the end of the next fiscal year after the first obligation, the program does not qualify for FOC and must revert to the reduced period of performance authorized under the Cross Fiscal Year authority provision from 10 USC 333(g) (2) (a). The U.S. Government will make every effort to deliver articles to the partner nation within 120 days after acceptance of the articles by the U.S. Government or as soon as practical. FOC cannot be applied to programs that only provide training.

**Note 11. MEDICAL EXPENSES IN CONUS.**

As part of the Invitational Travel Order (ITO) process, Benefitting Country students will be medically screened before travel to CONUS and the Security Cooperation Organization (SCO) will recommend that the Benefitting Country purchase or provide medical insurance coverage for each student. A line may be included on this LOA to cover only unforeseen or emergency medical expenses that arise during travel, in the event that the student's insurance is inadequate.

**Note 12. NONRECURRING COSTS DO NOT APPLY - BPC.**

Nonrecurring Costs (NC) do not apply to BPC programs.

**Note 13. ADMINISTRATIVE SURCHARGE.**

An administrative surcharge of 3.2% has been applied to line(s) 001 and 002.

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**Attachment 6-3 (Continued)**  
**Sample Pseudo LOA**

**Copy to:**

NETSAFA (N-321/N-834)  
NAVSUP WSS  
NAVY IPO (230)  
EASTCOM  
ODC Bandaria  
DFAS-JAX/IN Indianapolis, IN

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7G-P-TPA  
Page 7 of 8 Pages





## Chapter

# 7

# TECHNOLOGY TRANSFER, DISCLOSURE, EXPORT CONTROLS, AND INTERNATIONAL PROGRAMS SECURITY

## INTRODUCTION

International trade is a global enterprise in which the United States participates for all manner of goods, information, software, and services. This trade may take place both within and outside of the borders of the territory of the United States. This chapter discusses the ways in which the international transfer of these items takes place and focuses on the methods by which the United States safeguards military and enabling technologies (to include intellectual property).

The U.S. government (USG) transfers both military and dual-use articles, information, software, and services to other governments through traditional Security Assistance (SA) programs and Security Cooperation (SC) programs. In order to safeguard the technologies provided, the U.S. government applies technology transfer laws, regulations, policies, and practices which encompass program security for international programs. This chapter will cover technology transfer and disclosure policies responsibilities, and basic processes under both Government-to-Government programs as well as Direct Commercial Sales. It provides an overview of discusses the application of technology security these laws, regulations, and policies applied to international technology transfers as implemented under Security Assistance (SA) and Security Cooperation (SC) programs.

U.S. government policy supports U.S. trade in the global market, to include international arms sales. Economic security is an important part of American foreign policy and the U.S. National Defense Strategy, it is an important consideration for the export of dual-use technology. There are numerous economic and defense benefits associated with supporting U.S. defense and commercial industries trading internationally. As outlined in earlier chapters, Security Assistance (SA) and Security Cooperation (SC) programs remain essential instruments to U.S. foreign relations, supports coalition interoperability, affordability of U.S. defense programs, etc.

However, the desire to support free trade must be balanced with the need to protect critical U.S. military and enabling technologies. As markets for military equipment continue to evolve, competition based on leading-edge technology has caused a significant increase in economic espionage aimed at U.S. technology. It is the responsibility of those who control access to defense technologies to understand the laws, regulations, and directives that govern their international transfer. DoD officials must understand how to protect the U.S. military capability, which is represented by the related technology and other controlled information and, at the same time, support international security cooperation/assistance programs.

International technology transfers reviews are initiated by a basic assessment of the benefits of providing access to the ability of the recipient to protect the technology. U.S. law and policy requires that two fundamental considerations be addressed prior to sharing U.S. defense articles with a foreign government or international organization:

- U.S.'s Best Interest to Provide Access: Determining whether granting access to U.S. defense articles, technology, or services is in the best interest of the U.S.
- Adequate Protection: Determining whether the prospective recipient can and will satisfactorily protect the technology, article, or information.

In order to best understand these two fundamental security considerations, it may be useful to think of them as part of a formula. That formula is as follows:

Best Interest of U.S. to Provide Access + Adequate Protection = Potential Access

Once the potential for access has been validated, additional national security and foreign policy considerations may be applied to evaluate the proposed transfer for export authorization. This may include the appropriateness of the transfer.

This chapter is organized into three main topics: (1) Technology Transfer, Disclosure, and Export Controls and (2) Programs Security Requirements; and (3) International Visits and Assignments with the following sub-topics:

1. Technology Transfer, Disclosure, and Export Controls
  - Technology Transfer and Technology Security
  - Legal and Policy Basis
  - Transfer / Export Legal Authorities
  - Technology Security and Foreign Disclosure
  - Disclosure
  - Sanctions, Embargoes, and Country Specific Policies (OFAC, 126.1, country policies – under ITAR and EAR)
2. Programs Security Requirements
  - Information security programs–Technology Control Plan (TCP)
  - Role of Defense Counterintelligence Security Agency (DCSA) in international programs / National industrial security program
  - Industry & Academia's roles (national industrial security overview – need to cover academia due to nefarious characters of late)
  - Entity List
  - International transportation of classified military material
  - Foreign government and the North Atlantic Treaty Organization (NATO) information
3. International Visits and Assignments
  - International visits and assignments
  - Concept of technology transfer and export controls
  - Executive Branch key players for exports
  - Controlled Unclassified Information (CUI)
  - Foreign Disclosure and the National Disclosure Policy (NDP)

- Export approval and license process
- International visits and assignments
- International transportation of classified military material
- Role of Defense Counterintelligence Security Agency (DCSA) in international programs
- Foreign government and the North Atlantic Treaty Organization (NATO) information
- Influence (FOCI) Technology Transfer, Disclosure, and Export Controls

## **TECHNOLOGY TRANSFER, DISCLOSURE, AND EXPORT CONTROLS**

### **Technology Transfer and Technology Security**

Technology transfer in the simplest form is the transfer of technology from one source to another; it is agnostic of the method or manner in which the transfer takes place. Technology security seeks to securely transfer this technology from the source or origin to another authorized. Protecting military technology, enabling technologies, and industry intellectual property are key to maintaining U.S. economic security and protecting the defense industrial base. Foreign adversaries are using increasingly more sophisticated, multi-pronged, and targeted campaigns to gain access to controlled U.S. information and goods. The United States utilizes various laws, regulations, and policies to protect technology, with stakeholders from the government, industry, and academia each playing important roles. DoDI-2040.02 establishes DoD's policy on international transfers, assigns responsibilities within the Department, and prescribes the procedures for transfers.

The Department of Defense is responsible for conducting national security reviews in order to provide policy and regulatory guidance on U.S. transfers or exports. These national security reviews include the complete spectrum from broad strategic reviews down to individual transactional reviews. It is important to remember that the DoD does not have the authority to authorize transfers, that authority lies solely with the Departments of State and Commerce. All transfers under SA and SC Programs undergo national security and foreign policy reviews as a matter of law and policy. The Security Assistance Management Manual (SAMM), Chapter 3, "Technology Transfer and Disclosure," is a key reference when working technology transfer and disclosure aspects of SA and SC programs or activities.

### **Department of Defense Policy on International Transfers**

The primary DoD policy governing the process of technology transfer is contained in DoDI 2040.02, *International Transfers of Technology, Articles, and Services*. This instruction establishes DoD policy, assigns responsibilities, and prescribes procedures for the international transfer of dual-use and defense-related technology, articles, and services. It applies to all transfer mechanisms and will be implemented through such processes as export licensing; security cooperation (including Foreign Military Sales (FMS)); transfers of DoD personal property to parties outside of DoD control; and any DoD Research, Development, and Acquisition (RDA) activities, including international agreements. It outlines working relationships among the Joint Staff, the Military Departments, and the various Defense Agencies. As discussed in Chapter 2, U.S. arms sales serve specific legislative and U.S. foreign policy purposes.

DoDI 2040.02 states the following:

- Dual-use and defense-related technology will be treated as a valuable national security resource, to be protected and transferred only in accordance with export control laws and regulations, and national security and foreign policy objectives.

- In applying export control and technology security policies, emphasis will be given to preserving the U.S. military's technological superiority, establishing and maintaining interoperability with allies and coalition partners, and managing direct and indirect impacts on the defense industrial base.
- In recognition of the importance of international trade and scientific and technological cooperation, DoD must apply export control and other technology security policies and procedures in a way that takes into account support of the defense industrial base while maintaining U.S. nonproliferation imperatives.
- In determining DoD interests in technology and the means by which those interests are protected, DoD will consider such factors as the impact on the U.S. defense industrial base to support defense technologies, scientific and technological acceleration of change, as well as significant means in which scientific research and technological development are implemented in production.
- DoD will use available resources to achieve DoD and USG goals and objectives in transfers of technology, articles, and services, while recognizing that constant and rapid changes in technology pose difficult challenges in assessments, formulation of policy options, and implementation of policies.

### ***Legal and Policy Basis for International Programs Security***

#### **Arms Export Control Act (AECA)**

The AECA governs the export of defense articles and defense services to foreign countries and international organizations and includes both commercial and government programs. It authorizes a list of controlled articles, the USML, which is contained in the ITAR published by the Department of State (DoS) and is available online at [https://www.pmdtdc.state.gov/ddtc\\_public?id=ddtc\\_kb\\_article\\_page&sys\\_id=%2024d528fddbfc930044f9ff621f961987](https://www.pmdtdc.state.gov/ddtc_public?id=ddtc_kb_article_page&sys_id=%2024d528fddbfc930044f9ff621f961987). The AECA forms the legal basis for the security requirements in most DoD international programs. The AECA states that foreign sales (i.e., access) should be consistent with U.S. foreign policy interests, strengthen the security of the U.S., and contribute to world peace. The AECA also requires the President to provide Congress assurances that proposed recipient foreign countries or international organizations have agreed to certain security conditions regarding the protection of the articles or information. The three security-related conditions, which must be satisfied prior to the export of controlled defense articles and information to a foreign country or international organization, are as follows:

- **Transfer:** The recipient country or organization agrees not to transfer title or possession of the articles or related technical data to anyone who is not an officer, employee or agent of the country or organization without prior USG consent.
- **Use:** The recipient country or organization agrees not to use the articles or related technical data or permit their use for other than the purpose for which they were furnished without prior USG consent.
- **Protection:** The recipient country or organization agrees to maintain security of the articles or related technical information, and provide substantially the same degree of security to it as does the USG.

These security-related conditions are incorporated into the Foreign Military Sales (FMS) process via the standard terms and conditions of each Letter of offer and acceptance (LOA). Within any LOA, the standard terms and conditions will be listed at Section 2 "General Purchaser Agreements." Transfer, use, and protection are specifically addressed in subsections 2.4-2.6 of any LOA. By stating these conditions of sale in the LOA, the purchaser agrees to these conditions when they sign to accept the

LOA. The specific language of these conditions may be found in Chapter 8 of this textbook.

### **Executive Order 13526**

E.O. 13526, dated December 29, 2009 establishes the executive branch's classified National Security Information Program. Section 4.1 of this order states that access to classified information may be granted only when required in order to perform or assist in a lawful and authorized governmental function. This is the basis of the "need-to-know" principle. Further, persons authorized to disseminate classified information outside the executive branch shall assure the protection of the information in a manner equivalent to that provided within the executive branch. The executive order also states that classified information cannot be transferred to a third party without the consent of the originator. Additionally, it stipulates a requirement for the protection of any foreign government information (FGI) in the possession of the U.S. The executive order is implemented by Classified National Security Information, title 32 of the Code of Federal Regulations (CFR), part 2001 and 2003, effective 25 June 2010. The Information Security Oversight Office (ISOO), National Archives and Records Administration (NARA), publishes "Classified National Security Information Directive 1" as the final rule pursuant to E.O. 13526 relating to classified national security information. It is also covered by DoD Manual 5200.01, DoD Information Security Program.

### **National Security Decision Memorandum (NSDM 119)**

NSDM 119 provides the basic national policy governing decision-making on the disclosure of classified military information (CMI) to foreign governments and international organizations. NSDM 119 reiterates the basic requirements of the AECA and E.O. 13526. NSDM 119 defines CMI as information under the control or jurisdiction of the DoD; may be embodied written, oral, or other form; and requires protection. In addition, emphasizes that CMI is a national asset, and that the USG will not share it with a foreign government or international organization (i.e., permit access) unless such a release will result in a clearly defined benefit to the U.S. and the recipient government or organization will provide substantially the same degree of protection. The NSDM 119 designates responsibility of controlling and releasing CMI to the Secretaries of State and Defense.

### ***Controlled Transfers vs. Transfers that are Not Subject to Control***

#### **Classified Transfers**

All classified technology, articles, and services are controlled. Classified transfers will be in compliance with DoDD 5230.11 *Disclosure of Classified Information to Foreign Governments and International Organizations*. Classified transfers will Avoid False Impressions and comply with National Disclosure Policy.

#### **Unclassified Transfers of Articles**

All international transfers, of both military and commercial (aka dual-use) articles, from the United States are controlled by U.S. export control law. These include the full spectrum of goods from pencils to advanced military weapons systems. Transfers may take place permanently or temporarily. Transfers may take place in U.S. territory (e.g., title transfer) or abroad.

#### **Controlled Technology, Software, and/or Technical Data**

Controlled unclassified information (CUI), export controlled technology, software, or technical data. Any release or disclosure of export controlled technology or technical data to any foreign person, whether it occurs in the United States or abroad, is deemed to be an export, requiring either an export license or an authorization for disclosure.

See the definition for technical data in the International Traffic in Arms Regulations 12x.[x]; technology and software definitions in the Export Administration Regulations 7xx.



In general export controlled technology, software, or technical data includes information required for the design, development, production, manufacture, assembly, operation, repair, testing, maintenance, or modification of an article. CUI may also include information on U.S. or foreign partner readiness and information on internal U.S. government assessments to determine the appropriateness of providing certain defense articles to partners (releasability).

Controlled technology or technical data is considered to be released or disclosed when information is transferred to foreign persons by means of any of the following:

- A visual inspection.
- An oral exchange.
- An application of the technology or data.
- The use of any other medium of communication (e.g., written), including but not limited to, electronic, magnetic, or laser technology.

Controlled transfers may apply to an U.S. person working for a foreign company. And conversely foreign persons working for U.S. companies.

### **Controlled Unclassified Information**

Controlled unclassified information (CUI) is a term used to collectively describe all unclassified information to which access or distribution limitations have been applied in accordance with applicable national laws or regulations and Volume 4 of DoDM 5200.01. A commonly seen marking for CUI in the U.S. is “For Official Use Only” (FOUO). FOUO information is unclassified official government information that has been determined by designated officials to be exempt from public disclosure under the Freedom of Information Act (FOIA). FOIA is designed to make government information available to the public and, thus, requires openness in government. It is not designed to protect information. It provides that the public is entitled to access to agency records, unless the record is exempt from disclosure. Government agencies apply their own unique markings to identify the information. Consequently, the DoD has several policy directives addressing the release of CUI. These documents are listed as references to this chapter:

DoDD 5230.09 contains policies and procedures for the release of information for publication or public release.

DoDI 5200.21 and DoDD 5230.24 govern the release of DoD technical information.

DoDM 5400.07 contains the DoD policies and procedures governing FOIA requests.

DoDD 5230.25 provides procedures for the dissemination and withholding of unclassified technical data.

### **Controlled Services**

Controlled services by U.S. persons include, but are not limited to, defense services such as operational and maintenance training on military defense articles. Controlled transfers can take place on U.S. soil or abroad. For example, inviting foreign partners to witness a demonstration of an U.S. weapon system in CONUS may be a controlled export activity. Certifying a defense article or system for readiness, to include providing an aircraft airworthiness certification is a controlled defense service.

See the definition for defense services in the International Traffic in Arms Regulations 12x.[x]; technology definition in the Export Administration Regulations 7xx.



## **Technology Transfers that are Not Subject to Export Control**

- Publically available information (see DoD process for public release)
- Information provided under the Freedom of Information Act (FOIA)
- Most non-technical information, software, and certain academic basic research that are not controlled

See the definition for technical data in the International Traffic in Arms Regulations 12x.[x]; technology and software definitions in the Export Administration Regulations 7xx.

## ***Freedom of Information Act***

Congress has stated the U.S. public generally has the right to know what its government is doing. The FOIA requires government information to be made available to the public unless the information falls within one of the nine exemption categories described, and the appropriate USG official determines the information should be withheld from disclosure. Only information falling into one of these categories may be marked FOUO:

- Exemption 1 is classified information. The FOIA permits the withholding of any information properly and lawfully classified under the provisions of E.O. 13526. The other eight exemption categories deal with unclassified but generally sensitive information.
- Exemption 2 permits the withholding of information that pertains solely to the internal rules and practices of a government agency.
- Exemption 3 permits the withholding of information that a statute specifically exempts from disclosure by terms that permit no discretion on the issue, or in accordance with criteria established by that statute for withholding or referring to particular types of matters to be withheld.
- Exemption 4 permits withholding information such as trade secrets and commercial and financial information obtained from a company on a privileged or confidential basis, which, if released, would result in competitive harm to the company.
- Exemption 5 protects inter- and intra-agency memoranda that are deliberative in nature.
- Exemption 6 provides for the withholding of information, the release of which could reasonably be expected to constitute a clearly unwarranted invasion of personal privacy of individuals.
- Exemption 7 permits withholding records or information compiled for law enforcement purposes that could reasonably be expected to interfere with law enforcement proceedings; would deprive a person of the right to a fair trial or impartial adjudication; could reasonably be expected to constitute an unwarranted invasion of personal privacy of others; disclose the identity of a confidential source; disclose investigative techniques; or could reasonably be expected to endanger the life or physical safety of any individual.
- Exemption 8 permits withholding records or information contained in or relating to examination, operation or condition reports prepared by, on behalf of, or for the use of any agency responsible for the regulation or supervision of financial institutions.
- Exemption 9 permits withholding records or information containing geological and geophysical information and data (including maps) concerning wells.

It is DoD policy to place distribution statements on documents containing unclassified scientific and technical information produced either within the DoD or on its behalf by others. This policy was only marginally directed toward restricting the disclosure of such information to the public and, thus, to foreign persons. Although it was the policy to apply such distribution markings, the practice did not always conform to the policy. The result was that sensitive scientific and technical information occasionally found its way into the public domain, including the foreign public. This potential loophole was resolved by Public Law 98-94, enacted 24 September 1983, which provided the Secretary of Defense with the authority to withhold from the public critical technologies under Exemption 3 of the FOIA. For more specific information on FOIA as it relates to LOAs and FMS procurement contracts, refer to SAMM, Section C3.5, "Release of Information."

### ***Technology Transfer Export Authorizations***

#### **Foreign Military Sales (FMS) & Building Partnership Capacity (BPC)**

Government-to-government international transfers under FMS are authorized for export under the Letter of offer and acceptance (LOA) per the Arms Export Control Act (AECA) from the Department of State. This export authorization is limited to the United States Government's activities that fall within the scope of the LOA.

Title 10 or BPC programs are authorized for export under pseudo-LOAs per the Foreign Assistance Act (FAA) from the Department of State.

U.S. industry requires separate export authorization. This authorization may be in the form of export licenses/agreements or exceptions/exemptions from the Department of State or the Department of Commerce, as appropriate.

#### **Direct Commercial Sales (DCS)**

U.S. industry, organizations, academia, and persons may conduct international transfers under DCS, including directly with foreign parties (i.e., governments, companies, organization, or persons). Certain DCS transfers are controlled; certain controlled transfers require export authorizations.

For example, consider the following:

- Providing non-export controlled marketing brochures at a tradeshow is not controlled and does not require export authorization.
- Pencils are export controlled, however for most international transfers authorizations are not required to carry a pencil outside of the United States.
- Providing commercial grade night vision devices to foreign persons outside of the United States is export controlled and requires authorization for most destinations.

The Department of State and/or Department of Commerce provide export authorizations with export license/agreements for DCS exports under the International Traffic in Arms Regulations and Export Administration Regulations. Alternatively, U.S. exporters may utilize exceptions/exemptions under the respective regulations.

Hybrid FMS/DCS programs require a combination of authorities, see Chapter 15 for more discussion on these types of transfers.

#### **International Armaments Agreements**

See Chapter 13 for export authorizations for international armament agreements which pertain to cooperative research and development, testing, and/or production activities with a foreign government.

## Technology Security and Foreign Disclosure (TS&FD) “Pipes”

At the core of TS&FD reform is the establishment of policy and responsibilities intended to minimize complexities while ensuring timeliness and efficient processing of disclosure requests. Within the DoD, one of the first export reform adjustments was a codification of those processes and procedures, which bear on the approval to export military technology. Previously, it was difficult to discern whether all necessary reviews and decisions were accomplished due to lack of clarity regarding the multitude of processes and approvals potentially necessary for a given export. While different communities within the DoD may have been cognizant of the review/approval processes necessary in certain specific areas, there had been no comprehensive documentation of all of potentially applicable procedures. With this in mind, the existing export/foreign disclosure decision-making process was more clearly mapped-out in what has come to be known as the “Thirteen Pipes of Technology Security and Foreign Disclosure,” as seen in Figure 7-3. While it is likely that no decision will need to undergo review/approval procedures in all these thirteen pipes, it is now much more likely that individual export/foreign disclosure cases will be more comprehensively planned out in advance, and more easily monitored, so that unexpected delays may be resolved and faster comprehensive export decisions rendered.

### Technology Security and Foreign Disclosure (TS&FD) Review Processes

Thirteen separate but related TS&FD processes, or “pipes” (see Figure 7-1), support DoD TS&FD release decisions. Additionally, each MILDEP, and many DoD agencies have internal review processes for approving the transfer of capabilities and technologies within their purview.

**Figure 7-1**  
**Thirteen Pipes of Technology Security and Foreign Disclosure**

<b>NDP</b>	(National Disclosure Policy)	★ ☆	Policy	Primary
<b>MIDP</b>	(Military Intel Disclosure)	★ ☆	USD(I)	Primary
<b>LO/CLO</b>	(Low-Observable / Counter Low-Observable)		USD(A&S)	Primary
<b>AT</b>	(Anti-Tamper)		USD(R&E)	Primary
<b>COMSEC</b>	(Communication Security)	★ ☆	NSA & DoD CIO	Primary
<b>SAP</b>	(Special Access Program)		SAPCO	Specialized
<b>MTCR</b>	(Missile Technology Control Regime)	☆	DTSA	Specialized
<b>NVD</b>	(Night Vision Devices)		DSTA	Specialized
<b>Intel</b>	(Intelligence)	★	USD(I)	Specialized
<b>Data Links/WF</b>	(Waveforms)	☆	DoD CIO	Specialized
<b>PNT/GPS</b>	(Positioning, Navigation & Timing / Global Positioning System)		DoD CIO	Specialized
<b>GEOINT</b>	(Geospatial Intelligence)	★ ☆	NSA	Specialized
<b>EW</b>	(Electric Warfare)	★ ☆	USD(R&E) & NSA	Specialized

★ Title 50 Overlap      ☆ Title 22 Interagency process

The Deputy Secretary of Defense has empowered the Arms Transfer and Technology Release Senior Steering Group (ATTR SSG) as the primary forum for review and adjudication of High Level Decision (HLD) TS&FD release requests. Also established was the Technology Security and Foreign Disclosure Office (TSFDO), which is designed to serve as the ATTR SSG’s Executive Secretariat. The ATTR SSG has been charged with streamlining and harmonizing DoD TS&FD release processes. The

ATTR SSG develops, guides, and directs (consistent with U.S. policy and national security objectives) DoD-wide reform, implementation, and subsequent management of the DoD TS&FD system, and ensures critical U.S. technologies are protected, and release considerations are balanced with building allied and partner nation capability objectives. Ultimately, all of the aforementioned reforms are intended to foster the continued growth of a healthy defense industrial base, reduce stresses on U.S. forces, and facilitate efforts in training and equipping forces in countries where doing so advances U.S. national security interests.

### ***Classified Information Government-to-Government Principle***

Classified information is shared with foreign governments and international organizations based on the government-to-government principle. This principle is defined by two activities relating to international programs. It applies to export and disclosure decisions and to transfers of classified information and materiel:

- **Decision:** In keeping with the AECA, E.O. 13526, and NSDM 119, the decision concerns whether the USG will release classified information to another government or international organization.
- **Transfer:** If the decision above is in the affirmative, the actual transfer must be made either through official government-to-government channels (e.g., government courier) or through other channels approved by the responsible governments.

Transfer via government channels is necessary so that government accountability and control can be maintained from the point-of-origin to the ultimate destination. Transfers normally occur between Designated Government Representatives (DGRs) when custody is officially transferred to a recipient government or international organization. The recipient then assumes responsibility for the protection of the article or information. A security assurance must be obtained prior to transferring classified material to a representative of a foreign government or international organization. A receipt must be obtained for classified information transfers to document the transfer of security responsibility.

### **False Impressions**

It is the policy of the U.S. to avoid creating false impressions of its intention to provide classified military material, technology, or information. Lack of strict adherence to this policy may create problems. Much military hardware is unclassified; however, this same unclassified hardware, if sold, may require the release of classified information for its operation or maintenance, or for the foreign recipient training. Therefore, any disclosure decision must be made based on the classification level of all information, which may be required for release if the system were to be transferred. If the proposed foreign recipient is not authorized to receive the highest level of classified information required, no information, not even CUI, may be released or discussed until the required authority is obtained. This means that there can be no weapon-specific information, and no release of FMS price and availability (P&A) data until authority is obtained to release the highest level of classified information ultimately required for disclosure.

In order to avoid false impressions, designated disclosure authorities must authorize in advance any proposals to be made to foreign governments that could lead to disclosure of classified military information, technology, or materiel.

### **Foreign Disclosure and the National Disclosure Policy (NDP)**

The NDP was established as a framework for the approval or denial of the transfer of classified military information (CMI) to foreign governments and international organizations. Basic authority and policy for transferring CMI are contained in NSDM 119, which is implemented by the classified

publication, *National Policy and Procedures for Disclosure of Classified Military Information to Foreign Governments and International Organizations*, short title NDP-1.

The NDP-1 is the interagency document that implements the core U.S. policy for the disclosure of CMI. It promulgates U.S. policy in the form of specific disclosure criteria and limitations, procedures for handling exceptions to policy, and other guidance governing disclosure decisions of CMI. The NDP-1 also defines CMI into specific categories, designates countries eligibility to receive CMI, and establishes the National Disclosure Policy Committee (NDPC), which is discussed later in this chapter. DoD Directive 5230.11 Disclosure of Classified Military Information to Foreign Governments and International Organizations implements the National Disclosure Policy within the Department of Defense.

An official who has been specifically delegated disclosure authority, commonly referred to as a Foreign Disclosure Officer (FDO), may authorize disclosures of classified military information to foreign governments in support of a lawful and authorized U.S. government purpose in accordance with authorized disclosure authority. The Secretary of Defense has delegated disclosure authority to the Secretaries of the Military Departments (MILDEPs) and other DoD officials whose decisions must be compliant with NDP-1. They are required to appoint a Principal Disclosure Authority (PDA) at the component headquarters level to oversee the disclosure process and a Designated Disclosure Authority (DDA) at subordinate command and agency levels to oversee disclosure decisions at their level when disclosure authority is delegated. Most importantly, each disclosure decision is made on a case-by-case basis. Any commitment to disclosure or release of controlled defense-related information or technology must be authorized by the PDA or DDA unless authority is otherwise delegated in a Delegation of Disclosure Authority Letter (DDL).

#### ***National Disclosure Policy Committee/Exceptions to National Disclosure Policy***

The NDP-1, and DoDD 5230.11 requires the establishment of an interagency National Disclosure Policy Committee (NDPC), to formulate, administer, and monitor NDP. General members of the NDPC include the following:

- Secretary of State
- Secretary of Defense (appoints Chairman)
- Secretary of the Army
- Secretary of the Navy
- Secretary of the Air Force
- Chairman, Joint Chiefs of Staff

On a day-to-day basis, these officials are represented in NDPC decisions by designated senior officials on their staff. NDPC general members have a broad interest in all committee activities and vote on all issues that come before the committee. Other members (such as the Director of National Intelligence, the Secretary of Energy, and many others) may vote on issues in which they have a direct interest (see Attachment 7-1 for a list of all the members of the NDPC). When an exception to NDP (ENDP) is required, because disclosure criteria cannot be met within the existing authorized classification level, such exceptions may be granted only by the NDPC, the Secretary of Defense, or the Deputy Secretary of Defense. A request for an ENDP must be sponsored by an NDPC member, normally the cognizant MILDEP for the classified information proposed for transfer. For military weapon systems, this is normally the MILDEP that has developed and produced the system.

On 14 February 2017, the Secretary of Defense codified in NDP-1, the Military Intelligence Disclosure Policy Committee (MIDPC), The MIDPC is the central authority for the formulation,



promulgation, administration, and monitoring of NDP-1 as it relates specifically to Category 8 (Military Intelligence). The MIDPC operates similar to the NDPC with a similar structure (see Attachment 7-2 for a list of all the members of the MIDPC). In situations where an ENDP includes multiple categories, to include Category 8, the NDPC has purview.

The NDP-1 Annex (classified) identifies the maximum classification level of information that can be released by country and by category of classified military information. NDP-1, by itself, does not authorize any disclosures. The Secretaries of the MILDEPs have generally been delegated authority by the NDP-1 to decide if CMI under their control may be released. The policy and guidance for implementing NDP-1 is contained in the DoDD 5230.11. This directive states that the MILDEPs will release CMI in accordance with the NDP-1 Annex only if all of the following five conditions or criteria, originally outlined in NSDM 119, are met:

1. Disclosure is consistent with U.S. foreign policy and national security objectives.
2. Disclosures, if compromised, will not constitute an unreasonable risk to the U.S. position in military technology or operational capabilities.
3. The foreign recipient of the information will afford it substantially the same degree of security protection given to it by the U.S. The intent of a foreign government to protect U.S. CMI is established, in part, by the negotiation of general security agreements.
4. Disclosure will result in benefits to the U.S. at least equivalent to the value of the information disclosed.
5. The disclosure is limited to information necessary to accomplish the purpose for which disclosure was authorized.

If the classification of the information proposed for disclosure exceeds the country's eligibility in the NDP-1 Annex, or if the policy criteria cannot be met, then the proposed disclosure must be denied or an ENDP must be approved by the NDPC or MIDPC. Moreover, even if the U.S. disclosure official has determined that eligibility in the NDP-1 Annex exists and that all policy criteria have been met, disclosures of CMI may not be made until the affected originator's approval has been obtained or appropriate authority to disclose has been received.

All disclosure authority rests in the first instance with the head of the department or agency that originates the information. In addition, all disclosure officials must be certain that they possess the required authority to disclose the information in question. The Secretary of Defense and the Deputy Secretary of Defense are the only officials who may grant unilateral exceptions to the NDP. The Secretary or Deputy Secretary of State, with the consent of the originating or responsible NDPC or MIDPC member department or agency, may also authorize such disclosures. SAMM, Section C3.2, "Disclosure of Classified Military Information," provides additional information on the national disclosure process as it relates to SC.

### ***Security Surveys***

In addition to making determinations on the release of CMI, the NDPC also conducts security surveys (also called security visits) of foreign governments or international organizations. NDPC teams conduct periodic visits to foreign governments and their national industrial bases to assess capability and intent to protect U.S.-origin CMI. The teams are usually made up of members of the DoS and DoD. The primary areas reviewed by the teams are personnel security, information security, industrial security and physical security. The views of the local U.S. embassy are also sought. If the result of a survey is satisfactory, it may result in an international security agreement (see below) with the other government. A survey may also result in changes to the classified annex in NDP-1 concerning a country's classification and eligibility for CMI without engaging the ENDP process.



## ***International Security Agreements***

E.O. 13526 requires persons authorized to disseminate classified information outside the executive branch shall ensure the protection of the information in a manner equivalent to that provided within the executive branch. In situations where classified information is being made available to foreign governments, these assurances may be obtained in several ways. First, they are included in the standard terms and conditions of FMS LOA, Section 2, “Conditions—General Purchaser Agreements.” See Chapter 8 for further information. They may also be the subject of diplomatic notes, memoranda of understanding (MOUs) and similar correspondence. Separate international agreements known as General Security of Information Agreements (GSOIAs) or General Security of Military Information Agreements (GSOMIAs) have been concluded with approximately 72 countries. Since these are reciprocal agreements, the other governments may also send teams to the U.S. to ensure compliance with the agreements. GSOIA/GSOMIAs typically include the following topics:

- Protection, third-party transfer, and intellectual property rights provisions
- Classified information transfer mechanism (government-to-government)
- Definition of classified information
- Reciprocal provision for security expert visits
- Requirements for investigations in case of compromise
- Industrial security procedures
- Visit request procedures
- Limitations on level of classification

## ***Disclosure Planning***

DoD Directive 5230.11 requires that planning for possible foreign involvement should start at the beginning of the weapon system acquisition process to facilitate decisions on disclosure in support of foreign sales or cooperative programs. Chapter 13 of this textbook contains additional information.

Similarly, DSCA Policy 16-26 observes that foreign partners’ procurement laws sometimes forbid the submission of a Letter of Request (LOR) for U.S. defense systems prior to a competition among several vendors. The lack of an LOR may impede timely initiation of U.S. government technology release and foreign disclosure processes. In order to accelerate (when possible) the release reviews of U.S. technologies and to initiate foreign disclosure processes in the absence of an LOR, SCOs should be alert for potential sales of sensitive or classified defense articles, which would require the release of CMI.

In those instances that would require inter-agency technology security and foreign disclosure (TSFD) release (i.e., when the SCO becomes aware of credible demand signals indicating the probable submission of an LOR for Price and Availability [P&A] or LOA, or a commercial Request for Information or Request for Proposal for such items) the SCO should develop a Pre-LOR Assessment Request (PAR), as directed in SAMM C3.1.2, which will serve in place of a Country Team Assessment (CTA) to inform the inter-agency community and prepare the cognizant Implementing Agency (IA) to initiate TSFD processes for the timely release of information.

When no formal LOR is available, a PAR serves in place of an LOR and CTA as grounds for the IA to initiate applicable foreign disclosure and technology security release processes. However, it should be noted that a PAR does not serve in place of an LOR, or for any purpose other than initiation of the foreign disclosure and technology security release process.

In the preparation of the PAR, the SCO should compile the information described in SAMM Table C3.T2 and consult with the relevant IAs and CCMD for releasability and technical information. When complete, the SCO forwards the PAR to the CCMD. Because the PAR is an extraordinary process, a CCMD endorsement is required in each case to support initiation of the TSFD release processes. The CCMD provides comments on each of the elements addressed in the PAR in the endorsement, and forwards the PAR and endorsement to the Joint Staff, the applicable IA, and DSCA. This process forms the basis for a collaborative effort to analyze the recipient nation's military requirements, in order to identify a capability that fulfills those requirements and initiates the DoD's TSFD processes to meet the partner's acquisition needs.

In addition to national security reviews, various government stakeholders may provide foreign policy, human rights, per DoDI 2042.02 *International Transfers of Technology, Articles, and Services*.

It is Department of Defense (DoD) policy to treat defense-related technology as a valuable and limited national security resource to be protected and transferred only in pursuit of national security and foreign policy objectives. Determining which technologies should be controlled and to what extent necessitates an understanding of two seemingly conflicting elements of U.S. policy on international trade:

Technology transfer governs certain exports which require national security reviews, these may be for military items or for items that are used for both commercial and military purposes. U.S. law requires the provision of military items by foreign governments to be protected.

## **PROGRAMS SECURITY REQUIREMENTS**

### **Information Program Security**

#### ***Defense Counterintelligence and Security Agency Role in Programs Security***

A role of the Defense Counterintelligence and Security Agency (DCSA) is to provide government contracting agencies with an assurance that U.S. defense contractors are both eligible to access and properly safeguard any classified information. In fulfilling this obligation, DCSA administers the National Industrial Security Program (NISP) operating on behalf of USD(&SI). DSS does not develop industrial security policy. DCSA implements industrial security policy established by USD (I&S) for SA and SC programs executed by USD (P).

#### ***Facility Security Clearance***

Prior to a defense contractor being granted access to classified information, the contractor must be sponsored for a facility security clearance (FSC). This sponsorship is based upon a bona fide procurement need, and is submitted to DCSA by a U.S. or foreign government contracting activity or by another contractor already cleared under the NISP. DCSA will conduct a facility clearance survey to determine the contractor's eligibility for access to classified information, and will review the contractor's organizational structure and key management personnel, and adjudicate any existing foreign ownership, control, or influence (FOCI). Once a favorable determination is made and a facility clearance is granted, the contractor will execute a security agreement with the USG. The security agreement is a legal contract to abide by the DoD 5220.22-M, National Industrial Security Program Operating Manual (NISPOM). The NISPOM is a contractually binding document and mandates industrial security practices for contractors. The NISPOM derives its authority from the ITAR and implements applicable statutes, executive orders, national directives, and international treaties toward the protection of classified information.

The DCSA verifies the export of classified articles and technical data against the license or the U.S. company's empowered official's certification, assures that secure means of transfer have been arranged,

and endorses the license back to the DoS. DCSA oversees plant visits by foreign nationals and ensures that companies have adequate technology control plans in place for long-term foreign national visitors, foreign national employees, and FOCI situations. DCSA ensures appropriate transportation plans are in place for commercial overseas shipments of classified material and approves contractor international hand carriage arrangements. Additionally, DCSA provides security assurances to other governments for U.S. contractor facilities and personnel, and obtains assurances on foreign facilities and personnel. It advises cleared contractors concerning program protection plans, ensures compliance, and trains DoD and contractor personnel on program protection planning. The DCSA provides support to cleared contractors operating overseas, and monitors their compliance with the NISPOM. Finally, DCSA provides counterintelligence (CI) support to cleared contractors, including CI awareness briefings. More information about DCSA can be found at <https://www.dcsa.mil>.

### ***Technology Control Plan***

The technology control plan (TCP) provides guidance for controlling access to classified and unclassified export controlled information by foreign employees and long-term foreign national visitors of a cleared U.S. contractor's facility. The TCP explains how the requirements of the ITAR, the EAR, and the NISPOM will be carried out. The TCP is developed by the U.S. contractor, based on the requirements of the ITAR, Section 126.13c, and the NISPOM. The content regarding information access and restrictions may be derived from other documents provided by the USG (for example, the license provisos and the program security instructions or the form DD 254, Contract Security Classification Specification). The DCSA will assist the contractor in developing the TCP and will approve it. A specific TCP may not be required if the company's internal security operating procedures, e.g., standard practice procedures (SPP) contain the necessary details. If security requirements are partially contained in a document such as an SPP and additional export control procedures are in a TCP, the latter must refer to the applicable portions of the other document.

### ***DoD Central Adjudicative Facility (CAF)***

The National Industrial Security Program (NISP) establishes procedures for safeguarding classified defense information that is entrusted to contractors. Included in these procedures is a system for determining the eligibility of industrial personnel for access to classified defense information. The Central Adjudication Facility (CAF) is responsible, on behalf of the Department of Defense (DoD) and twenty-three other departments and agencies, for the following:

- Determining the personnel clearance eligibility of employees for access to classified information, foreign or domestic
- Maintenance of personnel clearance records, and furnishing information to authorized activities
- Processing security assurances, clearances, and visits involving the United States and foreign countries
- Monitoring the contractor's continued eligibility in the NISP

### ***International Transportation of Classified Military Material***

To ensure government accountability and control are maintained for classified material, all international transfers take place through official government-to-government channels or other channels mutually agreed upon in writing by the sending and receiving governments (i.e., collectively, a government-to-government transfer), consistent with the government-to-government principle. Transfers must take place between Designated Government Representatives (DGRs) who are appointed by their governments or international organizations. The U.S. DGR for Direct Commercial

Sales (DCS) is a Defense Counterintelligence Security Agency (DCSA) representative. Another USG employee at a facility may be given this responsibility. The U.S. DGR is responsible for performing the “foreign disclosure” verification (i.e., verifying the classified material to be transferred is covered by an export authorization); ensuring appropriate written security arrangements are in place; and decrementing and endorsing the license back to DDTC. In cases when a DCSA, or other USG official is not immediately available, DCSA may delegate certain DGR functions to a company’s Empowered Official or Facility Security Officer. However, DCSA must ensure that the proper documentation is in place before delegating such authority, must maintain oversight responsibility, and must follow-up to ensure that proper procedures were followed. For FMS shipments, the U.S. DGR is appointed by the FMS case implementing agency.

The DGR of the recipient government or international organization receives or verifies receipt of the information or material (depending on the location of the transfer and the arrangements specified in the LOA and/or contract and the transfer plan) on behalf of the recipient government or organization.

The official transfer of security responsibility is not complete until the foreign government’s DGR notifies the U.S. DGR that the recipient government or organization has taken final custody of the classified material and assumed full control for its safeguarding under bilateral security or program-specific security agreements between the USG and the foreign government. A freight forwarder or commercial carrier is a transfer agent and cannot be a DGR. All transfers must be consistent with the NISPOM for commercial sales and DoDM 5200.01 and the SAMM Chapter 7 for FMS sales.

## **Foreign Government and North Atlantic Treaty Organization Information**

### ***Foreign Government Information***

Foreign government information (FGI) is information that has been provided by a foreign government or international organization, or jointly produced, with the expectation that the information will be treated “in confidence.” The information may be classified or unclassified. In addition to TOP SECRET, SECRET, and CONFIDENTIAL, many foreign governments have a fourth level of security classification, RESTRICTED, as well as CUI that is provided in confidence.

As a result of numerous international security and program agreements, the NATO security agreements obligate member nations to adopt common standards of protection. U.S. national policy affords FGI a degree of protection equivalent to that provided to it by the originating government or international organization. Since foreign government accountability and control measures often exceed those of the U.S., the U.S. applies separate security procedures to protect FGI. Because most exchanges are with NATO and its members, the NATO standards are used as the baseline for U.S. procedures for protecting FGI.

FGI, including RESTRICTED and foreign government CUI, must be controlled and managed under E.O. 13526 in order to receive protection equivalent to that provided by the originating government or organization, as stipulated in E.O. 13526 and international agreements. FGI that is classified by the originating government or organization will be marked with the equivalent U.S. classification, if it is not already marked in English, and the identity of the originating government or organization. Foreign government RESTRICTED and CUI are to be marked, “Handle as CONFIDENTIAL–Modified Handling Authorized.” FGI cannot be provided to third country entities or used for a purpose other than that for which it was provided without the consent of the originating government or organization. It must receive protection commensurate with that provided by the originating government or organization. The procedures for handling FGI are contained in two national policy documents, E.O.13526, the Presidential directive on safeguarding classified national security information, and DoD-M 5200.01.

Basic handling procedures for FGI are as follows:

- Storage: The same as U.S. information of the same classification, but FGI is to be

stored separately. FGI that is marked “Handle as CONFIDENTIAL–Modified Handling Authorized” is stored in the same manner as U.S. CUI, e.g., in a locked desk or file cabinet

- Access: Using the need-to-know principle, no access by third country persons without the prior consent of the originating country or organization
- Transmission: The same as U.S. classified information of the same classification level; however, express commercial carriers cannot be used. Receipts are required for international transfers wherever they occur, although exceptions are made for RESTRICTED information. There are no receipts for CUI
- Records: TOP SECRET–receipt, dispatch, internal distribution, annual inventory, and destruction (two persons); SECRET–receipt, dispatch, internal distribution, and destruction; CONFIDENTIAL–receipt and dispatch, and as required by originator

### ***North Atlantic Treaty Organization Disclosure Security Procedures***

Basic security requirements are necessary to comply with the procedures established by the U.S. Security Authority for the North Atlantic Treaty Organization Affairs (USSAN) for safeguarding NATO information involved in international programs. DoDD 5100.55 USSAN Affairs contains the terms of reference designating the Secretary of Defense as the USSAN for the USG. These requirements are consistent with USSAN Instruction 1-70 and implemented by DoDD 5100.55, and the NISPOM. These documents must be consulted for specific details.

### **Classification Levels**

“NATO information” is information that is circulated within NATO. NATO security regulations prescribe four levels of security classification, COSMIC TOP SECRET (CTS), NATO SECRET (NS), NATO CONFIDENTIAL (NC), and NATO RESTRICTED (NR). The terms COSMIC and NATO indicate that the material is “NATO Information.” Another marking, ATOMAL, is applied to U.S. RESTRICTED DATA or FORMERLY RESTRICTED DATA and United Kingdom atomic information released to NATO. Once disclosed to NATO, the classified information loses its country of origin identity and is marked as NATO information. Thereafter, access, dissemination, and safeguarding of the information is accomplished in accordance with NATO procedures. The information remains the property of the provider or originator. Once NATO no longer needs the information, the NATO markings are removed and the information is returned to the originator.

### **Access Requirements**

DoD and contractor employees may have access to NATO classified information only when access is required in support of a U.S. or NATO program that requires such access (i.e., need-to-know).

Access to NATO classified information requires a final DoD personnel clearance (except for RESTRICTED) at the equivalent level and a NATO-specific security briefing discussed later in this chapter. A personnel security clearance is not required for access to NATO RESTRICTED information.

Foreign nationals from nations not members of NATO may have access to NATO classified information only with the consent of the originating NATO member nation or civil or military body. Requests with complete justification, as described in the NISPOM, will be submitted through the cognizant security office (CSO).

### **Disclosure Briefings**

Prior to having access to NATO classified information, contractor and government personnel must be provided a NATO security briefing. The contractor’s facilities security officer (FSO) will initially be briefed by the CSO. Annual refresher briefings will be conducted. When access to NATO classified



information is no longer required, personnel will be debriefed, as applicable, and acknowledge their responsibility for safeguarding the NATO information.

### **Marking and Handling NATO Documents**

Normally, NATO documents do not carry portion markings as are required for U.S. classified documents. Nevertheless, all classified documents created by U.S. contractors and DoD components will be portion-marked.

NATO classified documents, and NATO information in other documents, may not be declassified or downgraded without the prior written consent of the originating NATO member nation civil or military body. Recommendations concerning the declassification or downgrading of NATO classified information are to be forwarded to the central U.S. registry (CUSR) via the CSO by contractors and via command or organizational channels by government personnel.

NATO classified documents, except for NATO RESTRICTED, are to be stored as prescribed in DoDD 5100.55 and the NISPOM for U.S. documents of an equivalent classification level. However, NATO documents must not be comingled with U.S. or other documents. NATO restricted documents may be stored in locking filing cabinets, book cases, desks, other similar locked containers that will deter unauthorized access, or in a locked room to which access is controlled.

### **International Transmission of Classified NATO Documents**

NATO policy requires the establishment of a central registry for the control of the receipt and distribution of NATO documents within each NATO member country. The CUSR, located in Washington, D.C., establishes sub-registries at USG organizations for further distribution and control of NATO documents. Sub-registries may establish control points and sub-control points, as needed, within their activities for distribution and control of NATO documents. COSMIC TOP SECRET, NATO SECRET, and all ATOMAL documents must be transferred through the registry system.

### **Marking the Documents**

When a document containing U.S. classified information is being specifically prepared for NATO, the appropriate NATO classification markings will be applied to the document only after the U.S. information contained in the document is authorized for release to NATO.

### **Multinational Industrial Security Working Group Documents**

The multinational industrial security working group (MISWG) is composed of the NATO countries (minus Iceland) as well as Austria, Sweden, Switzerland, and Finland. This ad hoc group was organized to rationalize different security practices and develop standard procedures for multinational programs. Although initially developed to standardize procedures among NATO member nations working jointly on a non-NATO project, the MISWG documents contain procedures that may be used in any bilateral or multilateral program or project, including NATO projects. NATO, NATO countries, and other countries have adopted the MISWG procedures. Therefore, they should be used as the baseline in preparing individual arrangements or when consolidated in a program security instruction (PSI), MISWG Document 5, for international programs.

Most of the MISWG documents provide procedural guidance for implementing security requirements for international programs. Other MISWG documents are used in preparing the content of international agreements and contracts involving access to classified information. The DCSA may approve the use of the documents in individual commercial programs. However, the Designated Security Authority, part of DTSA, will approve the use of the documents when they are required by an international agreement such as in a PSI.



Another important aspect of program security includes processes and procedures governing international visits.

## **INTERNATIONAL VISITS AND ASSIGNMENTS**

### **International Visits and Assignments**

DoDD 5230.20, Visits and Assignments of Foreign Nationals, sets forth standard procedures concerning requests for visits, assignments, and exchanges of foreign nationals to the DoD and to DoD contractor facilities over which the DoD components have security responsibility. SAMM, Section C3.4, “Visits, Assignments, and Exchanges of Foreign Nationals,” provides further discussion relating to SC.

Foreign representatives (i.e., foreign nationals or U.S. citizens or nationals who are acting as representatives of a foreign government, firm, or person) may be authorized to visit DoD components or U.S. defense contractor facilities only when the proposed visit is in support of an actual or potential USG program (e.g., FMS, USG contract, or international agreement). The DoD and U.S. defense contractors receive over 230,000 foreign visitors annually on matters related to mutual security and cooperation. These visits play a vital part in the exchange of information and technology as a part of U.S. international commitments. These visits account for more transfer of CMI and CUI than all other transfer mechanisms combined.

### ***International Visits Program***

The International Visits Program (IVP) establishes policy and procedures to control international visits, and the information to be transferred during those visits. DoD policies and procedures pertaining to foreign visits are designed to achieve three objectives:

1. Facilitate planning, scheduling, and administration of a visit
2. Provide a vehicle for consideration of proposed export/disclosure decisions related to the visit and record the decision(s)
3. Obtain the required assurances regarding the security clearance, need-to-know, and sponsorship from the visitor’s government if classified military information is involved

### ***Types of Visits***

Under the IVP, there are three types of visits that may be authorized:

1. One-time: a single visit, normally less than thirty days
2. Recurring: recurring visits over a period of time; normally not exceeding one year
3. Extended: a single visit for an extended period of time (beyond 30 days) to support a combined program, or for liaison officer, exchange officer, or cooperative program

Whether the DoD funds any portion of the visit is an entirely separate issue from the approval of the visit under the IVP. Before issuing an invitation, DoD officials must ensure that any classified information proposed for disclosure is approved by the delegated disclosure authority. Amendments to visits may be used only to change dates (no earlier dates) and list of visitors. The information to be discussed during the visit cannot change.

### ***Visit Procedures***

Visit requests to DoD organizations or facilities are submitted by the foreign embassy in Washington, D.C., usually by a military attaché of the partner nation. The requests normally are submitted electronically through the automated Foreign Visit System (FVS), which has been provided by DIA to foreign embassies. The FVS is a component of the Security Policy Automation Network (SPAN). Requests by foreign embassies shall normally be submitted at least thirty days in advance for visits and ninety days in advance for liaison officer certifications.

The FVS automatically routes each request for visit to the Defense Visit Office (DVO) in one of four designated organizations. These include the Department of the Army, Department of the Navy, and Department of the Air Force for all organizations, facilities, and other entities under their control. The fourth organization is DIA itself, which administers visit requests for the Office of the Secretary of Defense, the Joint Staff, defense agencies, and their contractors. The DVOs forward, as necessary, the visit requests to the appropriate foreign disclosure offices of the organizations to be visited, and seek their comment. Based on this input, the DVO renders a decision on the visit, which is returned over the same electronic path used for submission to the embassy of the country submitting the visit request. There are three possible responses to a visit request through IVP channels:

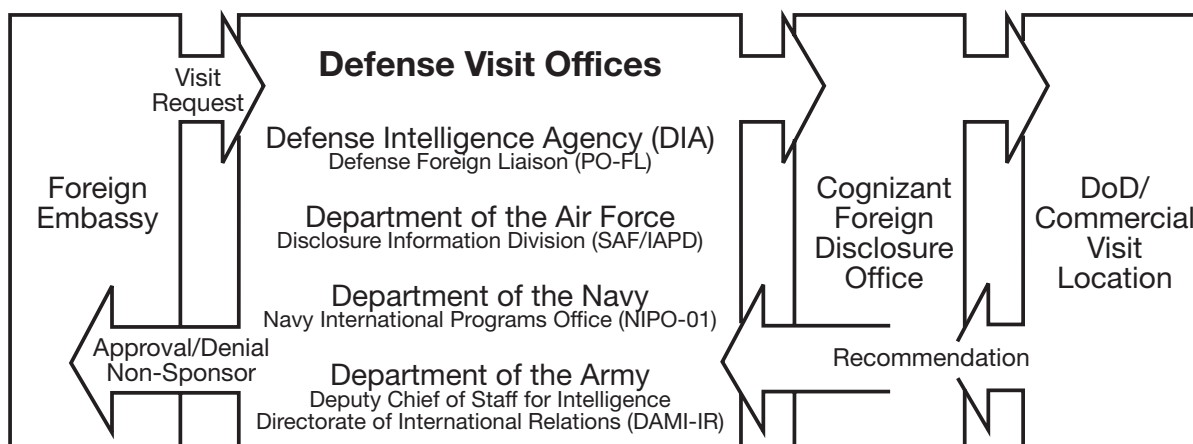
1. Approved: The visit can occur, and the specified information can be disclosed
2. Denied: The visit can occur, but the specified information cannot be disclosed
3. Not sponsored: There is no apparent government program. The visit can occur and information can be disclosed if there is a license or other authorization

Notification of approval of a foreign request for a visit or certification to a DoD component shall be forwarded to the contact officer of the DoD component concerned, or where the representative will visit. This notification shall contain adequate guidance regarding the parameters of the subject visit and the maximum permissible level of classified information that has been authorized for disclosure. Correspondence with DoD contractors relative to approved foreign visits shall be forwarded to the cognizant DCSA regional office for transmittal to the contractor.

Disclosures of classified information to foreign visitors and certified foreign representatives shall be limited to that authorized per disclosure authority and in accordance to guidance from the Foreign Disclosure Officer. Disclosures of classified information are further limited to releasable oral and visual information, unless the release of documentary information is specifically authorized in an approved visit request or letter of acceptance for certified officials, or when the U.S. contractor has secured an export license specific to the documentation intended for release. When documentary release is authorized, the visitor must have courier orders.

Figure 7-2 provides an overview of the IVP within the DoD. At any time, participating activities have immediate access to all visit request status information.

**Figure 7-2**  
**International Visit Program**



A request of visit authorization is not required at a contractor facility when the information to be disclosed is unclassified and (1) it is not subject to export controls, or (2) it is subject to export controls, but a contractor has an export license. A visit authorization is typically not required at a DoD facility when the facility is open to the public and the information is open for public release according to service regulations.

However, if classified information is to be disclosed, a visit request must be submitted even though the contractor has a valid export authorization or license. In this case, the visit request is used to pass the security assurance on the visitors. Requests for classified documentary information resulting from a foreign visit shall otherwise be processed through normal foreign disclosure channels. In either case, classified documentary information shall be transferred through government-to-government channels, unless the visitor is also acting as a courier and has courier orders.

### ***Role of Security Cooperation Offices in International Visits***

SCO personnel should be cognizant of the official travel of both host nation personnel to DoD organizations, as well as the travel of DoD personnel into country. SCOs frequently coordinate visits by host nation personnel to destinations such as a combatant command headquarters or a MILDEP installation for a program management review. However, the SCO cannot submit the visit request, which must originate in the host nation embassy in Washington, D.C., through the FVS. SCOs remind their host nation counterparts of this requirement and note that their own assistance in scheduling a visit is dependent on formal approval through the FVS. A SCO cannot approve a visit to any DoD organization or facility, other than its own office.

For DoD visitors traveling into the host nation, the SCO should control these through the granting or denying of country clearance. In doing this, the SCO follows the procedures in DoD 4500.54, DoD Foreign Clearance Guide. The SCO may also support DoD visitors by passing assurances and other documentation to and from the host nation, and by using its office as necessary to appropriately store CMI or CUI.

### ***Defense Personnel Exchange Program***

The Defense Personnel Exchange Program (DPEP) authorizes the exchange of personnel between the U.S. military services and their counterparts of friendly governments for assignment to established positions within the military services. This exchange is implemented under an agreement conforming to DoDD 5530.3, International Agreements. Assignments can be negotiated as a reciprocal exchange of military personnel. Also, civilian position assignments such as intelligence analysts, scientists and engineers, medical personnel, and administrative specialists may be negotiated. Exchange personnel perform the functions of the specific position within the organization to which they are assigned. Since they are not designated officials of their government, classified information may not be released into their permanent custody. They may only be given oral or visual access to specific classified information authorized in the applicable delegation of disclosure authority letter (DDL). Written procedures must be developed to prevent inadvertent disclosure of classified or CUI as described in DoDD 5230.20. DPEP assignees may not act as a representative of their government.

### ***Foreign Attendance at Classified Meetings Leading to Contract Opportunities***

The USG has entered into cooperative agreements with allies and other friendly nations that allow the exchange of information in specific areas of mutual interest required for their participation in contractual opportunities (see Chapter 13 for a discussion of reciprocal procurement memoranda of understanding). Planning for meetings that may lead to contracts for foreign nationals shall be based on the assumption that there will be foreign attendance.

### ***Visits Overseas by Department of Defense Personnel***

The policy for overseas travel of DoD personnel is covered under DoDD 4500.54E, DoD Foreign Clearance Program (FCP), the DoD Foreign Clearance Manual (FCM), and Foreign Clearance Guide (FCG). The FCM and FCG implement clearances and DoD personnel travel clearances through U.S. embassies for overseas travel. Normally, thirty days advance notice is needed before travel. Procedures also must be established to ensure disclosure authorization has been obtained if classified or export

controlled unclassified information is to be divulged. A “theater clearance” is required for visits to a U.S. military facility overseas, as specified in the FCG. A “country clearance” is required for visits to a host government organization or contractor facility.

Whether the DoD funds any portion of the visit is an entirely separate issue from the approval of the visit under the IVP. Before issuing an invitation, DoD officials must ensure that any classified information proposed for disclosure is approved by the delegated disclosure authority. Amendments to visits may be used only to change dates (no earlier dates) and list of visitors. The information to be discussed during the visit cannot change.

### ***Visit Procedures***

Visit requests to DoD organizations or facilities are submitted by the foreign embassy in Washington, D.C., usually by a military attaché of the partner nation. The requests normally are submitted electronically through the automated Foreign Visit System (FVS), which has been provided by DIA to foreign embassies. The FVS is a component of the Security Policy Automation Network (SPAN). Requests by foreign embassies shall normally be submitted at least thirty days in advance for visits and ninety days in advance for liaison officer certifications.

The FVS automatically routes each request for visit to the Defense Visit Office (DVO) in one of four designated organizations. These include the Department of the Army, Department of the Navy, and Department of the Air Force for all organizations, facilities, and other entities under their control. The fourth organization is DIA itself, which administers visit requests for the Office of the Secretary of Defense, the Joint Staff, defense agencies, and their contractors. The DVOs forward, as necessary, the visit requests to the appropriate foreign disclosure offices of the organizations to be visited, and seek their comment. Based on this input, the DVO renders a decision on the visit, which is returned over the same electronic path used for submission to the embassy of the country submitting the visit request. There are three possible responses to a visit request through IVP channels:

1.     Approved: The visit can occur, and the specified information can be disclosed
2.     Denied: The visit can occur, but the specified information cannot be disclosed
3.     Not sponsored: There is no apparent government program. The visit can occur and information can be disclosed if there is a license or other authorization

Notification of approval of a foreign request for a visit or certification to a DoD component shall be forwarded to the contact officer of the DoD component concerned, or where the representative will visit. This notification shall contain adequate guidance regarding the parameters of the subject visit and the maximum permissible level of classified information that has been authorized for disclosure. Correspondence with DoD contractors relative to approved foreign visits shall be forwarded to the cognizant DCSA regional office for transmittal to the contractor.

Disclosures of classified information to foreign visitors and certified foreign representatives shall be limited to that authorized per disclosure authority and in accordance to guidance from the Foreign Disclosure Officer. Disclosures of classified information are further limited to releasable oral and visual information, unless the release of documentary information is specifically authorized in an approved visit request or letter of acceptance for certified officials, or when the U.S. contractor has secured an export license specific to the documentation intended for release. When documentary release is authorized, the visitor must have courier orders.

Figure 7-5 provides an overview of the IVP within the DoD. At any time, participating activities have immediate access to all visit request status information.

## SUMMARY

The DoD has identified the areas where U.S.-origin technology and other sensitive information should be rigidly protected. These include the critical military technology products, transfer mechanisms and information that the DoD has determined should be subject to export and disclosure controls. The NDP provides guidance on the disclosure and release of U.S. classified military information. The criteria for disclosure decisions in the NDP-1 and NSDM 119 do not categorically dictate whether classified military information will be released to a specific country. These decisions are made on a case-by-case basis, in accordance with satisfying all of the five policy objectives of NSDM 119, which are restated in DoDD 5230.11.

Controlling the transfer of selected technologies is but one way to maintain the integrity of the U.S. defense-related industrial base. Balance must be struck to ensure that the extent of control considers the realities associated with worldwide competition and the impacts upon U.S. industry and the preservation of U.S. economic security as a prerequisite condition to maintaining national security. DoD Officials must be ever vigilant to do their part to protect U.S. military capability and the U.S. tactical edge in an increasingly aggressive information stealing environment by America's adversaries. U.S. international arms and critical technology transfers are authorized solely at the benefit of the United States, the national security and foreign policy reviews conducted under technology transfer and disclosure reviews are key decision points that maintain the U.S. military advantage. Technology transfer play an important role in all manners of transfer including government-to-government sales programs, commercial sales programs, international armaments cooperation programs, and industrial base considerations.

Policies and supporting directives governing technology transfer emphasize the application of the U.S. policy and legal requirements in the AECA, E.O.13526, NSDM 119, NDP-1, and DODD 5230.11 to each case, and the analysis of a potential recipient's need, the intended use and protection measures for such information. The directives are explicit as to procedures and channels to be followed to preclude unwarranted release and disclosure of information.

## REFERENCES

### Laws

Arms Export Control Act

Atomic Energy Act of 1954

Defense Authorization Act of 1986 (Nunn Amendment/NATO Cooperative R&D)

Defense Authorization Act of 1993, Defense Technology and Industrial Base Reinvestment and Concession

Energy Reorganization Act of 1974

Export Administration Act of 1979

Foreign Assistance Act

Freedom of Information Act

Public Law (PL-110-49), 26 July 2007, Foreign Investment and National Security Act of 2007.

Stephenson-Wydler Technology Innovation Act of 1980

## **Department of State Documents**

DDTC Website: [https://www.pmddtc.state.gov/?id=ddtc\\_kb\\_article\\_page&sys\\_id24d528fddbfc930044f9ff621f961987](https://www.pmddtc.state.gov/?id=ddtc_kb_article_page&sys_id24d528fddbfc930044f9ff621f961987)

*International Traffic and Arms Regulations (ITAR) (22 CFR 120-130).*

## **Department of Commerce Documents**

Export Administration Regulations (EAR) (15 CFR 730-774)

## **Department of Defense Documents**

DoDI 2040.02, International Transfer of Technology, Articles, and Services.

DoDI 2030.08

DoD 4500.54E, DoD Foreign Clearance Program

DSCA Manual 5105.38-M, Security Assistance Management Manual (SAMM), Chapter 3. <http://www.samm.dsca.mil/>.

DoD-M 5200.01 *DoD Information Security Program and Protection of Sensitive Compartmentalized Information (SCI)*

DoDD 5100.55, United States Security Authority for North Atlantic Treaty Organization Affairs

DoDI 5220.02 *National Industrial Security Program*

DoD 5220.22-M, *National Industrial Security Programs Operating Manual (NISPOM)*

DoDD 5230.09, *Clearance of DoD Information for Public Release*

DoDD 5230.11, *Disclosure of Classified Military Information to Foreign Governments and International Organizations*

DoDD 5230.20, *Visits and Assignments of Foreign Nationals*

DoDD 5230.24, *Distribution Statements on Technical Documents*

DoDD 5230.25, *Withholding of Unclassified Technical Data from Public Disclosure*

DoDI 5230.29, *Security and Policy Review of DoD Information for Public Release*

DoDD 5400.07, *Freedom of Information Program (FOIA)*

DoDI 5530.03, *International Agreements*

U.S. Security Authority for the North Atlantic Treaty Organization, Instruction I-07

## **Other U.S. government Documents**

Defense Technical Information Centers (DTIC). [www.dtic.mil](http://www.dtic.mil)

Executive Order 13526.

National Security Decision Memorandum 119

Office of Foreign... (OFAC) (13 CFR 500-598)



## Chapter

# 8

# LOA STANDARD TERMS AND CONDITIONS

## INTRODUCTION

Basic contract law concepts are evident in the government-to-government agreements for security assistance (SA). This chapter examines the foreign military sales (FMS) standard terms and conditions that are an integral component of every FMS Letter of Offer and Acceptance (LOA). In contrast, the standard terms and conditions introduced in this chapter are not included as a component of pseudo LOAs used to implement various Building Partner Capacity (BPC) programs. For BPC transfers, the benefitting country acknowledges its various responsibilities via a separate agreement pursuant to Section 505 of the Foreign Assistance Act. More information about pseudo LOAs is contained in Chapter 6 of this textbook. Additionally, this chapter discusses the purpose and application of other SA agreements such as LOA amendments, LOA modifications, leases, loans, and international agreements.

## CONTRACTS

The term contract is commonly understood to refer to a binding agreement between two or more parties that is enforceable by law. Contracts to acquire supplies or services for the USG are developed and executed under the uniform policies and procedures delineated in the Federal Acquisition Regulation (FAR). The USG contracting process under the FAR is briefly outlined in Chapter 9 of this textbook.

The LOA is not a procurement type contract developed and executed under the FAR. Instead, an FMS LOA is a unique agreement that is developed under the authority of the Arms Export Control Act (AECA) and in accordance with the policies and procedures specified in the Security Assistance Management Manual (SAMM). The LOA documents the bilateral government-to-government agreement between the USG and the partner nation. In the LOA, the USG commits itself to provide certain defense items or services and the purchaser commits to abide by specific terms and conditions associated with the sale and to make specified financial payments. Although the LOA is its own unique type of agreement, a brief examination of the LOA viewed through the contract paradigm is a helpful tool to better understand the LOA.

### Elements of a Contract

Six basic elements must be present for an agreement to be enforceable by law as a contract. These six contractual elements are present in each FMS LOA. This section highlights how these six contract elements relate to the FMS LOA process.

#### *Offer*

The offer is a proposal by one party to enter into a contractual relationship with another party. In order for a statement or communication to be a valid offer, the respective statement or communication must be intended to be an offer. This element plays an important role in the SA process. A foreign customer may submit a request for price and availability (P&A) data. When P&A data is provided to a foreign purchaser, the SAMM requires that a statement be included with the P&A response to emphasize that providing P&A data does not constitute an offer to sell. A P&A response only provides information. If a foreign purchaser desires an LOA to purchase the material or services identified in the P&A data, the purchaser must submit a subsequent request for an LOA.

Under the FMS process, a formal USG offer to sell military articles or services is communicated by presenting an LOA, complete with the authorized USG signatures, to the prospective customer. LOAs are generally only offered in response to a specific customer's letter of request (LOR). The customer's LOR is referenced in each offered LOA. The LOA offer remains valid through the offer expiration date cited in the LOA. After the offer expiration date, the LOA is no longer an offer and cannot be accepted unless reinstated or reissued by the USG.

### ***Acceptance***

Acceptance is an expression of agreement to the contract offer. In order for the acceptance to be effective, it must be clear, timely, and in the same terms as the offer. This contract principle is key to the LOA process. Even though a customer submitted an LOR for an LOA, the customer is under no obligation to accept the LOA offered by the USG. Acceptance of the LOA is accomplished by an authorized country representative signing the LOA prior to the offer expiration date, forwarding the specified initial deposit and returning the proper number of signed LOA copies. Payment of the initial deposit is a condition of acceptance. Implementation of the FMS case cannot take place without receipt of the initial deposit. Additionally, in the acceptance process, the customer informs the USG of the applicable mark for code, freight forwarder code, purchaser procuring agency code, and the name/address of their paying office. This information is entered by the customer on the bottom of the first page of the LOA.

### ***Consideration***

Consideration exists when something of legal value or benefit is offered by one party to another. Consideration is the value of a promised action and is often stated in monetary terms. With respect to an LOA, consideration consists of the purchaser's financial payment(s) in return for defense articles and services provided by the USG.

### ***Competent Parties***

The term "competent parties" means that both parties to the contract possess the legal capacity to enter into the contract. Competent parties relative to the LOA are the authorized USG and purchaser representatives who sign the LOA. Each LOA will contain a written/digital signature by a representative of the implementing agency (IA) that generated the LOA. Additionally, each LOA will contain an electronic countersignature signifying that DSCA has reviewed and approved the LOA.

Each customer establishes their own process for LOA review and acceptance. From a U.S. perspective, receipt of a signed LOA from the customer coupled with receipt of the initial deposit (which is typically substantial) indicates that the individual who signed to accept the LOA is an authorized representative of that respective government.

### ***Lawful Purpose***

As a general rule, a contract that violates a statute is unlawful and will not be enforced. Under the FMS process, it is incumbent upon the representatives of both governments to ensure that the LOA is in compliance with their respective laws and policies prior to offering or accepting a given LOA. The USG must comply with the Arms Export Control Act (AECA), the Foreign Assistance Act (FAA), and other associated statutes. Each FMS LOA includes the statement "Pursuant to the Arms Export Control Act" in the second paragraph. From the U.S. perspective, the congressional notification process for certain high-value LOAs is an example of ensuring that LOAs offered to customers comply with U.S. statutory requirements. A DSCA Office of General Counsel attorney reviews each LOA to ensure legal sufficiency. DSCA countersignature signifies that each LOA complies with all applicable statutory and policy requirements. Foreign purchasers have the responsibility to ensure that their actions regarding the LOA are in compliance with their respective national laws.

## ***Terms and Conditions***

A contract must clearly delineate what actions each party has committed to perform. A contract that poorly defines who, what, when, where, how, at what cost, and under what conditions these actions will occur, could lead to confusion and may be unenforceable. In this regard, every FMS LOA contains a set of standard terms and conditions, which apply whether or not they are physically attached to a particular case. The standard terms and conditions must, however, be included in the original LOA sent to the purchaser for review and acceptance.

The same set of standard terms and conditions applies to all FMS LOAs and is exactly the same for all foreign purchasers; however, DSCA periodically updates the terms and conditions to reflect current policy and incorporate standard notes. The terms and conditions in effect at the time the LOA is prepared and signed are the conditions that apply throughout the life of the FMS case.

It is important to note that the LOA standard terms and conditions do not apply to pseudo LOAs used to implement BPC programs. The reason for this difference is that, under pseudo LOAs, the USG is actually selling defense articles and services to another component of the USG rather than directly to a foreign purchaser. As a reminder, benefitting countries acknowledge their responsibilities via a separate agreement pursuant to Section 505 of the FAA.

### **LETTER OF OFFER AND ACCEPTANCE STANDARD TERMS AND CONDITIONS**

The standard terms and conditions to be used with all FMS LOAs are discussed below. The standard terms and conditions are categorized into seven sections. These LOA terms and conditions establish certain rights and responsibilities for each of the parties in the LOA. The terms and conditions also delineate certain limitations or constraints associated with the sale.

Section 1	Conditions—United States Government (USG) Obligations
Section 2	Conditions—General Purchaser Agreements
Section 3	Indemnification and Assumption of Risks
Section 4	Financial Terms and Conditions
Section 5	Transportation and Discrepancy Provisions
Section 6	Warranties
Section 7	Dispute Resolution

#### **Section 1 Conditions—United States Government (USG) Obligations**

1.1 Unless otherwise specified, items will be those which are standard to the U.S. Department of Defense (DoD), without regard to make or model.

1.2 The USG will furnish the items from its stocks and resources, or will procure them under terms and conditions consistent with DoD regulations and procedures. When procuring for the Purchaser, DoD will, in general, employ the same contract clauses, the same contract administration, and the same quality and audit inspection procedures as would be used in procuring for itself; except as otherwise requested by the Purchaser and as agreed to by DoD and set forth in this LOA. Unless the Purchaser has requested, in writing, that a sole source contractor be designated, and this LOA reflects acceptance of such designation by DoD, the Purchaser understands that selection of the contractor source to fill requirements is the responsibility of the USG, which will select the contractor on the same basis used to select contractors for USG requirements. Further, the Purchaser agrees that the U.S. DoD is solely responsible for negotiating the terms and conditions of contracts necessary to fulfill the requirements in this LOA.

1.3 The USG may incorporate anti-tamper (AT) protection into weapon systems and components that contain critical program information (CPI). The AT protection will not impact operations, maintenance, or logistics provided that all terms delineated in the system technical documentation are followed.

1.4 The USG will use its best efforts to provide the items for the dollar amount and within the availability cited.

1.5 Under unusual and compelling circumstances, when the national interest of the U.S. requires, the USG reserves the right to cancel or suspend all or part of this LOA at any time prior to the delivery of defense articles or performance of defense services. The USG shall be responsible for termination costs of its suppliers resulting from cancellation or suspension under this section. Termination by the USG of its contracts with its suppliers, other actions pertaining to such contracts, or cessation of deliveries or performance of defense services is not to be construed as cancellation or suspension of this LOA itself under this section.

1.6 U.S. personnel performing defense services under this LOA will not perform duties of a combatant nature, including duties relating to training and advising that may engage U.S. personnel in combat activities outside the U.S., in connection with the performance of these defense services.

1.7 The assignment or employment of U.S. personnel for the performance of this LOA by the USG will not take into account race, religion, national origin, or gender.

1.8 Unless otherwise specified, this LOA may be made available for public inspection consistent with the national security of the United States.

### ***Section 1.1 Standard Items***

This section notifies the purchaser that the items to be furnished under the LOA will typically be standard items. The term “standard” in this context means that the items provided will be the same as those currently in use by the DoD. The ultimate purpose of SA is to enhance U.S. national security. When partner nations use standard U.S. systems and components, opportunities for interoperability and logistics cross-servicing are greatly increased which, in turn, enhances U.S. national security. This general commitment to supply standard items will be applied subject to U.S. releasability determinations and technology transfer decisions, which are discussed in Chapter 7, “Technology Transfer, Export Controls and International Programs Security.”

This condition further highlights that items will be provided without regard to make or model. This provision is necessary, because the DoD generally procures using a competitive process. In the competition, the potential exists for any given manufacturer’s make or model product to be selected if the respective product meets the procurement specification requirements such as performance, form, fit, or function. Although the foreign customer may have received a certain make and model product in a prior procurement, the customer should not expect to automatically receive the exact same make and model product in future procurements. If the purchaser has certain unique requirements for specific makes or models, this condition places the responsibility on the purchaser to make those unique requirements known to the IA; otherwise, the standard U.S. configuration will be supplied.

### ***Section 1.2 Buyer-Seller Relationship***

This section establishes the buyer-seller relationship between the international purchaser and the USG. By accepting the LOA, the purchaser authorizes the USG representatives to act on its behalf. When the DoD procures items to fulfill the purchaser’s requirements, it will generally apply the same acquisition and contract procedures that it uses in procuring for itself. This affords the international purchaser the same benefits and protections that apply to DoD procurements, and is one of the principal reasons why nations choose to procure through FMS channels.

Sole source for the purposes of an LOA is a process whereby an FMS purchaser may request LOA items or services to be procured from one specific vendor. Sole source procedures are outlined in the SAMM, Section C6.3.4, *Requests for Other than Full and Open Competition*, and *Defense Federal Acquisition Regulation Supplement* (DFARS) 225.7301-2. More information on sole source procurement is contained in Chapter 9, “Foreign Military Sales Acquisition Policy and Process.”

### ***Section 1.3 Anti-tamper Protection***

The Anti-tamper protection section alerts the FMS customer that the USG may incorporate anti-tamper protection in equipment sold under FMS to safeguard critical technology. In addition, it states that the use of anti-tamper protection will not impact operations, maintenance, or logistics provided that all terms delineated in the system technical documentation are followed.

### ***Section 1.4 Best Efforts***

The term “best efforts” is a legal term that implies a party’s good faith or intent to achieve a stated future outcome; however, this term also recognizes the potential for other factors to subsequently arise that could preclude the offer from actually attaining the intended goal. Therefore, a party performing under a “best effort” condition will not be considered in default of the contract if the intended performance outcomes are not achieved.

In regard to the LOA, this section means that the USG will undertake the execution of each LOA with the intent to deliver within the estimated cost and delivery dates cited in the LOA, but the USG cannot promise or guarantee these estimates will be achieved. As such, the purchaser understands and accepts the risk that the USG may fail to meet the LOA cost and delivery estimates.

### ***Section 1.5 U.S. Government Right to Cancel or Suspend***

The USG reserves the right to cancel an LOA, in whole or in part, when determined to be in the USG’s best interest. This provision implements an AECA statutory requirement. The USG carefully reviews customer requests before extending an LOA offer. As indicated by Section 1.5, an unusual, significant event must occur to cause the USG to change its position and decide to cancel or suspend the LOA sale. If the USG chooses to cancel an LOA, the USG is responsible for paying the costs associated with terminating the respective procurement contracts with its suppliers. This does not necessarily mean that the entire LOA amount will be refunded to the purchaser. Given the fact that there will be unusual and compelling circumstances surrounding the exercise of this LOA term, generally a politically negotiated agreement will be necessary to settle the financial obligations and disposition of material associated with cancelled or suspended LOAs. SAMM Section C6.6 states that DSCA will provide the IA direction regarding the disposition of property and the liquidation of liabilities in regard to any cancelled or suspended LOA.

### ***Section 1.6 & 1.7 U.S. Personnel Requirements***

Sections 1.6 and 1.7 implement FAA and AECA statutory requirements that apply to U.S. personnel performing SA functions. Section 1.6 emphasizes that U.S. personnel in the purchaser’s country will not conduct combat activities in connection with the performance of their security assistance duties. Additionally, Section 1.7 specifies that the U.S. may not consider race, religion, national origin, or gender in assigning individuals to conduct SA functions on behalf of the purchaser.

### ***Section 1.8 Freedom of Information Guidelines***

Section 1.8 imposes the Freedom of Information Act (FOIA) process in whether an LOA may be made publicly available. However, under FOIA, information provided to the USG in confidence by a foreign government may be exempt from disclosure to the public. Conditions, which may exempt the LOA from public release, include determinations that the LOA contains information not normally



released by the respective foreign government. Any decision to release or withhold information must be coordinated with DSCA and the appropriate legal counsel of the involved DoD component. The official policy for release is found in SAMM, Section C3.5. More information on FOIA is contained in Chapter 7, “Technology Transfer, Export Controls, and International Programs Security.”

## **Section 2 Conditions—General Purchaser Agreements**

Section 2 outlines certain rights and obligations of the purchaser associated with the LOA sales contract.

2.1 The Purchaser may cancel this LOA or delete items at any time prior to delivery of defense articles or performance of defense services. The Purchaser is responsible for all costs resulting from cancellation under this section.

2.2 The purchaser notes its obligations under International Humanitarian Law and Human Rights Law. The Purchaser agrees, except as may otherwise be mutually agreed in writing by the Purchaser and the USG, to use the defense articles sold hereunder only:

2.2.1 for internal security;

2.2.2 for legitimate self-defense;

2.2.3 for preventing or hindering the proliferation of weapons of mass destruction and of the means of delivering such weapons;

2.2.4 to permit the Purchaser to participate in regional or collective arrangements or measures consistent with the Charter of the United Nations, or otherwise to permit the Purchaser to participate in collective measures requested by the United Nations for the purpose of maintaining or restoring international peace and security; or

2.2.5 for the purpose of enabling foreign military forces in less developed countries to construct public works and to engage in other activities helpful to social and economic development.

2.2.6 for purposes specified in any Mutual Defense Assistance Agreement between the USG and the Purchaser; or,

2.2.7 for purposes specified in any other bilateral or regional defense agreement to which the USG and the Purchaser are both parties.

2.3 The Purchaser agrees that the USG retains the right to verify reports that defense articles and services have been used for purposes not authorized or for uses not consented to by the USG.

2.4 The Purchaser will not transfer title to, or possession of, the defense articles, components and associated support materiel, related training or other defense services (including plans, specifications, or information), or technology furnished under this LOA to anyone who is not an officer, employee, or agent of the Purchaser (excluding transportation agencies) or of the USG, and shall not use or permit their use for purposes other than those authorized, unless the written consent of the USG has first been obtained. The Purchaser will ensure, by all means available to it, respect for proprietary rights in any items and any plans, specifications, or information furnished, whether patented or not. The Purchaser also agrees that the defense articles offered will not be transferred to Cyprus or otherwise used to further the severance or division of Cyprus, and recognizes that the U.S. Congress is required to be notified of any substantial evidence that the defense articles sold in this LOA have been used in a manner that is inconsistent with this provision.

2.5 The Purchaser agrees not to divert articles and services received under this LOA for



purposes or uses other than those for which it was furnished, including, but not limited to, any use that could contribute to the acquisition, design, development or production of a "missile," as defined in Section 74 of the Arms Export Control Act (AECA) (22 U.S.C. 2797c). The items will be used only for the purposes stated and such use will not be modified nor the items modified or replicated without the prior consent of the USG; neither the items nor replicas nor derivatives thereof will be retransferred without the consent of the USG. The USG has the right to take action under Section 73(a) of the AECA (22 U.S.C. 2797b(a)) in the case of any export or transfer of any Missile Technology Control Regime (MTCR) equipment or technology that contributes to the acquisition, design, development or production of missiles in a country that is not an MTCR adherent.

2.6 The Purchaser will maintain the security of such article or service and will provide substantially the same degree of security protection afforded to such article or service by the United States Government. To the extent that items, including plans, designs, specifications, technical data, or information, furnished in connection with this LOA may be classified by the USG for security purposes, the Purchaser certifies that it will maintain a similar classification and employ measures necessary to preserve such security, equivalent to those employed by the USG and commensurate with security agreements between the USG and the Purchaser. If such security agreements do not exist, the Purchaser certifies that classified items will be provided only to those individuals having an adequate security clearance and a specific need to know in order to carry out the LOA program and that it will promptly and fully inform the USG of any compromise, or possible compromise, of U.S. classified material or information furnished pursuant to this LOA. The Purchaser further certifies that if a U.S. classified item is to be furnished to its contractor pursuant to this LOA: (a) the item will be exchanged through official Government channels, (b) the specified contractor will have been granted a facility security clearance by the Purchaser at a level at least equal to the classification level of the U.S. information involved, (c) all contractor personnel requiring access to such items will have been cleared to the appropriate level by the Purchaser, and (d) the Purchaser is also responsible for administering security measures while the item is in the contractor's possession. If a commercial transportation agent is to be used for shipment, the Purchaser certifies that such agent has been cleared at the appropriate level for handling classified items. These measures will be maintained throughout the period during which the USG may maintain such classification. The USG will use its best efforts to notify the Purchaser if the classification is changed.

2.7 Pursuant to Section 505 of the Foreign Assistance Act of 1961, as amended (FAA) (22 U.S.C. 2314), and Section 40A of the AECA (22 U.S.C. 2785), the USG will be permitted, upon request, to conduct end-use monitoring (EUM) verification with respect to the use, transfer, and security of all defense articles and defense services transferred under this LOA. The Purchaser agrees to permit scheduled inspections or physical inventories upon USG request, except when other means of EUM verification shall have been mutually agreed. Upon request, inventory and accountability records maintained by the Purchaser will be made available to U.S. personnel conducting EUM verification.

2.8 Any offset arrangement is strictly between the Purchaser and the U.S. defense contractor. The U.S. Government is not a party to any offset agreements that may be required by the Purchaser in relation to the sales made in this LOA. The USG assumes no obligation to administer or satisfy any offset requirements or bear any of the associated costs. Although offsets, as defined in the Defense Federal Acquisition Regulation Supplement, are not within the scope of the DoD contracts entered into to fulfill the requirements of this LOA, offset costs may be recovered through such contracts. Indirect offset costs may be deemed reasonable without further analysis in accordance with the Defense Federal Acquisition Regulation Supplement. If the Purchaser wishes to obtain information regarding offset costs, the Purchaser should request information directly from the U.S. defense contractor.

## ***Section 2.1 Purchaser Right to Cancel***

In Section 1.5, the USG retains the right to cancel or suspend part or all of the case under unusual or compelling circumstances when in the U.S.'s national interest. Similarly, this section provides the FMS customer the right to change their mind. Simply because the customer accepted the case at one point does not mean the customer is locked into that decision. The customer is a voluntary participant and can cancel the entire LOA or delete specific items prior to delivery.

If the customer chooses to exercise this right, the customer is financially liable for all the associated termination costs. Termination costs are incurred to cancel work that is already underway to execute the LOA. Most termination costs relate to payments to contractors arising from contract cancellations. Generally, contractors are entitled to certain payments when contracts are unilaterally cancelled prior to normal contract completion. Depending on how much work is already in progress, the termination cost to cancel or delete items may be substantial. Because this condition provides the right to cancel, termination liability is a factor calculated into the LOA payment schedule. The calculation of termination liability ensures that, at any point in the LOA execution, the U.S. should have collected sufficient funds in advance from the customer to cover all outstanding liabilities in the event the customer elects to cancel part or all of the LOA. More information on termination liability is contained in Chapter 12 of this textbook, "Financial Management."

## ***Section 2.2 End-Use Purposes***

The first sentence of this section represents the most recent change to the standard terms and conditions: "The purchaser notes its obligations under International Humanitarian Law and Human Rights Law." This sentence highlights the role of humanitarian and human rights law associated with the LOA. However, this text does not impose any new obligations on the customer and cannot be the basis of a section 3 violation in and of itself.

This condition also stipulates that the purchaser will only use the materiel or services purchased under the LOA for certain purposes, referred to as end use. The list of acceptable end uses is drawn from the AECA. At first, it may appear unfair that the USG attaches end-use limitations to the sale, but we must remember that the USG is selling defense articles and services rather than consumer products. Additionally, as discussed in Section 1.1, this is often the same materiel used by U.S. military forces. As such, the USG has valid concerns over how these articles or services are used by the customer. More information on end use is contained in Chapter 18, "End-Use Monitoring and Third-Party Transfers."

## ***Section 2.3 Reports Verification***

Section 2.3 establishes the right of the USG to verify any reports that defense articles or services are being used for purposes other than as specified in Section 2.2. The incorporation of this language into the terms and conditions of the LOA establishes the USG the right to investigate any reports of violation to the use provisions of the LOA. These conditions are also typically contained in international agreements with customers pursuant Section 505 of the FAA.

## ***Section 2.4 Third-Party Transfers***

Section 2.4 restates the obligations imposed on the FMS purchaser under the AECA. Although the FMS customer actually becomes owner of the materiel, the USG requires, as a condition of the sale, that the purchaser agrees to not resell or transfer possession of the purchased items without first obtaining written USG consent.

This condition does not mean that the customer can never sell the materiel or turn over possession for maintenance to a third country. It simply means that the USG is very concerned about who has access to and possession of this defense materiel. Before offering the LOA, the USG determined that it was in its best interest to permit the customer to possess this materiel. The USG wants to ensure

that possession of this defense materiel by a prospective third party is also in the USG's best interest. More information on third-party transfers is contained in Chapter 18, "End-Use Monitoring and Third-Party Transfers."

This condition also requires the FMS purchaser to respect the proprietary rights of U.S. contractors. U.S. industry has often made significant investments in defense technologies that enable the firm to compete both commercially and in the defense sector. This condition protects the intellectual property of U.S. contractors from misuse.

This section also specifically identifies conditions related to Cyprus. It does appear unusual that provisions regarding Cyprus would be included in the standard terms and conditions used with all FMS LOAs. This is an example of the political influences that impact SA. Congress was concerned about unauthorized transfers of defense articles to Cyprus. As a result, Congress specifically addressed this concern within the language of the AECA. Given these conditions relative to Cyprus are contained within the law, these same requirements are included in the standard terms and conditions used with all FMS LOAs.

### ***Section 2.5 Missile Technology Control Regime***

Section 2.5 alerts the customer not to divert articles and services provided under the LOA for purposes other than for which they were furnished. This specifically excludes any use that would support the acquisition, design, development or production of a missile as defined in the AECA. This section also alerts the customer that the USG may act to control export or transfer under the Missile Technology Control Regime.

### ***Section 2.6 Security Requirements***

The USG is very concerned about preserving the security of classified material transferred under FMS. This condition requires the FMS customer to maintain security measures equivalent to those used by the USG. This does not mean the customer must use the same USG security procedures. It means that the end result of the customer's security process will achieve a level of security that is equivalent to the security level provided by the USG. Additionally, the customer is responsible for security not only when the item is in government possession, but also when it is provided to the FMS purchaser's domestic contractors or when it is in the transportation pipeline. More information on security controls is contained in Chapter 7, "Technology Transfer, Export Controls, and International Programs Security."

### ***Section 2.7 End-Use Monitoring***

Section 2.7 states the USG retains the right to conduct end-use monitoring (EUM) verification of articles and services transferred under the LOA. The purchaser agrees to permit scheduled inspections or physical inventories upon request and make accountability records available to USG EUM personnel. This implements an AECA requirement. A more detailed explanation of EUM is contained in Chapter 18, "End-Use Monitoring and Third-Party Transfers."

### ***Section 2.8 Offset Arrangements***

Section 2.8 notifies the customer that the USG is not a party to any offset arrangements and assumes no obligation to administer or satisfy any offset requirements. Although offsets are not within the scope of DoD contracts used to execute the LOA, offset costs may be recovered through such contracts. In addition, Section 2.8 notifies the customer that offset costs shall be determined or deemed reasonable in accordance with the DFARS Subpart 225.73. A more detailed explanation of offsets is contained in Chapter 9, "Foreign Military Sales Acquisition Policy and Process."

### Section 3 Indemnification and Assumption of Risks

Section 3 begins by reminding the customer that the USG's purpose in the FMS LOA is not for financial gain. Obviously, the USG believes the sale is in its best interest, but financial profit is not the motivating factor. In recognition of this fact, this condition states that the purchaser indemnifies the USG. This means that the purchaser agrees to accept the risks of financial liabilities that may arise in the execution of the LOA.

3.1 The Purchaser recognizes that the USG will procure and furnish the items described in this LOA on a non-profit basis for the benefit of the Purchaser. The Purchaser therefore undertakes to indemnify and hold the USG, its agents, officers, and employees harmless from any and all loss or liability (whether in tort or in contract) which might arise in connection with this LOA because of:

3.1.1 Injury to or death of personnel of Purchaser or third parties,

3.1.2 Damage to or destruction of (a) property of DoD furnished to Purchaser or suppliers specifically to implement this LOA, (b) property of Purchaser (including the items ordered by Purchaser pursuant to this LOA, before or after passage of title to Purchaser), or (3) property of third parties, or

3.1.3 Infringement or other violations of intellectual property or technical data rights.

3.2 Subject to express, special contractual warranties obtained for the Purchaser, the Purchaser agrees to relieve the contractors and subcontractors of the USG from liability for, and will assume the risk of, loss or damage to:

3.2.1 Purchaser's property (including items procured pursuant to this LOA, before or after passage of title to Purchaser), and

3.2.2 Property of DoD furnished to suppliers to implement this LOA, to the same extent that the USG would assume for its property if it were procuring for itself the items being procured.

At first, the requirement for indemnification may seem unfair and appear that the USG is placing undue risk upon the FMS purchaser. However, we must remember that the USG is conducting business on behalf of the FMS customer in the same manner that the USG conducts business for itself. As a normal business practice, the USG exposes itself to a certain degree of risk. Given the broad range of risks the USG faces, it is less expensive to absorb the occasional loss than it is to purchase insurance to insulate against all these risks. In procurements, the USG may include limitation of liability clauses to relieve contractors from certain liabilities (like acts of God). The reason for limitation of liability contract clauses is to reduce overall procurement costs. If contractors were required to cover all potential risks, they would demand a higher contract price in compensation for being exposed to greater risk.

When it comes to executing FMS programs, the USG faces certain risks just like it does while conducting business for itself. Under the LOA, the USG is simply requiring the customer to absorb the risks that the USG would absorb if the actions were conducted in support of a USG requirement. So, in reality, the USG is not asking the customer to be exposed to an extraordinary degree of risk. The USG is only requiring the customer to stand in the USG's place to face the same level of risk that the USG normally faces in conducting business for itself.

Under Section 3, there are two indemnification provisions: (1) Purchaser indemnifies and holds harmless the USG, its agents, officers and employees and (2) Purchaser relieves the USG's contractors and subcontractors of liability. The first indemnification sections are much broader in coverage than

the second. The first indemnification section (section 3.1) indemnify for injury or death of customer personnel or others, damage or destruction of DoD property, customer or third-party property, and infringement of intellectual property. Section 3.2, coverage for USG contractors and subcontractors, extends to damage or loss of customer property and DoD property furnished to implement the LOA.

### ***Liability Illustration***

Suppose, under an FMS case, a foreign purchaser wanted to purchase an excess aircraft and have that aircraft's avionics upgraded prior to delivery. Following LOA acceptance, the U.S. awarded a contract for the upgrade, removed the aircraft from storage, and transported it to a contractor for upgrade work. After the contractor completed the work, the contractor's test pilot flew the aircraft on a functional check flight. During the check flight, a catastrophic problem developed, which caused the aircraft to crash and be destroyed, also causing significant property damage on the ground at the crash site.

In this hypothetical scenario, who is financially liable for the costs? The answer is that it depends. The USG would investigate the crash to determine the cause. In the investigation, the contractor's contractual responsibility would be examined to determine if contractor non-performance or negligence contributed to the accident. If the contractor would have held some financial responsibility in the case the work was being done for the benefit of the USG, then the contractor would also be held to the same degree of financial responsibility if the work was being performed for an FMS customer.

If, at the conclusion of the investigation, it was found that the contractor had fulfilled all its contractual requirements and the accident cause was in an area where the USG normally accepts the liability risk, this LOA condition states that the FMS purchaser will assume this financial liability rather than the USG or the contractor. Again, this provision simply informs the FMS customer that they should be prepared to be exposed to the same degree of financial risk that the USG exposes itself to in the normal course of business.

### **Section 4 Financial Terms and Conditions**

Section 4 states the purchaser's financial obligation and liability when purchasing items or services through FMS. Chapter 12 of this textbook, "Financial Management," provides greater detail regarding FMS financial processes.

4.1 The prices of items to be procured will be billed at their total cost to the USG. Unless otherwise specified, the cost of items to be procured, availability determination, payment schedule, and delivery projections quoted are estimates based on the best available data. The USG will use its best efforts to advise the Purchaser or its authorized representatives of:

4.1.1 Identifiable cost increases that might result in an overall increase in the estimated costs in excess of ten percent of the total value of this LOA,

4.1.2 Changes in the payment schedule, and

4.1.3 Delays which might significantly affect estimated delivery dates. USG failure to advise of the above will not change the Purchaser's obligation under all subsections of Section 4.4.

4.2 The USG will refund any payments received for this LOA which prove to be in excess of the final total cost of delivery and performance and which are not required to cover arrearages on other LOAs of the Purchaser.

4.3 The Purchaser's failure to make timely payments in the amounts due may result in delays in contract performance by DoD contractors, claims by contractors for increased costs, claims by contractors for termination liability for breach of contract, claims by USG or DoD contractors for



storage costs, or termination of contracts by the USG under this or other open Letters of Offer and Acceptance of the Purchaser at the Purchaser's expense.

4.4 The Purchaser agrees to the following:

4.4.1 To pay to the USG the total cost to the USG of the items even if costs exceed the amounts estimated in this LOA.

4.4.2 To make payment(s) by check or wire transfer payable in U.S. dollars to the Treasurer of the United States.

4.4.3 If Terms of Sale specify "Cash with acceptance," to forward with this LOA a check or wire transfer in the full amount shown as the estimated Total cost, and agrees to make additional payment(s) upon notification of cost increase(s) and request(s) for funds to cover such increase(s).

4.4.4 If Terms of Sale specify payment to be "Cash prior to delivery," to pay to the USG such amounts at such times as may be specified by the USG (including initial deposit) in order to meet payment requirements for items to be furnished from the resources of DoD. USG requests for funds may be based on estimated costs to cover forecasted deliveries of items. Payments are required 90 days in advance of the time DoD plans such deliveries or incurs such expenses on behalf of the Purchaser.

4.4.5 If Terms of Sale specify payment by "Dependable Undertaking," to pay to the USG such amounts at such times as may be specified by the USG (including initial deposit) in order to meet payments required by contracts under which items are being procured, and any damages and costs that may accrue from termination of contracts by the USG because of Purchaser's cancellation of this LOA. USG requests for funds may be based upon estimated requirements for advance and progress payments to suppliers, estimated termination liability, delivery forecasts, or evidence of constructive delivery, as the case may be. Payments are required 90 days in advance of the time USG makes payments on behalf of the Purchaser.

4.4.6 If the Terms of Sale specify Foreign Military Financing (FMF), the Purchaser will pay to the USG such costs as may be in excess of the approved FMF funding amount.

4.4.7 If Terms of Sale specify "Payment on delivery," that bills may be dated as of the date(s) of delivery of the items, or upon forecasts of the date(s) thereof.

4.4.8 That requests for funds or billing are due and payable in full on presentation or, if a payment date is specified in the request for funds or bill, on the payment date so specified, even if such payment date is not in accord with the estimated payment schedule, if any, contained in this LOA. Without affecting Purchaser's obligation to make such payment(s) when due, documentation concerning advance and progress payments, estimated termination liability, or evidence of constructive delivery or shipment in support of requests for funds or bills will be made available to the Purchaser by DoD upon request. When appropriate, the Purchaser may request adjustment of any questioned billed items by subsequent submission of a discrepancy report.

4.4.9 To pay interest on any net amount by which it is in arrears on payments, determined by considering collectively all of the Purchaser's open LOAs with DoD. Interest will be calculated on a daily basis. The principal amount of the arrearage will be computed as the excess of cumulative financial requirements of the Purchaser over total cumulative payments after quarterly billing payment due dates. The rate of interest paid will be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current



average market yield on outstanding short-term obligations of the USG as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage.

4.4.10 To designate the Procuring Agency and responsible Paying Office and address thereof to which the USG will submit requests for funds and bills under this LOA.

4.4.11 Any articles, equipment, materials, supplies, goods, or other commodities purchased with USG assistance funds appropriated and allocated pursuant to foreign operations, export financing, and related programs appropriations acts in support of this LOA, whether provided directly by the USG or through procurement contracts or otherwise in support of this LOA, shall be exempt from all value added taxes and customs duties imposed by the recipient country or the full amount of the tax or customs duty must be reimbursed by the Purchaser. This exemption is in addition to any other tax exemption provided by the Purchaser through separate agreements or other means.

### ***Section 4.1 Recovery of Cost***

This section reiterates that the LOA data reflects a best estimate of costs and delivery dates. The LOA estimates may be subject to change. In accordance with the AECA, this section obligates the purchaser to pay the USG the total cost for the items or services. FMS is often characterized as a “no profit, no loss” financial agreement. This section reiterates the “no loss” aspect.

### ***Section 4.2 Refunds***

The USG will refund payments that are in excess of the total LOA cost unless there are other unpaid financial requirements on other LOAs with the same purchaser. In this situation, the excess payments from one LOA may be applied toward the delinquent amount due on another LOA. While Section 4.1 serves as the “no loss” condition, this section reaffirms the “no profit” condition stated in Section 3.1.

### ***Section 4.3 Payment Delays***

Any delay in making the LOA payments by the purchaser may result in the USG directing the contractor to stop work, which, in turn, may lead to additional or increased costs, storage costs, and delayed delivery. Failure to make payments could also result in contract terminations that may require the purchaser to pay for contract termination liability costs.

### ***Section 4.4 Terms of Sale***

The purchaser agrees to pay the total cost incurred under the LOA even if the final amount exceeds the estimated costs provided earlier. The purchaser agrees to make payments in accordance with the applicable terms of sale specified on the LOA. Chapter 12 of this textbook, “Financial Management,” gives a more detailed explanation of the specific terms of sale. This section also addresses billing, arrearages, and foreign taxes on USG assistance funds.

## **Section 5 Transportation and Discrepancy Provisions**

Section 5 delineates the transportation obligations and requirements of the purchaser, defines the role of the USG in arranging for transportation, and describes the process for submitting discrepancy claims to the USG.

5.1 The USG agrees to deliver and pass title to the Purchaser at the initial point of shipment unless otherwise specified in this LOA. With respect to items procured for sale to the Purchaser, this will normally be at the manufacturer's loading facility; with respect to items furnished from USG stocks, this will normally be at the U.S. depot. Articles will be packed, crated, or otherwise prepared for shipment prior to the time title passes. If "Point of Delivery" is specified other than the initial point of shipment, the supplying U.S. Department or Agency will arrange movement of the articles to the authorized delivery point as a reimbursable service but will pass title at the initial point of shipment. The USG disclaims any liability for damage or loss to the items incurred after passage of title irrespective of whether transportation is by common carrier or by the U.S. Defense Transportation System.

5.2 The Purchaser agrees to furnish shipping instructions which include Mark For and Freight Forwarder Codes based on the Offer Release Code.

5.3 The Purchaser is responsible for obtaining insurance coverage and customs clearances. Except for articles exported by the USG, the Purchaser is responsible for ensuring that export licenses are obtained prior to export of U.S. defense articles. The USG incurs no liability if export licenses are not granted or they are withdrawn before items are exported.

5.4 The Purchaser agrees to accept DD Forms 645 or other delivery documents as evidence that title has passed and items have been delivered. Title to defense articles transported by parcel post passes to the Purchaser at the time of parcel post shipment. Standard Form 364 (Supply Discrepancy Report (SDR)) will be used in submitting claims to the USG for overage, shortage, damage, duplicate billing, item deficiency, improper identification, improper documentation, or non-shipment of defense articles and non-performance of defense services. The Standard Form 364 will be submitted promptly by the Purchaser. The USG will disallow any claim, including a claim for shortage or nonperformance, received more than 1 year after delivery or more than 1 year after passage of title to the defense articles, whichever comes first, or received more than 1 year after the end of the scheduled period of performance for defense services, unless the USG determines that unusual and compelling circumstances involving latent defects justify consideration of the claim. Claims for non-shipment or non-receipt of an entire lot will be disallowed by the USG if such claims are received more than 1 year after the scheduled delivery date or initial billing, whichever is later. The Purchaser agrees to return discrepant articles to the USG's custody promptly in accordance with any direction provided by the USG. The Purchaser may submit SDRs for documentation purposes regardless of the dollar value, but only SDRs valued at \$200 or more will be reviewed for possible compensation regardless of the type of discrepancy. This minimum value includes the value of the item plus any transportation and handling costs.

### ***Section 5.1 Title Transfer and Delivery Point***

Section 5.1 identifies where title transfers and delivery occur. Title represents ownership. This condition states that the purchaser becomes the owner of materiel at the initial shipping point. Delivery, in this context, does not mean the materiel has arrived at the final customer destination. Delivery refers to the point where transportation responsibility transfers from the USG to the purchaser. The delivery term code applied to each LOA line will indicate where the purchaser becomes responsible for transportation. Under certain delivery term codes, the USG may arrange for transportation in various increments up to and including movement to an inland location within the purchaser's country. Regardless of when the purchaser assumes transportation responsibility, the title will still transfer at the initial shipping point. This means that the USG will not be financially liable for items damaged in

transit, even if USG arranges or provides the transportation.

This condition should not be interpreted to mean that the purchaser's financial liability does not begin until title transfer. Per Section 3, the purchaser's liability begins with case acceptance. As the USG initiates actions towards fulfilling the LOA requirements, financial liabilities begin to accrue. In Section 3, the purchaser agrees to indemnify the USG and its contractors. Additionally, in Section 2, the purchaser agrees to be liable for termination costs if they elect to delete items or to cancel the LOA.

### ***Section 5.2 Shipping Instructions***

Section 5.2 describes the customer's obligation to provide the required transportation information so that items are shipped through the appropriate channels to arrive at the correct customer destination. The customer provides this information at the bottom of the first LOA page as part of the LOA-acceptance process. The freight forwarder code identifies the commercial freight company employed by the purchaser to accomplish overseas transportation. The mark-for code identifies the ultimate in-country destination address. Chapter 11 of this textbook, "Security Cooperation Transportation Policy," provides a more detailed description of FMS transportation procedures.

### ***Section 5.3 Insurance and Export Licenses***

Given the fact that the customer bears the risk of any damage that may occur during shipment, the purchaser is responsible for obtaining any desired insurance coverage. Additionally, the purchaser is responsible for completing the necessary documents to clear customs. Most FMS customers delegate the task of coordinating customs paperwork to their freight forwarder. More information on export licensing is contained in Chapter 7 of this textbook, "Technology Transfer, Export Controls, and International Programs Security."

### ***Section 5.4 Delivery Documents and Claims***

Section 5.4 delineates the purchaser's obligation to accept certain USG documentation as evidence that title transfer and delivery have occurred. Additionally, this section outlines the process and conditions under which the purchaser can submit claims for discrepancies. Although the USG would like the FMS process to operate error-free, in reality, things sometimes go wrong. The customer has an avenue request reimbursement for shipping or billing discrepancies. This process is called the supply discrepancy reporting process. More information on the supply discrepancy process is contained in Chapter 10 of this textbook, "Logistics Support of Security Cooperation Materiel Transfers."

### ***Section 6 Warranties***

Section 6 describes the warranty provisions of the LOA. Under FMS, the customer is purchasing from the USG, rather than from a commercial company. This section defines what warranties the USG provides on FMS material. Section 6.1 discusses warranty provisions for items obtained from procurement, and Section 6.2 concerns items delivered from DoD inventory.

6.1 The USG does not warrant or guarantee any of the items sold pursuant to this LOA except as provided in Section 6.1.1. DoD contracts include warranty clauses only on an exception basis. If requested by the Purchaser, the USG will, with respect to items being procured, and upon timely notice, attempt to obtain contract provisions to provide the requested warranties. The USG further agrees to exercise, upon the Purchaser's request, rights (including those arising under any warranties) the USG may have under contracts connected with the procurement of these items. Additional costs resulting from obtaining special contract provisions or warranties, or the exercise of rights under such provisions or warranties, will be charged to the Purchaser.

6.1.1 The USG warrants the title of items sold to the Purchaser hereunder but makes no warranties other than those set forth herein. In particular, the USG disclaims liability resulting from infringement or other violation of intellectual property or technical data rights occasioned by the use or manufacture outside the U.S. by or for the Purchaser of items supplied hereunder.

6.1.2 The USG agrees to exercise warranties on behalf of the Purchaser to assure, to the extent provided by the warranty, replacement or correction of such items found to be defective, when such materiel is procured for the Purchaser.

6.2 Unless the condition of defense articles is identified to be other than serviceable (for example, "as-is"), DoD will repair or replace at no extra cost defense articles supplied from DoD stocks which are damaged or found to be defective in respect to materiel or workmanship when it is established that these deficiencies existed prior to passage of title, or found to be defective in design to such a degree that the items cannot be used for the purpose for which they were designed. Qualified representatives of the USG and of the Purchaser will agree on the liability hereunder and the corrective steps to be taken.

### ***Section 6.1 Procurement Warranties***

For items supplied from procurement, the USG does not provide any type of performance warranty. The USG only warrants clear title of the materiel to the purchaser. This simply means that there will be no financial claim or lien against the materiel delivered.

This does not mean that the FMS purchaser has no method of recourse if an item from procurement does not function properly. Customers with defective items from procurement should submit a Supply Discrepancy Report (SDR) to the USG. The USG may be able to rectify the problem by seeking resolution through the contractor under the provisions of the USG procurement contract.

This condition also provides the FMS purchaser the option of identifying specific warranty requirements when they request an item via the FMS process. Based on the foreign purchaser's specific warranty request, the USG will attempt to procure the desired warranty from the vendor in conjunction with the procurement of the materiel or service. The FMS customer will pay any additional costs necessary to acquire the desired warranty. The USG agrees to exercise the warranty rights on behalf of the FMS purchaser. Section C6.3.8 of the SAMM requires that special customer requested warranties be treated as a defense service on the LOA and be described in an LOA note. The LOA note outlines the process the customer should use in exercising the special warranty rights.

### ***Section 6.2 Warranties from Stock***

This condition states that the U.S. will repair or replace damaged or defective items delivered from DoD inventories when it can be determined that the defect or damage existed prior to shipment. This can be a difficult determination. The IAs have SDR offices that evaluate SDR claims and make decisions regarding the appropriate corrective action. More information on the supply discrepancy

process is contained in Chapter 10 of this textbook, “Logistics Support of Security Cooperation Materiel Transfers.”

## **Section 7 Dispute Resolution**

This section explains the method by which disputes will be resolved.

Section 7.1 explains that all activities the USG undertakes to execute the LOA, such as procurement contracts, are subject to U.S. federal procurement law.

Section 7.2 provides for the resolution of LOA disagreements by a bilateral consultative process. The purchaser agrees not to seek redress from any international tribunal such as the international court or a third party.

## **CHANGES TO THE LETTER OF OFFER AND ACCEPTANCE**

An international purchaser’s requirements and the conditions and circumstances of the accepted LOA may change during the course of implementation and execution. Examples of changes include the following:

- Increased or decreased costs of LOA items
- Revised delivery dates
- Additional items required
- Changes in system configuration

7.1 This LOA is subject to U.S. law and regulation, including U.S. procurement law.

7.2 The USG and the Purchaser agree to resolve any disagreement regarding this LOA by consultations between the USG and the Purchaser and not to refer any such disagreement to any international tribunal or third party for settlement.

To authorize these changes and establish an audit trail, proper documentation must be prepared for accurate and complete case management. The decision to use a new LOA, an amendment, or a modification to implement a change will be shaped by the special conditions surrounding each change. FMS interests are best served through use of the document that best safeguards U.S. and customer interests while most efficiently accomplishing the needed program change. Selection of the appropriate document to implement the change revolves around the scope of change compared to the original LOA. Scope refers to the basic intention, goal, or purpose of the original LOA agreement.

Specific details on identifying the correct document to use and on complying with the necessary administrative requirements of review and/or countersignature by DSCA are found in SAMM, Section C6.7. A case manager who has doubt as to which document is appropriate after reviewing the SAMM guidance should consult the implementing agency SC policy office and/or DSCA.

## **Major Changes in Scope—New Letter of Offer and Acceptance**

Revisions that significantly change original requirements are normally considered to be major changes in scope. Examples are the addition or deletion of significant military equipment (SME) or a substantial expansion of a program. Major changes normally require the preparation of a new LOA. New LOAs for major changes to an ongoing program will cross reference the previous LOA. While new LOAs are preferred for major scope changes, under certain exceptional conditions, an amendment may be more advantageous. Use of an amendment for a major scope change requires approval by DSCA.

## Minor Changes in Scope—Amendment

Changes to an ongoing program that are not categorized as major change of scope make up this category. An amendment represents a bilateral change to the LOA. By virtue of being bilateral, an amendment will not become effective unless the purchaser accepts the change. The purchaser has a choice to either accept or reject an amendment offered by the USG.

Acceptance of the change is signified by the purchaser signing the amendment. Some amendments may require initial deposits, and these will not be implemented until sufficient payments have been received to cover the current financial requirements, including termination liability. Rejection of the change is signified by declining to sign the amendment. Examples of minor scope changes are outlined in the SAMM C6.T7 and Table 8-1.

**Table 8-1 Amendment Examples  
SAMM C6.F4**

1. Realigning or redistributing funds among case lines. The only exception is moving funds from lines on a case that have excess funds to other lines on the same case that have incurred price increases. A modification may be used in this scenario only.
2. Adding case lines
3. Deleting case lines (except for case closure)
4. Quantity increases or decreases to defined order lines
5. Dollar value increases or decreases to blanket order lines with the exception of price increases or decreases
6. Addition or deletion of requirements
7. Extending a lead time, period of performance, or availability of services for additional coverage even if there is no charge in dollar value
8. Change in Delivery Term Code to add/delete transportation requirement
9. Revising line item descriptions or notes to increase or decrease scope
10. Changing a Military Articles and Services List (MASL) that has a corresponding configuration or scope change

A sample amendment may be viewed in the *Bandarian Security Cooperation Sample Case Documents*, a DSCU course publication. This publication is available online through the DSCU website under the publications and other resources menu option.

## Changes Not Affecting Scope—Modification

Changes to existing LOAs that do not impact the scope of the LOA are accomplished via modifications. When the purchaser accepts the original LOA, they agree to accept the provisions of the standard terms and conditions. Section 4 of the standard terms and conditions permits the U.S. to make changes to the LOA under certain circumstances. A modification is the document the U.S. uses to inform the purchaser of these unilateral changes. Because the purchaser already agreed to such unilateral modifications by the USG in the standard terms and conditions of the LOA, the purchaser is not required to accept a modification. A modification becomes effective upon issuance by the USG. A modification does have a signature block for the purchaser to sign but, in this instance, the signature simply acknowledges receipt rather than signifying acceptance. Examples of changes implemented by a modification are outlined in the SAMM C6.T8 and Table 8-2.



**Table 8-2 Modification Examples  
SAMM C6.F5**

1. Price increase or decrease on a defined order line
2. Increasing or decreasing line values for case closure
3. Increases due to over commitments
4. Lead time slippages caused by source of supply impacts (e.g., delays in contract award or materiel deliveries)
5. Revising source, line manager, offer release, or type of assistance codes
6. Correcting accessorial charges
7. Minor administrative changes such as typographical errors
8. Revising payment schedules
9. Revising the Terms of Sale
10. Correcting the FMS Administrative Surcharge
11. Charges for Value Added Tax and other international requirements levied on the U.S. that must be funded by the FMS case (considered a price increase)
12. To add charges for storage and other U.S. requirements already received that must be funded on the FMS case
13. Concurrent Modifications are the exception for adding limited scope

A sample modification may be viewed in the *Bandarian Security Cooperation Sample Case Documents*.

The modification also plays a critical role in financial management by the U.S. security assistance community. Per the LOA standard terms and conditions, Section 4.1, the U.S. is committed to apply its best efforts to provide the purchaser a modification when estimated total costs change, payment schedule changes, or significant delivery delays occur. A modification should also be provided for cost reductions, even if relatively minor, when all items are on order and prices are reasonably firm. More information on financial management is contained in Chapter 12 of this textbook, “Financial Management.”

### **Pen and Ink Changes**

A pen and ink change refers to a minor change that is authorized after an LOA or amendment is offered to the customer but is made prior to customer acceptance. Pen and ink changes are generally used to correct minor administrative or arithmetic errors. The IA authorizes the purchaser to make any pen and ink changes by issuing a message or memorandum. Examples are a small arithmetic change that does not increase total value and administrative changes such as an address correction, initial deposit or payment schedule adjustment, or extension of the offer expiration date. Pen and ink changes made by the customer without prior authorization by the IA are considered a counteroffer and are not valid.

Pen and ink changes to modifications are not authorized. The reason for this is that a modification is a unilateral document and becomes effective upon issuance by the USG without requiring customer acceptance. Any required changes to a modification must be accomplished by issuing another modification.

## **LEASE OF DEFENSE ARTICLES**

Normally, the USG makes defense articles available to foreign governments by FMS under the AECA. However, there are instances where a lease, rather than sale, to eligible foreign countries or international organizations is appropriate. Leases are authorized under the AECA, Section 61, when it is determined that there are compelling foreign policy and national security reasons for leasing rather than selling and the articles are not needed for USG use during the proposed lease period. In addition,

impact of the lease on the national industrial base must be considered, including whether a lease reduces the opportunity of U.S. industry to sell new equipment to the leasing country. For example, a foreign government may desire to obtain a defense article for a short period under a lease for testing purposes to assist it in determining whether to procure the article in quantity. As another example, the USG may only be able to respond to an urgent foreign requirement for defense property by making it available from inventory, but, for national defense reasons, cannot sell the property and must require its return to the inventory after a specified term. Attachment 8-1 provides a sample lease. Section C11.6 of the SAMM provides lease policy.

## **Approval**

DoD components must obtain DSCA concurrence before indicating to a foreign country or international organization that a lease is being favorably considered or is an available option. The DoD component will provide a determination and forward a memorandum written in the format specified in the SAMM, starting at Figure C11.F5, along with the draft lease. A detailed rationale must be provided for any proposed lease outlining the reasons why the defense articles are being leased rather than sold.

## **Security Cooperation Organization Responsibility**

The Security Cooperation Organization (SCO) or Defense Attaché Office (DAO) where no SCO is assigned in the partner country should receive a copy of each lease entered into with the respective government of the country where they serve. The SCO should assist DoD components in monitoring the use of USG-owned equipment in the country.

## **Lease Format**

Leases are prepared using the Defense Security Assistance Management System (DSAMS). Attachment 8-1 illustrates the basic lease format. Additional provisions may be added with the concurrence of the appropriate legal office of the DoD component concerned and with DSCA approval. The lease will be signed by the appropriate IA and provided to DSCA for countersignature.

A separate LOA will be used for packing, crating, handling, and transportation (PCH&T), and the sale of associated articles and services, including any refurbishment of the defense article(s) required prior to, during, or after the lease period. The LOA will also be used to recover applicable costs if the article is lost, damaged, or destroyed during the lease period.

## **Lease Identification**

Using DSAMS, the IA assigns a unique designator to each lease. The lease designator is composed of the country code, the IA code, and a three-position code assigned by the IA. The lease designator is included on each lease page, including schedules, appendices, and accompanying documents. FMS cases associated with leases must reference the lease designator.

## **Duration**

Leases may be written for a maximum of five years with an additional specified period of time required to complete major refurbishment work prior to delivery. Leases may include multiple items with different lease duration periods. The shortest lease period is one month and the longest lease period is sixty months. Leases of one year or more require congressional notification in accordance with the AECA, Section 62(a)(22 U.S.C. 2796(a). Leases shall provide that, at any time during the lease period, the USG may terminate the lease and require the immediate return of the defense article. Leases of less than five years may be extended via an amendment, but the total period under a specific lease may not exceed five years plus the time needed for refurbishment.

## **Amendments**

Lease amendments may be used to extend or change existing leases. Such changes include variations

to payment schedules, Schedule A items, or periods of performance. Each amendment includes the original lease designator and undergoes the same staffing process as the original lease. If a lease for less than one year is amended so that the total period of the original lease and the amendment equals or exceeds one year, Congress must be notified of the amendment before it can be offered.

### **Loss, Destruction, or Damage**

The lessee must agree to pay the costs of restoration or replacement if the articles are lost, damaged, or destroyed while leased. In this case, the customer is charged the replacement cost (less any depreciation) if the U.S. intends to replace the articles or the actual article value (less any depreciation) if the U.S. does not intend to replace the articles. These charges are recouped under an FMS transaction via an LOA.

### **Lease Payment**

The lessee must agree to pay in U.S. dollars all costs incurred by the USG in leasing articles, including reimbursement for depreciation (rent) of articles while leased. The rental payment is calculated in accordance with DoD 7000.14-R, Volume 15, Chapter 7. Rental payments do not include an administrative charge. The requirement to pay all lease costs does not apply to leases for purposes of cooperative research or development, military exercises, or communications or electronics interface projects. Depreciation may be waived where the leased defense article has passed 75 percent of its service life.

Schedule A of each lease identifies the replacement costs of the items being leased and the schedule for rental payment due to the USG. Billings to the foreign lessee are based on this schedule of payments and are included on a separate DD Form 645 with the country's quarterly FMS billing statement. Defense Finance and Accounting Service (DFAS) deposits receipts from lease rental payments in the Miscellaneous Receipts Account 3041 (FMS Recoveries, DoD Lease Costs) in accordance with the *Treasury Financial Manual, Supplement to Volume 1*.

The use of Foreign Military Financing Program (FMFP) funds is not authorized for payments of lease rental charges except for leases of aircraft for counternarcotics purposes pursuant to FAA Section 484 (22 U.S.C. 2291c). FMFP funds may be authorized by DSCA for FMS cases prepared in support of a lease.

### **Report on Equipment Usage**

The overall responsibility for all aspects of lease administration, including monitoring equipment while leased, belongs to the DoD component having logistics responsibility for the leased equipment. IAs are required to update the status of each active lease not later than thirty days after the end of each quarter. This update is made in the DSAMS.

### **United States Naval Vessels**

For leases of U.S. Naval vessels, the guidance in the SAMM, Section C11.6.3.1, applies. Naval vessel leases are authorized under separate specific legislation as required by Title 10 United States Code 7307.

## **LOANS**

Under the AECA Section 65 and the FAA, the DoD may lend materiel, supplies, and equipment to the North Atlantic Treaty Organization (NATO) and major non-NATO allies for research and development purposes. Loans can be made to support cooperative research, development, test, and evaluation (RDT&E) programs and to strengthen the security of the U.S. and its allies by promoting standardization, interchangeability, and interoperability of allied defense equipment. Each loan must be recorded in a written agreement between the Secretary of Defense and the country. Policy regarding loans is contained in the SAMM, Section C11.7.

## INTERNATIONAL AGREEMENTS

For most sales of defense articles and services, the LOA is sufficient to establish the rights and obligations of each party to the agreement. However, in exceptional instances, it may be in the USG's interest to negotiate and conclude an international agreement before, concurrent with, or after conclusion of the LOA. The SAMM, Section C4.4.5, provides guidance on the use of international agreements for SA programs involving commercial or government coproduction agreements.

An international agreement generator has been adopted by the Secretary of Defense and the IA legal advisors to establish a standard and uniform format for DoD-wide application. International agreements are further described in Chapter 13 of this textbook, "Systems Acquisition and International Armaments Cooperation." IAs that are considering negotiating and concluding an international agreement are strongly encouraged to consult with their supporting counsel well in advance of need, as justification documents, draft text, and approvals, including Department of State involvement, can be arduous and time consuming.

### SUMMARY

The basic contractual instrument used in FMS transactions is the LOA. The LOA standard terms and conditions establish specific rights and obligations for both the USG and the foreign purchaser. These standard terms and conditions are used in all FMS LOAs regardless of the customer; however, the standard terms and conditions do not apply to pseudo LOAs. Major changes in LOA scope require a new LOA. Minor changes of scope within an LOA are accomplished through an amendment. Non-scope changes to the LOA are unilaterally notified to the purchaser through an LOA modification.

Leases and loans of defense articles may also be made to international purchasers. For complex FMS programs, an international agreement may be required to define how issues beyond the scope of the LOA will be handled.

### REFERENCES

DoD Directive 5530.3. *International Agreements*.

DSCA Manual 5105.38-M. *Security Assistance Management Manual* (SAMM). Chapters C5, C6, and C11. <http://www.samm.dsca.mil/>.

Financial Management Regulation (FMR) DoD 7000.14, Volume 15.

**Attachment 8-1  
Sample Lease Agreement**



**LEASE OF C-199 AIRCRAFT  
BETWEEN  
THE UNITED STATES GOVERNMENT  
AND  
THE GOVERNMENT OF BANDARIA  
BN-D-ZZX**

This LEASE, made as of 01 May 20XX, between the United States Government (hereinafter called the "Lessor Government") represented by its Department of the Air Force and the Government of Bandaria, (hereinafter called the "Lessee Government") represented by its Republic of Bandaria, Deputy Chief.

WITNESSETH:

WHEREAS, The Lessor Government has determined that the twenty-four month lease of one (1) C-199 aircraft and, if applicable, all associated nonexpendable support equipment as listed in Schedule A of this lease (including but not limited to tools, ground support equipment, test equipment, and publications) (hereinafter referred to as the "Defense Articles") are not for the time needed for public use, and

WHEREAS, The Lessor Government has determined that there are compelling foreign policy and national security reasons for providing such Defense Articles on a lease basis rather than on a sales basis under the Arms Export Control Act, and

WHEREAS, The Lessor Government has considered the effects of the lease of the articles on the technology and industry base, particularly the extent, if any, to which the lease reduces the opportunity of entities in the national technology and industrial base to sell new equipment, and

WHEREAS, This lease is made under the authority of Chapter 6 of the Arms Export Control Act,

NOW THEREFORE, The parties do mutually agree as follows:

1. In consideration of a rental charge as indicated in Schedule A, and the maintenance and other obligations assumed by the Lessee Government, the Lessor Government hereby leases to the Lessee Government and the Lessee Government hereby leases from the Lessor Government the Defense Articles for the period of twenty-four (24) months commencing on the date first above written (unless otherwise agreed under terms of this lease) and under the terms and conditions set forth in the General Provisions hereto annexed.
2. The Lessor Government shall deliver the Defense Articles to the Lessee Government at such time and place as may be mutually agreed upon. Such delivery may be evidenced by a certificate of delivery.

IN WITNESS WHEREOF, Each of the parties has executed this lease as of the day and year first above written, unless otherwise agreed under terms of this lease.

**Attachment 8-1 (Continued)**  
**Sample Lease Agreement**

THE GOVERNMENT OF BANDARIA

BY: \_\_\_\_\_

\_\_\_\_\_  
Typed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

THE UNITED STATES GOVERNMENT

BY: \_\_\_\_\_

\_\_\_\_\_  
Typed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

COUNTERSIGNATURE

\_\_\_\_\_  
DSCA

\_\_\_\_\_  
Date



**Attachment 8-1 (Continued)**  
**Sample Lease Agreement**

GENERAL PROVISIONS

1. Operations and Use.

- a. Except as may be otherwise authorized by the Lessor Government and except for the purposes of transfer from and return to the Lessor Government, the Lessee Government shall keep the Defense Article in its own possession, custody, and control. The Lessee Government shall not transfer title to or possession of the Defense Articles to anyone not an officer, employee, or agent of the Lessee Government and shall not permit any encumbrance or other third party interest in the defense articles.
  - b. The Lessee Government shall, except as may be otherwise mutually agreed in writing, use the items leased hereunder only:
    1. For the purposes specified in the Mutual Defense Assistance Agreement, if any, between the Lessor Government and the Lessee Government;
    2. For the purposes specified in any bilateral or regional defense treaty to which the Lessor Government and Lessee Government are both parties, if subparagraph (1) of this paragraph is inapplicable.
    3. For internal security, individual self-defense, and/or civic action, if subparagraphs (1) and (2) of this paragraph are inapplicable.
  - c. To the extent that any Defense Articles may be classified by the Lessor Government for security purposes, the Lessee Government shall maintain a similar classification and employ all measures necessary to preserve such security, equivalent to those employed by the Lessor Government, throughout the period during which the Lessor Government may maintain such classification. The Lessor Government will use its best efforts to notify the Lessee Government if the classification is changed.
2. Initial Condition. The Defense Articles are leased to the Lessee Government on an "as is, where is" basis without warranty or representation concerning the condition or state of repair of the Defense Articles or any part thereof or concerning other matters and without any agreement by the Lessor Government to alter, improve, adapt, or repair the Defense Articles or any part thereof.
3. Conditioning and Transfer Cost. The Lessee Government shall bear the cost of rendering the Defense Articles operable and transferable and of transferring the Defense Articles from the United States or other point of origin and back to the place of redelivery. In the event the Defense Articles are transported by vessel, only U.S. flag vessels may be used, unless waived by the Lessor Government.
4. Inspection and Inventory. Immediately prior to the delivery of the Defense Articles to the Lessee Government, an inspection of the physical condition of the Defense Articles and an inventory of all related items may be made by the Lessor Government and the Lessee Government. A report of the findings shall be made which shall be conclusive evidence as to the physical condition of said Defense Articles and as to such items as of the time of delivery. A similar inspection, inventory, and a report may be made by the Lessor Government upon the termination or expiration of this Lease. The findings of that report shall be conclusive evidence as to the physical condition of the Defense Articles and as to such items as of the date of termination or expiration of this Lease. At the election of the Lessor Government, the Lessee Government at its own cost shall either promptly correct any deficiency or

BN-D-ZZX B  
Page 3 of 6 pages

**Attachment 8-1 (Continued)**  
**Sample Lease Agreement**

rebuild, replace, or repair any loss of or damage to the Defense Articles or compensate the Lessor Government for the restoration or replacement value (less any depreciation in the value as determined by the Lessor Government) of such correction, rebuilding, replacement, or repair. At the Lessor Government's choice, the Lessee Government at its own cost will remove any alterations or additions to the Defense Articles or pay the Lessor Government the cost of such removal, as determined by the Lessor Government. In the absence of removal by the Lessee Government, title to any such alterations or additions shall vest in the Lessor Government.

5. Maintenance. The Lessee Government shall maintain the Defense Articles in good order, repair, and operable condition and except as provided in paragraph four, shall upon expiration or termination of this Lease return the Defense Articles in operable condition and in as good condition as when received, normal wear and tear excepted.
6. Risk of Loss. All risk or loss of or damage to the Defense Articles during the term of this Lease and until their return to the place of redelivery shall be borne by the Lessee Government.
7. Indemnification. The Lessee Government renounces all claims against the Lessor Government, its officers, agents, and employees arising out of or incidental to transfer, possession, maintenance, use, or operation of the Defense Articles or facilities and will indemnify and hold harmless the Lessor Government, its officers, agents, and employees or any such claims of third parties and will pay for any loss or damage to Lessor Government property.
8. Alterations. The Lessee Government shall not make any alterations or additions to the Defense Articles without prior consent of the Lessor Government. All such alterations or additions shall become the property of the Lessor Government except items paid for by the Lessee Government, which can be readily removed without injury to the Defense Articles and are removed by the Lessee Government prior to redelivery of the Defense Articles. As a condition of its approval of any alteration or addition, the Lessor Government may require the Lessee Government to restore the Defense Articles to their prior condition.
9. Termination. This Lease may be terminated without cost to the Lessor Government:
  - a. By mutual agreement of the parties;
  - b. By the Lessee Government on 30-days written notice; or
  - c. By the Lessor Government at any time.

The Lessee Government shall immediately return the leased Defense Articles at the direction of the Lessor Government. Termination will be subject to the Lessee Government's residual responsibilities hereunder (such as, duty to return leased Defense Articles promptly, to pay costs required hereunder, and to indemnify and hold harmless the Lessor Government).

10. Place of Redelivery. Upon expiration or termination of this lease, the Defense Articles shall be returned to the Lessor Government at 309<sup>th</sup>, Aerospace Maintenance and Regeneration Group (AMARG), Davis-Monthan Air Force Base, Arizona, or as mutually agreed.
11. Title. Title to the Defense Articles shall remain in the Lessor Government. The Lessee Government may, however, place the Defense Articles under its Flag, or display its national insignia when appropriate.
12. Reimbursement for Support. The Lessee Government will pay the Lessor Government for any services, packing, crating, handling, transportation, spare parts, materiel, or other support furnished for the Defense Articles by the Lessor Government pursuant to a Letter of Offer and Acceptance under the Arms Export Control Act. (FMS Case BN-D-QZX applies).

BN-D-ZZX B  
Page 4 of 6 pages

**Attachment 8-1 (Continued)**  
**Sample Lease Agreement**

13. Covenant Against Contingent Fees. The Lessee Government warrants that no person or selling agency has been employed or retained to solicit or secure this Lease upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee.
14. Officials Not to Benefit. No members of or Delegate to Congress of the United States, or Resident Commissioner of the United States shall be admitted to any share or part of this Lease or to any benefit that may arise there from.
15. Proprietary Rights. The Lessee Government will ensure, by all means available to it, protection of proprietary rights in any Defense Article and any plans, specifications, or information furnished, whether patented or not.
16. Reports. Any testing of articles and/or services provided under this lease must be specifically authorized by the lease. Lessee testing is subject to limitations stated in the lease. Authority to test does not excuse the Lessee from compliance with all terms and conditions of the lease. When the Lessee Government performs tests and evaluations on the leased Defense Articles and prepares a formal report of the resulting data to be released to a third party, the Lessee Government will allow the Lessor Government to observe the test and evaluation and to review the report. The Lessee Government will obtain Lessor Government approval of any release to a third party.
17. Cost of Lessor Government. The Lessee Government agrees to pay in United States dollars all costs incurred by the Lessor Government in leasing the Defense Articles covered by this Lease including, without limitation, reimbursement for depreciation of such Defense Articles while leased. The Lessee Government also agrees to pay the costs of restoration or replacement, less any depreciation in the value during the term of the lease, to the Lessor Government under the Lessor Government's foreign military sales procedures. The rental charge shown in Schedule A is based on costs identified at the time of signature of this Lease and does not relieve the Lessee Government from liability for other costs in accordance with the provisions of this Lease.

BN-D-ZZX B  
Page 5 of 6 pages

**Attachment 8-1 (Continued)**  
**Sample Lease Agreement**

**SCHEDULE A**  
**TO LEASE AGREEMENT BETWEEN**  
**THE UNITED STATES GOVERNMENT, DEPARTMENT OF THE AIR FORCE (LESSOR)**  
**AND THE GOVERNMENT OF BANDARIA (LESSEE)**

I. This Lease Agreement authorizes the use of U.S. Government property identified herein:

Item Nbr	Description	Qty	Line Duration	Replacement Cost		Rental Charge (Including Depreciation) Per Month
				Unit Value	Total	
001	C-199 Aircraft	1	24	\$1,239,094.00	\$1,239,094.00	\$9,469.70
	Total Value			\$1,239,094.00	\$1,239,094.00	\$9,469.70

II. Rental Payment:

<u>Payment Period</u>	<u>Date Due</u>	<u>Amount Due</u>
Initial Payment	Due upon signature	\$56,820
4 <sup>th</sup> Qtr FY 20XX	15 Jun 20XX	\$28,410
1 <sup>st</sup> Qtr FY 20XX	15 Sep 20XX	\$28,410
2 <sup>nd</sup> Qtr FY 20XX	15 Dec 20XX	\$28,410
3 <sup>rd</sup> Qtr FY 20XX	15 Mar 20XX	\$28,410
4 <sup>th</sup> Qtr FY 20XX	15 Jun 20XX	\$28,410
1 <sup>st</sup> Qtr FY 20XX	15 Sep 20XX	\$28,403
<b>Total Rental</b>		<b>\$227,273</b>

**Signed Copy Distribution:**

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III. Related FMS Case Designator: BN-D-QZX

# SECURITY COOPERATION ACQUISITION POLICY AND PROCESS

## INTRODUCTION

Fundamentally, the Foreign Military Sales (FMS) process is an acquisition process. Under FMS, a foreign government or international organization identifies a need for a military-related requirement (material item, service, and/or training) and chooses to have the U.S. Government (USG) acquire it for them. The agreement governing the FMS acquisition is the Letter of Offer and Acceptance (LOA). To fulfill the LOA requirements, the USG may supply items or services from on-hand Department of Defense (DoD) resources, or the USG may purchase from industry for subsequent delivery to the FMS customer.

Similarly, the Building Partner Capacity (BPC) process is also an acquisition process. Under a BPC program, the USG, in coordination with the benefiting country, identifies a need for a military-related item or service, and then utilizes the Defense Security Cooperation Agency's FMS infrastructure to manage the acquisition. The BPC agreement (e.g., "pseudo" LOA) provides both the authority and funding source for the acquisition.

This chapter addresses acquisition as it relates to the USG's process for purchasing materiel or services by means of entering into contracts with industry. The goal is to highlight where and how Security Cooperation (SC) procurements fit into the normal DoD procurement process. Also, this chapter will discuss the international business arrangement referred to as an offset. The offset concept is defined, the USG policy regarding offsets is presented, and the means to address offsets within the FMS process are explained. This chapter primarily focuses on acquisition in support of FMS, because FMS represents the majority of SC acquisitions. However, this chapter will also identify the differences when acquisition is performed in support of BPC programs.

Within the DoD, the term "acquisition" may also refer to the entire life cycle process the DoD uses to develop, test, evaluate, produce, and sustain weapon systems in order to satisfy DoD military capability requirements. This formalized acquisition process is referred to as the Defense Acquisition System (DAS). Chapter 13 of this textbook, "Systems Acquisition and International Armaments Cooperation," discusses how issues affecting future foreign sales of major systems are addressed within the DAS during the system development process.

The DoD also uses the term "acquisition" to refer to multiple functional career field areas. In fact, the Defense Acquisition University (DAU) offers a number of courses for personnel within these various career fields that support the DAS. Acquisition career fields include the following: life cycle logistics, auditing, cost estimating, financial management, contracting, engineering, facilities engineering, industrial/contract property management, information technology, science and technology management, program management, purchasing, production/quality/manufacturing, and test and evaluation. All of these various functional acquisition disciplines are utilized in the DAS process. To review the courses offered by the DAU, visit their website: <https://www.dau.edu/training>.

## GLOBAL MILITARY MARKETPLACE

When an international customer requires a military item or service, it must find a source to fulfill that requirement. From its national perspective, there are many economic and political factors that

make acquisition from an indigenous source the preferred choice; however, in today's high technology military environment, a substantial financial investment is usually required to conduct the research, development, testing, and evaluation (RDT&E) and to build the manufacturing or production capability and capacity to field most major military systems. In addition to the financial investment, considerable time is required to accomplish this process. Given these considerations, many nations fulfill certain military needs by procuring military systems from other governments, or from foreign commercial firms that have already developed and fielded a capable system, rather than developing a new, country-unique system.

### **United States Item Preference**

The potential foreign customer must first determine whether or not to acquire a U.S. system rather than developing an indigenous system or purchasing another country's system. If the foreign customer selects a U.S. system, they must next decide whether to purchase through the government-to-government FMS process, or make the purchase through the government-to-industry Direct Commercial Sales (DCS) process.

The DoD is generally neutral regarding whether a foreign customer chooses to purchase via FMS or DCS. Although officially neutral regarding the procurement method (FMS or DCS), the DoD does prefer that friendly nations choose U.S. systems. The reason for the U.S. preference relates to the political, military, and economic benefits resulting from the U.S. and its allies using the same military equipment.

### **Foreign Military Sales Procurement Rationale**

Chapter 15 of this textbook, "A Comparison of Foreign Military Sales and Direct Commercial Sales," compares some of the advantages and disadvantages of FMS and DCS procurements. This chapter will not review all the relative pros and cons; however, the Security Assistance Management Manual (SAMM) states that a primary reason why international customers choose to procure through FMS is that the DoD arranges the purchase on the customer's behalf using the same USG procurement regulations and procedures that the DoD utilizes for its own procurements. As a result, FMS customers receive the same benefits and protections as the DoD. This can be a considerable benefit when the customer may be spending hundreds of millions or perhaps billions of dollars to acquire a military system. This chapter examines how the DoD uses its existing acquisition policies and procedures to procure articles and services in fulfillment of LOA agreements.

### **Foreign Military Sales Content**

Typically, major FMS system sales consist of weapon systems that the DoD has already developed, produced, and fielded for its own use. DoD policy states that the USG will only agree to sell systems through FMS that have successfully completed operational test and evaluation. If a foreign customer requests an LOA for a system that has not yet successfully completed operational test and evaluation, a policy waiver is required. This waiver is often referred to as the "Yockey" waiver, named after a former Under Secretary of Defense. In that situation, the Defense Security Cooperation Agency (DSCA) will request concurrence from the Under Secretary of Defense for Acquisition and Sustainment (USD [A&S]) before offering an LOA for a system that is still under development.

The reason for this policy concerns future supportability and interoperability issues. Prior to successfully completing operational test and evaluation, there is the risk that the U.S. may decide not to produce the system. This would present an undesirable situation if the U.S. has an LOA commitment to deliver a system to an FMS customer but decides not to deliver this same system to U.S. forces. The FMS customer would then possess a nonstandard system and have limited sustainment options. In addition, the customer could potentially lack interoperability with U.S. forces and other allies. If the waiver is approved, the LOA for the FMS case must include a special note identifying the risk that the USG may not place this system into production.



## **Total Package Approach**

Although some FMS customers may purchase specific items or services independent of a major DoD-end item system, most SC programs are built around the sale of one or more major DoD weapon systems. Under FMS, major weapon system sales are accomplished using the Total Package Approach (TPA). TPA provides the FMS customer the weapon system as well as all the necessary support elements to operate and sustain the system for an initial period. Subsequent FMS follow-on support cases may additionally be implemented for continued sustainment of the system throughout its operational life. The TPA is also applied in support of BPC programs.

Because the FMS process is accomplished using existing DoD procurement regulations and policies, SAMM C4.4.1 states that IAs may procure from foreign sources as required to conduct FMS acquisitions in accordance with the DFARS under the same acquisition and contract management procedures used for other defense acquisitions to meet U.S. standard inventory requirements. IAs should not enter into such sales arrangements for equipment not in the U.S. inventory unless DSCA (Strategy, Plans, and Policy Directorate [SPP], and Office of the General Counsel [OGC]) have approved an exception.

## **CONTRACTING FOR FOREIGN MILITARY SALES**

The Arms Export Control Act (AECA) permits FMS from both DoD stocks and by DoD contracting to procure the materiel or services from industry for the FMS customer. Generally, DoD inventory levels are established to support the DoD's own operations and to provide a contingency reserve of materiel. When an FMS customer submits a requirement under the authority of an LOA, the DoD policy is to only use its current inventory for FMS demands if it can do so without negatively impacting U.S. military readiness. As a result, it may be necessary for the DoD to procure the required FMS item by contracting with industry, rather than supplying the item from stock. In addition, the Secretary of Defense may determine that a release of stock articles to foreign customers under certain circumstances is necessary to support overall national interests even when there is a resulting negative impact on the readiness of U.S. forces. If this decision is made, the President must furnish a report explaining the decision to Congress in accordance with C6.4.6 of the SAMM.

### **Buyer and Seller Relationship**

When an FMS customer accepts an LOA, it enters a legal agreement to purchase military items or services from the USG. In regard to the LOA, the FMS customer is the buyer and the USG is the seller. The USG may provide the articles or services from stock, but often must contract with industry to acquire items or services for delivery to the FMS customer. In the procurement contract, the USG becomes the buyer, and the vendor from industry becomes the seller. The FMS customer is not a legal participant in the procurement contract with industry; instead, the USG acts on behalf of the FMS customer. The vendor is under contract and directly obligated to the USG and has no direct contractual relationship with the FMS customer. The vendor entering into a procurement contract with the USG (to produce materiel or provide services) is not exporting their products. The USG is exporting the products under the authority of the LOA.

### **Letter of Offer and Acceptance (LOA) and Contract Relationship**

The LOA documents the customer's requirements and provides both the authority and funding to initiate contracting actions. In preparing the LOA, the Case Manager (CM) must clearly understand the customer's requirements to ensure the LOA addresses all customer needs. Simultaneously, the CM must also ensure any special procurement issues from the Procuring Contracting Officer's (PCO) perspective are adequately addressed with the customer and appropriately documented within the LOA. The goal is to have an LOA that can be implemented by means of a procurement contract that both fulfills the customer's desires and is consistent with all USG contracting regulations. The

key to success in this area is clear communication early in the LOA preparation process between the customer, the CM and the applicable DoD contracting organization.

### **Department of Defense Infrastructure for Foreign Military Sales Acquisition**

Before discussing the contracting process, an introduction to the DoD's structure for FMS acquisition is necessary. The DoD does not maintain a separate acquisition infrastructure solely for FMS. Rather, the DoD supports FMS by exercising the same acquisition infrastructure already established to support its own requirements. The DoD organizations, with acquisition responsibility for the required FMS items or services, will be tasked to, in addition to other DoD workloads, perform the FMS related acquisition activities. This means that the same organizations that procure the same or similar type item or service for the DoD will also be procuring in support of FMS.

#### ***Major System Acquisition***

For major weapon systems, the Military Departments (MILDEPs) establish Program Management (PM) offices responsible for the following:

- Developing and acquiring the initial system
- Managing all technical aspects of the systems delivered to U.S. forces
- Procuring any additional quantities for the DoD
- Engineering improved or modified configurations

An Integrated Product Team (IPT) will typically consist of a weapon system program manager, supported by personnel from several functional disciplines (program management, engineering, testing, contracting, logistics, and financial management).

When an FMS customer purchases a major weapon system, the same PM office overseeing the DoD acquisition of that system will also support the management of the FMS customer acquisition. The system PM office may acquire FMS quantities either as individual procurements or by consolidating FMS requirements with DoD's requirements on the same U.S. contract. The procuring contracting officer (PCO) supporting the PM office is the only individual granted the authority to enter into contracts on the behalf of the USG. In this role, the PCO will be supported by the functional expertise of the members of the PM office team in establishing source selection criteria, evaluating offers, and negotiating the terms and pricing of the contract.

In order to accomplish successful program execution, major FMS system sales may require program office services beyond those provided by the FMS Administrative Surcharge discussed in the SAMM C9.4.2.3. Additional management services will be funded by a well-defined services line on the LOA. The SAMM requires each service line to include an LOA line item note to describe the details of the services provided, and to identify the performance period.

#### ***Follow-on Support Acquisition***

For standard follow-on support, the same DoD functional organizations that purchase the respective item for the DoD will also be responsible for FMS purchases. FMS requirements from the LOA will be routed to the applicable DoD Inventory Control Point (ICP) managing the item for the DoD. ICPs assign an Item Manager (IM) the responsibility of managing inventory levels for a range of specific standard items. The ICP IM responsible for the requisitioned item will decide whether the FMS order should be supported from on-hand stock, held on back order for support from materiel due into stock, or placed on a purchase request (PR) for procurement. If procurement is required, the IM will initiate a PR identifying items to be procured and the appropriate funding source to finance the procurement. The PR, containing a fund cite from the applicable FMS LOA, will be routed to the ICP's contracting

activity. A PCO will follow normal DoD procurement processes to select a vendor and award a contract to fulfill the FMS requirement. Based on the volume of FMS activity, the ICP's manpower may be augmented with additional positions funded by the overall FMS administrative fund.

### ***Nonstandard Acquisition***

DoD policy is to coordinate with the FMS Customer to potentially support all systems sold through FMS for as long as the FMS customer chooses to operate the system. For the FMS customer, the DoD decision to curtail or end operations of a given system may impact support. Many examples exist where the DoD currently supports systems operated by FMS customers that the DoD no longer actively retains in its inventory, such as the F-5 and the F-4 aircraft. In these situations, components of the system may transition from being standard to nonstandard items. SAMM C6.4.7 states the MILDEPs should notify foreign users of weapon systems soon to become obsolete to the USG. Foreign users should, then have a minimum of two years to place a final order for secondary support items to sustain the system for the additional period the foreign purchaser plans to continue to operate the system.

Nonstandard requirements are, by definition, items not actively managed in the DoD supply system for U.S. forces. Nonstandard FMS requirements have historically been difficult to support, due to the fact that no supporting management or acquisition infrastructure exists within the DoD. Since no ICP activity manages or purchases these items for the DoD, MILDEPs typically contract with commercial buying services (CBS) to procure most nonstandard items in lieu of the DoD directly contracting for nonstandard items. More information on CBS is presented in Chapter 10 of this textbook, "Logistics Support of Security Cooperation Materiel Transfers."

### **Contracting Regulations**

The Federal Acquisition Regulation (FAR) establishes a set of uniform acquisition policies and procedures to be used by all executive agencies of the USG. The FAR is the primary document governing contracting actions undertaken by the USG. Many of the FAR requirements originate in legislation created by Congress. One of the best-known laws governing contracting is the Competition in Contracting Act (CICA), which requires full and open competition in procurements. Similar to other federal regulations, the FAR is considered to have the force and effect of law. The current version of the FAR is publicly available online. See the chapter references for the web address.

In the LOA, standard term and condition 1.2 states that the USG will follow the same regulations and policies when procuring for FMS as it does when procuring for itself. This condition in the LOA is referring to the FAR. The SAMM (which provides overall policy for the conduct of FMS) states FAR provisions applicable to the DoD will apply to FMS procurements.

Given that DoD procures many unique items, the Defense Federal Acquisition Regulation Supplement (DFARS) was created to supplement the FAR. Each of the MILDEPs and their subordinate commands have, in turn, issued further supplements to the DFARS, to aid contracting personnel in implementing the FAR and DFARS. It is important to recognize the hierarchy in the contracting regulations. The FAR remains the overarching authority while each subordinate supplement may amplify and expand on the principles of the FAR but cannot contradict it. Accordingly, each supplement issued by the MILDEP can only amplify the principles contained in the DFARS. It is interesting to note that DFARS, subpart 201.104, states the DFARS applies to contracts issued by the DoD in support of FMS. The current version of the DFARS is available online. See the chapter references for the web address.

## **CONTRACT SOURCE SELECTION**

As previously stated, the CICA requires USG agencies to promote the use of full and open competition in procurements. This legislated requirement is detailed in part 6 of the FAR, which discusses contract competition. In a competitive procurement, the USG makes public notification of its intent to purchase. The USG electronically posts these notifications on the beta.SAM.gov website

that replaced the FedBizOps (fbo.gov) website in November 2019. The beta.SAM.gov website is part of a GSA (General Services Administration) initiative “to reduce burden and to streamline the federal award process” as part of its federal marketplace strategy to consolidate 10 award systems. GSA is in the process of retiring those systems and transitioning them to beta.SAM.gov. So far, the three legacy systems that have transitioned are WDOL.gov, CFDA.gov, and now FBO.gov. SAM.gov is the next legacy system scheduled for transition. Once it does, “beta” will be removed from the beta.SAM.gov URL, and the new site will become SAM.gov (System for Award Management). Consolidating these systems into one will make it easier for users to monitor and follow procurement opportunities and participate in the federal acquisition process, according to GSA. Per the FAR, all federal agencies are required to use competitive procurement procedures as the normal method of acquisition.

As an exception under certain conditions, the FAR permits procurement on a noncompetitive basis, which is officially known as “other than full and open competition.” In a noncompetitive procurement, the USG negotiates with a single source to the exclusion of all other potential sources. In order to use this exception to normal procurement procedures, a justification must be prepared to document the reasons why a noncompetitive procurement is required rather than conducting a competitive procurement. According to the FAR, noncompetitive procurements are permitted only when justification is provided based on one or more of the following conditions:

- The property or services required are available from only one responsible source and no other type of supply or services will satisfy agency requirements.
- The need for the supply or services is of an unusual and compelling urgency.
- Award of the contract to a particular source or sources is required in order to to the following:
  - ◊ Maintain a facility, producer, manufacturer, or other supplier available for furnishing supplies or services in case of a national emergency or to achieve industrial mobilization.
  - ◊ Establish or maintain an essential engineering, research, or development capability to be provided by an education or other nonprofit institution or a federally funded research and development center.
  - ◊ Procure the services of an expert for use in any litigation or dispute.
- An international agreement or a treaty between the U.S. and a foreign government or international organization specifies a source.
- A statute expressly authorizes or requires that the procurement be made from a specified source.
- Disclosure of the agency’s needs would compromise national security.
- A head of the agency determines that it is necessary in the public interest to use procedures other than competitive procedures.

### **Foreign Military Sales Competitive Source Selection**

The LOA standard terms and conditions reflect the FAR preference for competition in contract awards as mandated by the CICA. LOA condition 1.2 states the USG is responsible for selecting the contractor to fulfill the LOA requirements. Additionally, condition 1.2 states the U.S. will select the contractor on the same basis utilized to make contractor selections to fulfill its own requirements. In other words, the norm for FMS contract awards is for the U.S. to use its competitive contract award process to select the contractor to fill the FMS customer’s requirement. The SAMM C6.3.4 states that competitive source selection will be utilized to the maximum extent possible in support of FMS.



## **Sole Source for Foreign Military Sales**

Section 1.2 of the LOA standard terms and conditions permits the FMS customer to formally request a noncompetitive procurement be conducted on its behalf. Within the FMS community, a customer's request for procurement using other than full and open competition is commonly referred to as "sole source" when the contract to be awarded is expected to exceed the simplified acquisition threshold (FAR 2.101 and FAR part 6). Per the SAMM C6.3.4, an authorized official of the purchasing government may submit a written request, generally through the Security Cooperation Organization (SCO), that the Implementing Agency (IA) make the procurement from a specific organization or entity, or that competition be limited to specific organizations or entities. The Defense Attaché or comparable purchaser's representative in the United States may also submit these requests to the IA. A customer's other than full and open competition request should be submitted with the Letter of Request (LOR). Per DSCA policy 12-15, FMS customers do not need to provide a rationale for the request.

Requests for other than full and open competition should be to meet the objective requirements of the purchaser and not for improper or unethical considerations. USG representatives must remain objective in providing options or recommendations to the partner and may not solicit requests for other than full and open competition. In general, the USG does not investigate the circumstances behind a foreign purchaser's request to use other than full and open competition. DoD contracting agencies are encouraged to defer to a foreign purchaser's requests under the FAR's international agreement exception to the extent that they are not aware of any indication that such requests violate U.S. law or ethical business practices. The IA must consult with its counsel on cases where facts indicate that granting a request to use other than full and open competition may violate U.S. law or ethical business practices. If the IA determines that a request to use other than full and open competition should not be approved, the memorandum informing the purchaser must be coordinated with DSCA.

In addition to reviewing the customer's other than full and open competition request, SAMM C6.3.4.6 also recommends the request be forwarded to the applicable PCO for information and advice. Typically, the PCO will have previous experience procuring the same or a similar item or service. The DoD maintains data on past procurements and the performance of various vendors in fulfilling previously awarded DoD contracts. The USG may possess additional information indicating the customer's other than full and open competition section may represent a financial or performance risk. In these instances, the PCO can inform the CM, who would provide this additional information to the FMS customer for further consideration.

Other than full and open competition requests typically specify a particular prime contractor. FMS customers may also request that specific subcontractors be utilized by the prime contractor. Requesting specific subcontractors limits the ability of the DoD to hold prime contractors to performance and cost parameters. Normally, the prime contractor is responsible for selecting and overseeing subcontractor work to ensure all contract milestones are achieved. When an other than full and open competition subcontractor is specified, the prime contractor will be required to use certain subcontractors. This removes the prime contractor's ability to shift work away from under-performing subcontractors and could relieve the prime contractor from certain contract liabilities. If the FMS customer chooses to request specific subcontractors, the purchaser should be advised of the additional risk, as they would bear the additional costs to correct any issues according to SAMM C6.3.4.4.

Per SAMM C6.3.4.5, approved other than full and open competition requests must be documented in an LOA note. The rationale for documenting this approval in the LOA is to ensure compliance with the FAR. The fourth FAR exception for noncompetitive procurement permits noncompetitive procurement based on an international agreement. For FAR purposes, the LOA is considered to be an international agreement. An LOA containing an approved other than full and open competition note permits the USG PCO to initiate a noncompetitive procurement at the FMS customer's request while remaining in compliance with the FAR. A copy of the accepted LOA containing the other than full and

open competition note should be forwarded to the applicable PCO to permit compliance with the FAR 6.3 requirements for noncompetitive procurements.

An other than full and open competition request may be considered after LOA acceptance. The same other than full and open competition review and decision process would occur. If approved, the accepted LOA would require an amendment to document the approval. If the other than full and open competition request is submitted by an official representative of the customer known to have equivalent or greater authority than the official who signed the LOA, then the other than full and open competition note can be added to the LOA via a modification. LOA modifications are unilateral documents that can be immediately implemented upon issuance.

### **Foreign Military Sales Other Than Full and Open Competition Without Customer Request**

Although most FMS other than full and open competition procurements originate with the foreign customer, noncompetitive procurements can originate unilaterally with the USG. In this situation, although the FMS customer did not have any specific desires for a particular vendor, the USG managers conducting the procurement may determine that the FMS procurement needs to be conducted on a noncompetitive basis. In this case, the USG managers must generate a written justification for the noncompetitive procurement based on one of the other FAR noncompetitive procurement exceptions (i.e., other than the international agreement exception).

### **Competitive Source Selection**

Unless the LOA reflects an approved customer request for procurement using other than full and open competition or the PCO has justified a noncompetitive award in accordance with another of the FAR exceptions, a competitive source selection process will be conducted. It is important for the FMS customer to recognize that the competitive process requires time to accomplish. Foreign customers often question why it may take so long to deliver an item under FMS. Part of the item lead-time involves the period necessary to plan and conduct the competitive source selection process.

Per the FAR, competitive source selection can be accomplished using one of three methods: Simplified Acquisition Procedures (SAP), sealed bids, or negotiation. This represents a hierarchy of preferred use. For any given procurement, the first option should be to consider whether the procurement qualifies to be accomplished under SAP. If it does not meet the criteria for SAP, the next option is to evaluate whether sealed bidding criteria can be met. The final option, when the first two methods cannot be applied, is to use negotiation. This hierarchy reflects the degree of difficulty and cost invested by the USG in the procurement. SAP is the easiest and least-costly type whereas negotiation requires the most government resources and incurs the highest cost.

### ***Simplified Acquisition Procedures***

SAP is aimed at streamlining government procurement. Price quotes are solicited from vendors, and the government, then, issues an order to the vendor providing the best value for the price. Given the reduced bureaucratic approach, dollar value limitations have been placed on the situations in which this method can be used. Purchases valued up to \$250,000 involving noncommercial items are permitted, and, because of the price regulating influences of the competitive commercial marketplace, this method can be used for purchases of commercial items valued up to \$7 million. The FAR, part 13, describes this process.

### ***Sealed Bids***

Sealed bids are used if the following circumstances apply: time permits the solicitation, submission, and evaluation of bids; the award can be made on the basis of price and other price-related factors; it is not necessary to conduct discussions with the prospective vendors; and there is a reasonable expectation of receiving more than one sealed bid. Under sealed bidding, the government advertises



its requirements and invites interested firms to submit bids. Vendors interested in competing submit their respective bids in accordance with the invitation for bid instructions. Generally, there will be a deadline date for bid submission and a date established when the government will open the bids. On the bid opening day, the USG will open and review all the bids submitted. The contract will most likely be awarded to the firm that submitted the lowest price bid that was responsive to the requirements. “Responsive” means that the bidder offered what the government requested and not something else. The FAR, part 14, describes this process.

### ***Negotiation***

Negotiation is used if any of the above conditions for SAP or sealed bidding cannot be met and when it is necessary to conduct discussions with prospective contractors. The main steps in this process, as described in the FAR, part 15, are as follows:

- The USG solicits competitive proposals.
- Offerors prepare and submit proposals.
- A competitive range determination is made by the USG to decide with which offerors to conduct written or oral discussions.
- USG technical and price evaluation of proposals is conducted. In this process, the USG typically has two evaluation teams separately consider the merits of each proposal. One team will be comprised of specialists capable of distinguishing between the relative technical and qualitative benefits presented by each proposal; the other team, comprised primarily of financial and accounting experts, will review the price-related factors of each proposal.
- The USG selects and awards a contract to the vendor whose offer is most advantageous to the government. The most advantageous or best value offer is the one determined to provide the best combination of performance and price. It is not necessarily the lowest price offer or the best performing product or service.

### **Advertising for Competition**

The federal government officially advertises federal contracting opportunities on a website described in the “Contract Source Selection” section above. FMS requirements are also advertised on this website for interested vendors. The FAR, part 5, describes procedures for publicizing contract opportunities.

### **Set Aside Procurements**

As previously stated, all procurements for FMS will be conducted in compliance with FAR and DFARS policy and procedures. As such, the potential does exist for certain FMS procurements to be set aside for special categories of businesses to exclusively compete. This is another example of the USG conducting FMS procurements in the same manner as it conducts procurements for itself. The FAR, part 19, describes this process.

Although procurements may be set aside, the FAR also requires contract awards be made to responsible contractors. A responsible contractor is one the government believes to possess the ethics, resources, capability, and capacity to successfully deliver the contract requirements in a timely manner.

## **CONTRACT TYPES**

There are two fundamental categories of contracts used in DoD procurement: fixed-price and cost-reimbursement. Within these two broad categories, there is a wide variation of contract types. The contract type may impact the FMS customer when it comes to timely case closure. Under FMS, the

financial policy is for the USG to recover the total cost of performance against the FMS case. The type of contract used in making FMS procurements can impact how long it will take to determine the total cost. More information on FMS case closure is contained in Chapter 12 of this textbook, “Financial Management.”

### **Fixed-Price**

Fixed-price contracts establish a price that is generally not subject to any adjustment, regardless of the costs the contractor subsequently accumulates in performing the contract. This type of contract makes the contractor responsible for managing costs or dealing with cost risks with little or no cost risk to the government. When a contractor delivers articles or services under a fixed-price contract and the USG accepts the product, no significant further action is required by either party. The government will pay the predetermined fixed price, and the contract can be closed. The FAR standard for closing a fixed-price contract is within six months of final delivery.

### **Cost-Reimbursement Contracts**

Cost-reimbursement contracts pay the contractor all incurred costs determined to be allowable, allocable, and reasonable per the provisions of the contract. These types of contracts are suitable only when the uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use a fixed-price contract. Under cost-reimbursement contracts, the contractor has less cost risk, whereas the cost risk to the government is higher. Under a cost-reimbursable contract, the contractor will submit contract performance cost data to the USG. The USG must then review this cost data to validate that the costs claimed by the contractor are allowable, allocable, and reasonable.

- Allowable means the cost category being claimed is considered to be a legitimate expense category by the FAR.
- Allocable means the cost is assignable or chargeable on the basis of relative benefits received or another equitable relationship.
- Reasonable means that the amount claimed by the contractor for an allowable and allocable share does not exceed that which would be incurred by a prudent person in the conduct of competitive business.

Due to the time necessary for the contractor to gather and report cost data and for the USG to perform any necessary review and audits of the cost data, it may take a lengthy amount of time to close out a cost-reimbursable contract. The FAR standard for closing cost contracts, following final delivery, is within twenty months for contracts without indirect rates and within thirty-six months for contracts with indirect rates.

Historically, the decision concerning the type of contract to use in an FMS procurement has been an internal USG decision where the USG selects the FMS contract type in the same manner that the DoD selects contract types for itself. This, however, has been a significant topic of discussion and potential changes in Congress and the DoD for the last several years. As of this textbook’s publication, the 2021 National Defense Authorization Act (NDAA), Section 888, states that Section 830 of the NDAA for FY 2017(22 U.S.C. 2762) is repealed. The OUSD(A&S), Defense Pricing and Contracting (DPC), is planning to remove the FPP requirement altogether.

## **CONTRACT OPTIONS**

The USG processes and procedures prescribed by the FAR and DFARS to place a requirement on contract often require a significant amount of time to accomplish. In June 2018, the Director of Defense Pricing and Contracting issued a new policy to make contracting practices more timely and

effective. Under the new policy, for major system procurements, contracting officers are encouraged to establish priced options for two years beyond the current procurement year. The FAR, part 2, defines a contract option as a unilateral right in a contract by which, for a specified time, the Government may elect to purchase additional supplies or services called for by the contract, or may elect to extend the term of the contract. This policy will permit contracting officers to exercise these existing priced options for emerging FMS requirements rather than re-accomplishing the entire contract process. It is anticipated that this approach will provide a more timely and responsive outcome in support of FMS partners.

## **SPECIAL FOREIGN MILITARY SALES CONTRACTING CONSIDERATIONS**

Throughout this chapter, it has been emphasized that contracting for FMS will be in accordance with normal FAR and DFARS policies and procedures. As a result, contracting for FMS essentially mirrors the process the DoD uses in contracting for itself. As may be expected, though, there are a few peculiarities associated with FMS contracts. The DFARS contains a special subpart that addresses these peculiarities. This subpart is DFARS 225.73, “Acquisitions for Foreign Military Sales.” The following is a brief discussion of the key unique FMS contracting policies.

### **Foreign Military Sales Solicitation and Contract Marking**

DFARS Procedures, Guidance, and Information (PGI) 225.7301 states that all solicitations to industry for FMS requirements should separately identify the requirement as being for FMS and also indicate the specific FMS customer. It is important for industry to know this information, because special rules concerning cost allowability for FMS may apply as discussed later in this chapter. Additionally, all awarded contracts containing FMS requirements are to include the FMS case identifier code in the contract.

### **Contracting Officer Involvement in the Letter of Offer and Acceptance**

The only person legally authorized to commit the USG in a procurement contract is a warranted PCO. A warrant is a specific certification provided to a federal employee or military officer that authorizes that person to commit the USG in contracts. The PCO along with other procurement professionals on the team will take the requirement identified on the LOA along with the LOA funding to ultimately award a contract with industry that is compliant with the FAR and DFARS requirements.

Potential future procurement problems can be identified and minimized through close coordination between the CM and the PCO. The DFARS 225.7302 states that the role of the PCO is to assist the FMS CM by doing the following:

- Assisting the Implementing Agency to prepare the LOA or price and availability (P&A) data
- Identifying and explaining all unusual contractual requirements or requests for deviations
- Communicating with potential contractors
- Identifying any logistics support necessary to perform the contract

### **Contract Pricing for Foreign Military Sales**

The FAR and DFARS provisions are intended to ensure procurement at fair and reasonable prices. In addition to protecting the USG interests, the FAR and DFARS also attempt to treat contractors fairly. The provisions of DFARS subpart 225.7303-2 recognize that, in working to fulfill FMS contract requirements, contractors may incur legitimate additional business expenses they normally would not incur in DoD-only contracts. As a result, DFARS subpart 225.7303-2 permits certain types of

costs to be allowable for FMS contracts. Although the same pricing principles are used, FMS contract prices are not always identical to the DoD contract prices. This situation is due to slightly different rules regarding cost allowability for FMS requirements than for DoD requirements. Examples of such allowable FMS contract costs include the following:

- Selling expenses
- Maintaining international sales and service organizations
- Sales commissions and fees in accordance with FAR, subpart 3.4
- Sales promotions, demonstrations, and related travel for sales to foreign governments
- Configuration studies and related technical services undertaken as a direct selling effort to a foreign country
- Product support and post-delivery service expenses
- Operations or maintenance training, or tactics films, manuals, or other related data
- Technical field services provided in a foreign country related to accident investigations, weapon system problems, operations/tactics enhancement, and related travel to foreign countries
- Offset costs, which are further defined later in this chapter

Although DFARS 225.7303-2 does permit certain costs for FMS to be allowable, the amount claimed by the contractors must also be determined to be both an amount appropriately allocable to the respective contract and reasonable in the rate charged. DFARS 225.7303-5 limits this special cost allowability provision to procurements originating from LOAs financed with either customer funds or repayable credits. If the LOA is financed by USG grant funds such as Foreign Military Financing Program (FMFP) funds or Military Assistance Program (MAP), then the cost allowability rules default back to the standard DoD criteria.

### **Contingent Fees**

Sales commissions or agents' fees, referred to in the FAR as contingent fees, are generally allowable if the commission or fee is paid to an employee or a selling agency engaged by the prospective contractor for the purpose of legitimately securing business.

DFARS, 225.7303-4 permits contingent fees to exceed \$50,000 only if the customer agrees to the fees in writing before contract award. In addition, by exception, the following countries must approve all contingent fees regardless of value before they can be considered allowable FMS contract costs:

Australia	Egypt	Greece	Israel
Japan	Jordan	Republic of Korea	Kuwait
Pakistan	Philippines	Saudi Arabia	Taiwan
Thailand	Turkey	Venezuela	

The SAMM, Section C6.3.7.1, states that, if contingent fees are part of a contract proposal, inclusion should be made known to the purchasing government prior to, or in conjunction with, the submission of the LOA to that government. The notification should include the following: the name and address of the agent; the estimated amount of the proposed fee; the percentage of the sales price; and a statement that appropriate officials of the DoD consider the fee to be fair and reasonable or that the USG cannot determine the reasonableness of the proposed fee. This statement is normally included as an LOA note.

The SAMM C6.3.7.4 states all LOAs, which include contingent fees (regardless of value of the case) and all correspondence with a purchaser on the subject of contingent fees relative to Price and Availability (P&A) data or an LOA, as well as all post-LOA notifications about contingent fees, must be coordinated with DSCA.

### **Foreign Military Sales Customer Involvement in Contracting**

The FMS process primarily involves the foreign customer in LOA related issues. After the LOA is accepted, internal USG processes are undertaken to fulfill the LOA requirements. Generally, these internal processes are accomplished without direct foreign purchaser involvement. The SAMM, Section C6.3.5, states that sufficient details should be included in the LOA to allow the U.S. PCO to negotiate and award a contract without requiring foreign country representation or direct involvement in the formal negotiation process.

Although, traditionally, the norm has been no or very limited FMS customer involvement in the DoD contracting process, policy in both the SAMM and the DFARS does permit FMS customers to participate in certain elements of the contracting process. This policy supports the overarching intent for the FMS process to provide transparency to international customers. Unfortunately, there can be confusion on the part of employees within the DoD acquisition infrastructure (as well as by international purchasers) regarding the extent of FMS customer participation in the DoD contracting process. If an FMS customer has an interest in participating in the FMS acquisition process, these desires should be identified early in the LOA development process, preferably in the Letter of Request (LOR), in order that the LOA implementation plans can include customer participation.

The following outlines the areas, per the SAMM and the DFARS, that the customer may choose to have greater participation and other areas where customer participation is not permitted.

#### ***Source Selection***

Competitive contract awards are the default procurement method for FMS. As previously discussed, the FMS process does provide an option whereby the customer can request the USG contract on a non-competitive basis with a specific vendor in support of an LOA requirement. This process is referred to as an other than full and open competition (i.e., “sole source” as defined in FMS in SAMM C6.3.4). Unless the customer submits an other than full and open competition request, the customer cannot provide direction regarding source selection decisions. LOA standard term and condition 1.2 states, “The Purchaser understands that selection of the contractor source to fill requirements is the responsibility of the USG, which will select the contractor on the same basis used to select contractors for USG requirements.”

Additionally, the FMS purchaser is not permitted to interfere with a prime contractor’s placement of subcontracts or to direct the USG to exclude certain (unless an FMS sole source has been requested and approved) vendors from participating in an FMS competitive source selection. Customers may suggest that certain additional firms be considered because this has the effect of increasing competition (see DFARS, 225.7304).

#### ***Contract Discussions***

Although the USG should be able to accomplish contracting actions without FMS purchaser involvement, the SAMM C6.3.5.2 states that the PCO should consult with the FMS purchaser on any matter that could be perceived as inconsistent with or significantly different from the LOA. Per DFARS 225.7304, FMS purchasers may participate with USG acquisition personnel in discussions with industry to develop technical specifications, establish delivery schedules, and identify any special warranty provisions or other requirements unique to the FMS purchaser. Additionally, customers may participate in reviewing varying alternatives, quantities, and options needed to make price-performance trade-offs. The degree of participation of the FMS purchaser during contract negotiations is left to the



discretion of the PCO after consultation with the contractor. USG personnel are not permitted to release any contractor proprietary data unless approved by the contractor. FMS customer participation may be limited in situations where the contract includes requirements for more than one FMS customer, the contract includes unique U.S. requirements, or negotiations involve contractor proprietary data.

### ***Contract Negotiations***

One area specifically excluded from customer participation is that of negotiations involving cost or price data unless a deviation from the Director of Defense Pricing and Contracting, Office of the Under Secretary of Defense (Acquisition and Sustainment) is granted [DFARS, 225.7304(e.3)]. Under FMS, the foreign purchaser has authorized the USG to solely negotiate the procurement contracts that originate from the LOA requirements. LOA standard term and condition 1.2 states, “The Purchaser agrees that the U.S. DoD is solely responsible for negotiating the terms and conditions of contracts necessary to fulfill the requirements of this LOA.”

### ***Contract Pricing***

SAMM C6.3.6.1 states information concerning FMS contract prices can be provided to the FMS customer in order to demonstrate the reasonableness of the price and to respond to relevant questions concerning contract price. Pricing information may include top-level pricing summaries, historical prices, or an explanation of any significant differences between the actual contract prices and the estimated contract price included in the initial LOA price. Other FMS unique contract pricing policies contained in DFARS 225.7303 were discussed above in the section titled “Contract Pricing for FMS.”

### ***Contract Release***

The issue may arise as to whether copies of the USG procurement contract may be released to the foreign purchaser. As noted in the SAMM, Section C6.3.6.2, all pertinent information and contractual obligations between the USG and the foreign purchaser are identified in the LOA. Consequently, there should normally be no need to provide a copy of the contract to the foreign purchaser. However, if the contract is unclassified and provides only for the requirements of the requesting country without including USG or other country requirements, release can be considered by the PCO. Release of internal pricing or negotiation information is not permitted.

## **CONTRACT STRUCTURE**

Contracts for the procurement of FMS articles or services will be prepared according to FAR, DFARS, and any applicable agency subordinate supplements. The FAR, subpart 15.204-1, outlines a common format or structure to be used in federal contracts. This common contract structure is referred to as the uniform contract format. The ten core sections of a federal contract are differentiated by use of alphabetic section headings. As a result, federal contracts will be structured into ten sections under the headings of Section A through Section J.

Section A is titled “Solicitation/Contract Form.” The reason for this dual title is that the federal government may develop a draft or proposed contract that is issued when seeking offers from vendors. When used in this type application, Section A serves as a solicitation to vendors for contract offers. When the PCO is ready to accept a contract offer, Section A further serves as a contract instrument that the PCO can also sign to award the contract. In summary, Section A provides the cover page for the contract. It identifies, among other things, the contract number, the government procuring office, the contractor awarded the contract, and the government entity that will provide contract administration. Section A also bears the signatures of both the vendor’s representative, or the party making the offer, and the official from the USG that awards the contract (i.e., the PCO).

Section B is titled “Supplies or Services and Prices/Costs.” This section contains a brief description



of the supplies or services that may include item numbers, National Stock Numbers (NSNs)/Part Numbers (PNs), article/service nomenclature, and quantities. Because a variety of different items or services can be purchased on the same contract, Contract Line Item Numbers (CLINs) are used to differentiate between various items or services being procured. If there are multiple requirements for the same item or service, a subordinate indenture structure can be used in the contract breaking down the overall CLIN requirements into sub-CLIN requirements. Use of CLINs and sub-CLINs enables PCOs to differentiate the individual requirements being procured within the same contract. Experience shows implementing separate CLINs or separately identified sub-line items helps to avoid billing errors and facilitates FMS case reconciliation and closure. Use of informational sub-CLINs for FMS requirements (rather than separately identified, scheduled, or priced sub-CLINs) should be avoided as these may increase the probability that payment errors could occur. Additionally, segregating each FMS requirement into its own CLIN or sub-CLIN may be necessary to reflect different FMS prices, which may result from the provisions of DFARS, subpart 225.7303, "Pricing Acquisitions for FMS." More information on FMS contract pricing is contained in this chapter under the section title "Contract Pricing for FMS."

The SAMM C6.3.1 states that FMS requirements can be procured on the same contract with DoD requirements. However, the DFARS subpart 204.7104 states that separate contract sub-lines (i.e., sub-CLINs) should be used in contracts where individual contract requirements will be paid by more than one funding source or have different delivery dates/destinations. For FMS contract requirements, the DoD *Financial Management Regulation*, Volume 15, paragraph 010302, states that new FMS procurements should directly cite the FMS trust fund account as the source of contract funding. This approach is known as direct cite funding. The fund cite code structure used in direct cite funding not only identifies the FMS trust fund, but also refers specifically to the purchasing FMS country, FMS case, and FMS line. As a result, when payments are made against the contract requirement, the fund source for those payments will be referenced directly back to the applicable LOA country, case, and line that established the requirement. Contract payments for the applicable FMS CLIN or sub-CLIN will be billed to the respective FMS case and line. This payment information will be reported to the FMS customer in the quarterly FMS billing statement. In order to facilitate proper FMS billing, financial reconciliation, and eventual FMS case closure, it is important that PCOs follow this process of breaking out each individual FMS contract requirement into its own respective CLIN or sub-CLIN. More information on the FMS trust fund and the quarterly FMS billing statement is contained in Chapter 12 of this textbook.

Section C is titled "Description/Specifications/Statement of Work (SOW)." This is where the PCO can provide any description or specifications needed to elaborate on the Section B information. This section is particularly important when services are being purchased, because those services need to be adequately described. In some cases, this section may reference a separate SOW that is included in Section J, which is a list of attachments. SAMM C5.4.7.8 states that an LOA could potentially reference a separate SOW, memorandum of understanding (MOU), or performance work statement (PWS). Generally, the DoD procuring entity will develop a SOW or PWS based on the LOA requirements and then place the SOW or PWS on contract.

Section D is titled "Packaging and Marking." This section describes packaging, packing, preservation, and marking requirements. FMS shipments need to be packaged in accordance with SAMM C7.8, requiring not less than Military Level A/B standards as defined in MILSTD-129. FMS requirements will need to be marked according to MILSTD-129. See Chapters 10 and 11 of this textbook for more information on FMS logistical considerations.

Section E is titled "Inspection and Acceptance." This section covers contract inspection, acceptance, quality assurance, and reliability requirements. LOA standard term and condition 1.2 states that the DoD will apply the same quality, audit, and inspection procedures for FMS procurements as it applies

to internal DoD or U.S. military procurements. Also, LOA standard term and condition 5.1 states that the title to FMS materiel transfers at the initial shipping point. The DoD will perform inspections according to the requirements in this section of the contract. If the materiel or service meets the contract requirements, a USG representative, usually from the Defense Contract Management Agency (DCMA), will accept contract performance.

Section F is titled "Deliveries or Performance." This section describes the time, place, and method of delivery or performance. Delivery schedules for hardware and services may be described in terms of calendar dates or specified periods of time from contract award date. The appropriate regulation clauses from the FAR, DFARS, and other agencies' supplements will be selected and inserted into Section F. Any of the FMS customer's unique delivery requirements will apply.

Section G is titled "Contract Administration Data." This section will include accounting and appropriation data and contract administration information or instructions. This may include directions regarding use of Accounting Classification Reference Numbers (ACRNs) and invoicing instructions. ACRNs identify the source of funds to be used to pay for certain CLINS or sub-CLINs on the contract. As identified in the discussion concerning Section B of the contract, the overall contract requirements should be broken down through the use of the CLIN or sub-CLIN structure based on the respective funding sources. As a result, each FMS requirement should be broken out on the contract as its own CLIN or sub-CLIN that references its own unique ACRN. For FMS, the ACRN will identify the source of funding to include the applicable country, case, and case line that will directly fund the contract requirement. Additionally, Section G of the contract will include contract payment instructions. These are instructions selected by the PCO that will be followed by the contract payment office, Defense Finance and Accounting Service (DFAS), in making payments to contractors. In the FMS case reconciliation process, these instructions are used to validate how payments should have been made under the contract. Appropriate use of contract payment instructions, especially when multiple requirements with multiple funding sources (ACRNs) are present, will help preclude erroneous payments and avoid the additional work of payment corrections. The PCO should select payment instructions from the standardized menu at DFARS 204.7108. The payment instructions should be assigned at either the contract line-item level or at the entire contract level, but not at both levels.

Section H is titled "Special Contract Requirements." This section will include a clear statement of any special contract requirements that are not included in other sections of the uniform contract format.

Section I is titled "Contract Clauses." The PCO shall include in this section the clauses required by law or by the FAR. Most contract clauses are incorporated by reference. This means the full text of the clause is not included in the contract, which prevents the cumulative length of this section from becoming too extensive. The entire text of the standard clauses may be found in FAR part 52 and DFARS part 252. As a result, only the clause reference and title normally appear in the contract.

Section J is the list of attachments. The applicable specifications identified in Section C can typically be unwieldy, and it is common for contract personnel to include such documents as attachments to the contract. Section J simply identifies a list of such attachments. The list of attachments will include a title, date, and number of pages for each. The content of Section J may include the specification, statement of work, statement of objectives, and a list of addressees for Contract Data Requirements (CDRL) exhibits.

## **CONTRACT ADMINISTRATION SERVICES**

The contract administration function is an important part of the acquisition process. The scope of contract administration involves the monitoring of all facets of implemented contracts to ensure complete and effective performance by both the contractor and the USG. Specialists in contract administration, quality assurance, industrial security, financial management, and production management perform

contract administration. The FAR, part 42.3, provides a detailed listing of seventy-one contract administration functions.

Normally, there will be a Procuring Contracting Officer (PCO) assigned to the MILDEP or defense agency. The PCO oversees the contract process through the contract award. Since the contractor may perform contract work at multiple geographic locations, it may be impractical for the PCO to perform day-to-day oversight in administering the awarded contract. As a result, the PCO generally delegates contract administration functions to an Administrative Contracting Officer (ACO) who is typically physically located near or at the prime contractor's facility.

Within the DoD, the Defense Contract Management Agency (DCMA) is typically responsible for contract administration services. Before contract award, DCMA provides advice and services to help PCOs construct effective solicitations, identify potential risks, select the most capable contractors, and write contracts that meet customer needs. After contract award, DCMA monitors contractor performance and management to ensure that cost, product performance, and delivery schedules are in compliance with the terms and conditions of the contracts.

The DCMA regional commands (Eastern, Central, Western and International) contain geographically oriented Contract Management Offices (CMOs) that administer DoD contracts. More information on DCMA is available online at <http://www.dcmamail/>.

The Defense Contract Audit Agency (DCAA) provides both pre-award and post-award contract audit and financial advisory services in support of DoD acquisitions for FMS. More information on DCAA is available on their website: <http://www.dcaamail/>.

### **Foreign Military Sales Contract Administration**

Contract administration is an integral part of the FMS process. The customer is entitled to this service as part of the FMS purchase. LOA standard term and condition 1.2 states, "When procuring for the Purchaser, DoD will, in general, employ the same contract clauses, the same contract administration, and the same quality and audit inspection procedures as would be used in procuring for itself."

In the LOA, the customer is charged a Contract Administration Service (CAS) fee for FMS materiel and services delivered from procurement. The CAS fee has three primary cost components:

1. Contract administration
2. Quality assurance
3. Contract audit

When contract administration is performed outside of the U.S., a fourth CAS fee component (OCONUS CAS) will be applied. More information on the CAS fee is contained in Chapter 12 of this textbook, "Financial Management."

In accordance with the Arms Export Control Act (AECA), the cost of quality assurance, inspection, audit, and other contract administration services may be waived for North Atlantic Treaty Organization (NATO) members and for NATO infrastructure programs if a reciprocal CAS agreement exists whereby these same services are provided to the U.S. without charge. The SAMM, Tables C9.T5, C9.T6, and C9.T7, identifies countries, programs, and organizations that have reciprocal CAS agreements with the U.S. A brief description of the content for each CAS fee element is provided below.

- Contract administration includes financial services, contract management, review of contractor systems, price and cost analysis, negotiation of contract changes pursuant to the changes clause, final determination of cost allowability, termination settlements, plant clearance and disposal of contract inventories, and administration of government property.

- Quality assurance consists of inspection, testing, evaluation, and continuous verification of contractors' inspection systems or quality assurance programs. When unfavorable conditions are detected, requirements for corrective action are initiated by the contractor. All FMS requirements have the same quality assurance processes applied that the DoD utilizes for its own contracts. The quality assurance function includes the USG inspecting and ultimately accepting or rejecting the contractor's performance under provisions of the contract. At the point of acceptance, the USG takes title to the materiel, which subsequently transfers to the FMS purchaser at the manufacturer's loading facility prior to shipment per LOA standard term and condition 5.1. USG acceptance of performance is documented by either a DD Form 250, "Material Inspection and Receiving Report," or by generating a Receiving Report acceptance within the Wide Area Workflow system.
- Contract audit consists of financial services provided by DCAA in connection with the negotiation, administration, and settlement of contracts and subcontracts; these include evaluating the acceptability of costs claimed or proposed by contractors and reviewing contractor cost control systems.

### **Contract Financial Management**

The DoD is responsible for making payments to contractors in accordance with the contract. It is common practice to make "progress payments" to contractors prior to delivery. These payments cover a percentage of costs incurred as work progresses. The customary progress payment rates on DoD contracts are 80 percent of the total estimated contract cost for large businesses and 90 percent for small businesses [DFARS 232.501-1]. This rate schedule also applies to contracts awarded for FMS requirements

Progress payments are often predicted in advance, using cost expenditure curves developed from typical DoD contract expenditure rates. Therefore, the anticipated progress payments, plus any hold back for termination costs, form the basis for the FMS customer's LOA payment schedule.

It is important that LOA data and the actual contract performance progress be kept in balance. The LOA documents the USG's best estimate of cost and delivery information. The FMS customer's expectations are based on the LOA. If deviations from the LOA estimates become apparent during contract performance, the customer should be notified and an LOA amendment or modification issued. Early notification to the customer is important to permit the customer to decide and exercise any alternate options or to make arrangements to accommodate revised cost or delivery schedules.

Any change from the original LOA commitments may be significant to the FMS customer. In one case, a contractor offered the USG the opportunity for early delivery of a major FMS requirement. Historically, contract early delivery has generally been viewed as a positive situation, provided there is no increase in total contract cost. In this situation, the PM agreed to the early delivery, because there was no increase in contract cost. However, accepting early delivery generated an accelerated financial demand by the U.S. for LOA payments from the FMS customer. Unfortunately, the customer's budget was already established to support the original estimate of payments, and this early delivery decision caused significant problems for the FMS customer.

### **Contract Administration of Direct Commercial Sales**

Eligible governments purchasing U.S. goods and services via direct commercial sale (DCS) may request DCMA contract management offices and the DCAA auditors to provide contract administration and contract audit functions. To do this, the foreign customer must submit an LOR for these services to DCMA.

These services for DCS purchases are normally authorized and reimbursed through a blanket order LOA arranged between the foreign purchaser and DCMA. Such an LOA would establish an estimated



dollar value against which individual contract administration requests could be placed during a specified ordering period. DCMA may also prepare a defined order LOA to respond to a foreign customer's request for services that are applicable to a specific contract.

## **OFFSETS**

An offset is a package of additional benefits that a contractor agrees to provide to the purchasing country in addition to delivering the primary product or service. Offsets generally apply only to acquisitions of major systems. In the international marketplace, there are numerous armaments producers competing to sell their systems to prospective purchasers. When a country makes the decision to procure a major foreign system, significant amounts of national funds flow out of that country's economy. Given the cost of today's modern systems, the cash outflow may involve hundreds of millions or even billions of dollars. As a result, purchasing countries often desire to leverage this huge foreign expenditure to obtain additional benefits for their nation in addition to acquiring the weapon system itself. This package of additional benefits, which is intended to compensate for the huge financial outflow, is referred to as an offset. The term "offset" is derived from the concept that the additional benefits received in association with the procurement create an "offset" effect that counteracts the consequences of the large outflow of national funds for the foreign procurement.

Offsets are recognized as a legitimate, legal business arrangement found in international acquisitions. Offsets in defense trade began in the late 1950s. Today, offsets continue to be an important element in defense trade with the majority of offsets involving aerospace industry sales. Offset requirements may be established in conjunction with either FMS or DCS acquisitions.

### **Types of Offsets**

Various terms are used to describe different types of offset arrangements, including "offsets," "coproduction," "buy-backs," "barter," "counter-purchase," "compensation," and "counter-trade." However, all offsets can fundamentally be categorized into two types: direct offsets and indirect offsets.

A direct offset involves benefits, including supplies or services that are directly related to the item being purchased. For example, as a condition of sale, the contractor may agree to permit the purchaser to produce, in its country, certain components or subsystems of the item being sold.

An indirect offset involves benefits, including supplies or services that are unrelated to the item being purchased. For example, as a condition of a sale, the contractor may agree to purchase some of the customer's manufactured products, agricultural commodities, raw materials, or services.

### **Congressional Interest and Notification**

As the number and variety of offset programs has increased, so has the concern of many government agencies, private industries, labor officials, and the media over the impact of offsets on U.S. domestic industries. These concerns include the impact of these trade practices on American jobs, the U.S. balance of payments, technology transfer, and the long-term consequences for the U.S. and foreign economies. The President is required to submit to Congress an annual report on the impact of offsets on defense preparedness, industrial competitiveness, employment, and U.S. trade. The Secretary of Commerce prepares the report in consultation with the Secretaries of Defense, Treasury, and State and the U.S. trade representative. A link to the U.S. Department of Commerce, Bureau of Industry and Security (BIS), "Offsets in Defense Trade" website is included in the references section of this chapter. The BIS website includes a wide range of offsets in defense trade resources, such as the Offset Reporting regulations, guidance and recommended format for reporting offset activities, frequently asked questions on offsets, and copies of recent reports to Congress and the Presidential Policy on Offsets.

The AECA, Section 36(g), requires congressional notification of proposed FMS and commercial export sales, which include offset agreements. The information provided to Congress includes a general description of the performance required for the offset agreement. This description should indicate if a known offset requirement exists, whether the country has a standard offset requirement, if the offsets provided will be direct or indirect, and the estimated percentage of each. If there is no offset agreement at the time of the notification, that should be so stated. Offset reporting is treated as confidential information that remains classified even after the statutory congressional notification is complete.

### **United States Government Offset Policy**

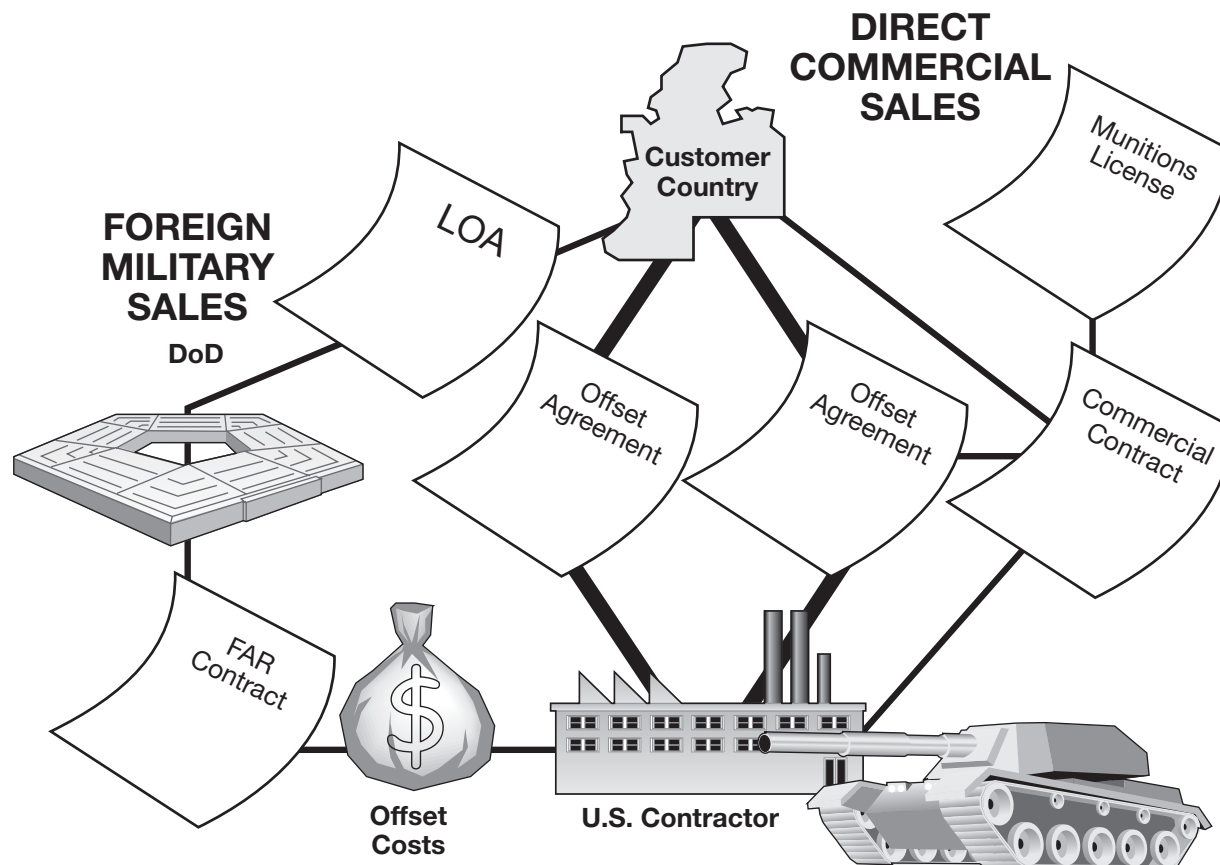
Offsets are permissible under FMS. However, it must be emphasized that the offset agreement is between the purchasing country and the U.S. contractor. The USG is not party to the agreement and does not retain any obligation to enforce the contractor's performance of the agreement. Figure 9-1 illustrates the offset relationship. This appears to be, and is in fact, an odd arrangement. In an ideal world, the USG would prefer that offset agreements did not exist; however, the reality of the marketplace is that other countries are competing for international business and are willing to provide offset packages to prospective purchasers. If the USG prohibited offsets under FMS, U.S. firms would be at a huge disadvantage in international competition.

The Presidential Policy on offsets in military exports was announced by President George H.W. Bush on 16 April 1990 and was subsequently codified into law by the Defense Production Act Amendments of 1992. This policy is also incorporated within DFARS 225.7306. The key provisions of the policy on offsets are as follows:

- No USG agency shall encourage, enter directly into, or commit U.S. firms to any offset arrangement related to the sale of U.S. defense articles or services.
- USG funds shall not be used to finance offsets.
- Negotiations or decisions regarding offset commitments reside with the companies involved.



**Figure 9-1**  
**Offset Relationships**



## Offset Costs

To an uninformed observer, it may appear that the offset process provides a means to obtain some national benefits at no cost. The fundamental principle of business dictates that any enduring enterprise cannot incur expenses that exceed revenue. This extends to defense sales involving offsets. Firms may agree to perform an offset to win an acquisition competition, but they must recover the cost to perform the offset through the price charged in the primary system contract. In a direct commercial contract, the contractor must build the anticipated cost for performing the offset into its contract prices.

Under FMS, the offset cost recovery process is awkward. The USG wants U.S. firms to successfully compete for international business and permits offset arrangements as a legal business activity. Likewise, the USG wants international customers to have the option to purchase military systems using either the FMS process or the DCS process. Under FMS, the contractor is actually working directly for the DoD, but the USG permits this same contractor to concurrently enter into an offset agreement directly with the FMS purchaser. Although the DoD is clearly not party to the offset agreement, the DFARS, subpart 225.7303-2 recognizes that contractors performing business in support of foreign governments or international organizations may incur certain additional legitimate business costs. Offset costs are one type of cost of doing business with a foreign government that the DFARS considers as allowable.

Contractors are permitted to build the cost of performing the offset into the contract price charged the USG. Under FMS pricing policy, the USG must recover all the costs of conducting FMS. As a result, if offsets are required by the purchasing country, the LOA price will be incrementally higher in

order to cover the cost of the offset. So, on the surface, it may appear that the customer is receiving the offset at no cost, but offset expenses are actually included as a part of the applicable line-item unit cost in estimated prices quoted in the LOAs. It is the contractor's responsibility to inform the implementing agency when estimated offset costs have been included in FMS pricing.

Although the DFARS subpart 225.7303-2 states offset costs will be considered allowable, it does not mean the contractor does not have to exercise fiscal responsibility in offset performance. The DFARS requires the PCO to review and determine that the contract costs, to include direct offset costs claimed by the contractor, are both allocable and reasonable. A change to DFARS 225.7303-2 states that all indirect offset costs are to be deemed reasonable with no further analysis necessary by the PCO if the contractor provides the PCO a signed offset agreement or other documentation showing that the FMS customer made the indirect offset of a certain dollar value a condition of the FMS acquisition. LOA standard term and condition 2.8 reflects this policy change by referring to the DFARS.

It is important to note that the DFARS provision permits offset costs to be included in the costs billed to the USG under the procurement contract only if the LOA is funded with customer funds or repayable credits. If the LOA is funded with non-repayable FMFP funds, offset costs are not allowable.

It is inappropriate for USG personnel to discuss with the foreign government the nature or details of an offset arrangement with a U.S. contractor. However, the fact that offset costs have been included in the P&A or LOA price estimates will be confirmed, should the customer inquire. The customer should be directed to the U.S. contractor for answers to all questions regarding its offset arrangement, including the offset costs.

#### **Offset LOA Standard Term and Condition**

LOA standard term and condition 2.8 addresses offsets. This condition summarizes the USG policy regarding offsets in association with FMS.

Any offset arrangement is strictly between the Purchaser and the U.S. defense contractor. The U.S. Government is not a party to any offset agreement that may be required by the Purchaser in relation to the sales made in this LOA. The USG assumes no obligation to administer or satisfy any offset requirements or bear any of the associated costs. Although offsets, as defined in the Defense Federal Acquisition Regulation Supplement, are not within the scope of the DoD contracts entered into to fulfill the requirements of this LOA, offset costs may be recovered through such contracts. Indirect offset costs may be deemed reasonable without further analysis in accordance with the Defense Federal Acquisition Regulation Supplement. If the Purchaser wishes to obtain information regarding offset costs, the Purchaser should request information directly from the U.S. defense contractor.

### **CONTRACTING FOR BPC PROGRAMS**

Building Partner Capacity (BPC) programs that are often implemented via "pseudo"-LOAs will utilize the FMS infrastructure for execution. However; due to the different authorities and appropriated funding sources for BPC programs, acquisitions for BPC will not follow the FMS acquisition processes and procedures outlined in SAMM C6.3 and the DFARS Subpart 225.7300.

Instead, acquisition for BPC programs will follow the processes and procedures outlined in SAMM C15 as well as the FAR and DFARS provisions associated with contracts funded by USG-appropriated funds.

A key consideration in conducting BPC acquisitions is to recognize the time-limited nature of BPC funds for both obligation and disbursement purposes. SAMM Table C15.T2 lists the various BPC programs with the associated appropriation authority, fund expiration date and funds cancellation dates. These dates are essential in procurement planning and execution for BPC. Due to the fiscal

time limitations, SAMM C15.2.5 outlines the role of a feasibility assessment in planning for a BPC acquisition.

Another major difference for a BPC acquisition is that the benefiting country is not provided an opportunity to request procurement from a specific vendor. The FMS sole source process based on the FAR subpart 6.302-4 international agreement exception is ineligible to be utilized with BPC programs. The other than full and open competition process can be used for BPC programs, but the justification for use must be based on other exception criteria outlined in the FAR, subpart 6.3. SAMM Figure C15. F2 discusses the sole source process that is applicable to BPC programs.

In regard to contract pricing, BPC requirements default to all the normal DoD pricing rules. The FMS contract pricing provisions outlined in DFARS subpart 225.7303 are not applicable to BPC acquisitions. Additionally, offsets as discussed for FMS are not applicable in BPC acquisitions.

## **SPECIAL DEFENSE ACQUISITION FUND (SDAF)**

### **Background**

Acquisition in support of security cooperation programs, both FMS and BPC, can sometimes take a long time. Long acquisition lead times can be caused by several different factors.

First, for SC programs, there is the LOA lead time. The LOA lead time reflects the amount of time from receipt of the request until the LOA is accepted and financially implemented. This lead time can represent several months, depending on the LOA's complexity. For SC programs, the LOA serves as both the authority and funding source for the acquisition. As a result, even though the partner's requirements are known early in the overall SC process, contracting actions cannot proceed until the security cooperation agreement (LOA or pseudo-LOA) has been accepted and financially implemented.

Second, there is the contracting administrative lead time. The contracting administrative lead time reflects the amount of time required from when the funded requirement is provided to the respective DoD contracting activity until the procurement contract is awarded to a vendor. The administrative lead time is largely influenced by the time necessary to comply with the many mandatory DoD acquisition policies and procedures. Acquisition in support of security cooperation programs is accomplished using the same acquisition policies, procedures, and management infrastructure that are utilized to make purchases for the DoD itself. Some of the key actions accomplished during the administrative lead time include thoroughly identifying the requirement; performing market research to determine source options; developing clear specifications or statements of work/objectives; identifying an acquisition strategy; formulating a source selection plan and evaluation criteria; advertising/soliciting for offers; allowing time for potential vendors to develop offers; evaluating competing offers; conducting discussions with industry to better understand offers; scoring industry proposals based on strengths/weaknesses/risks; selecting the offer that provides the overall best value; and awarding the contract.

Third, there is the manufacturing or production lead time. The production lead time reflects the amount of time required from date of contract award until the vendor physically delivers the product or service to the USG. This lead time is largely influenced by the nature of the article or service being purchased. Although some articles or services are readily available, others are intrinsically more complex and will require longer times to produce. Some key actions during the production lead time include scheduling new contract work into existing production orders and purchasing raw materials, fabricating parts, assembling components, integrating subsystems, performing final assembly, inspecting, and testing. This period of time can substantially lengthen if the article or service deviates from the DoD standard specifications or configurations which necessitates additional design, integration and testing services.

Fourth, there is the transportation lead time. The transportation lead time reflects the amount of time necessary to physically move the article from the point of origin, typically somewhere within the

continental U.S. to the final destination within the partner's country. For services, this increment of time reflects the time for the contractor to select employees, prepare the work team, forward materials, and deploy the team to the partner's country. Depending on the mode of transportation for articles or the availability of personnel for services, this may take several months to accomplish.

As a result, the cumulative lead time for delivery of security cooperation items or services sourced from procurement is driven by the LOA lead time (LOR to LOA financial implementation) plus the contracting administrative lead time (time until contract award) plus the production lead time (time for the vendor to manufacture/assemble article) plus the transportation lead time (time to transport from initial shipping point to final location in partner's country). Together, these can result in a lengthy overall lead time until delivery.

## **Fund Description**

The Special Defense Acquisition Fund (SDAF), authorized in Section 51 of the Arms Export Control Act, 22 U.S.C. 2795, was created to address the issue of long security cooperation lead times. As described in SAMM C11.9, the SDAF is a financially independent, revolving fund that finances the procurement of defense articles and defense services in anticipation of future transfer to foreign countries and international organizations. The SDAF itself is a procurement authority, not a transfer authority. All SDAF assets are transferred to partners using the same laws, regulations, and rules that govern all foreign military transfers.

The SDAF provides both procurement authority and funds availability to engage in procurement actions prior to LOA or pseudo-LOA implementation. The SDAF allows the USG to deliver selected articles and services to partners in less than normal procurement lead-time, and it enhances U.S. force readiness by reducing the need to divert assets from U.S. forces when partners have urgent requirements that cannot otherwise be satisfied.

## **Account Funding and Capitalization**

The SDAF is capitalized using selected receipts on FMS sales, as provided in Section 51(b) of the Arms Export Control Act. The Congress has not appropriated any funds for the SDAF since the account was reconstituted in 2012. The size of the account, which is the sum of the total assets that have been purchased by the SDAF but not yet sold plus the total amount of unencumbered funds in the account, cannot exceed \$2.5 billion, as provided in 10 USC 114.

## **Procurement Proposal Submission and Approval Process**

DoD components identify the items or services proposed for procurement using the SDAF funds. SDAF procurement proposals generated by Security Cooperation Offices or Geographic Combatant Commands should be coordinated with the relevant Integrated Regional Team at DSCA. DSCA, in consultation with the Department of State, Bureau of Political-Military Affairs, selects the defense articles and defense services to be purchased by the SDAF. The defense articles and services approved for procurement are included in a spend plan that is provided to the congressional committees that oversee the authority. The plans are submitted 30 days prior to the start of each new fiscal quarter.

## **Procurement Execution**

The implementing agencies (IAs) execute the purchases of approved items. SDAF procurements are made in accordance with DoD regulations and procedures, as outlined in the FAR and DFARS. The international agreements exception to full and open contracting competition cannot be used on SDAF procurements.

The IAs are responsible for storing and maintaining accountability of defense articles purchased by the SDAF until the items are transferred to a foreign government, international organization, or Building Partner Capacity program. In addition, the IAs must establish controls to ensure SDAF assets

are not transferred to a foreign customer or used by the military department unless explicitly approved by DSCA.

### **Allocation Decision**

An approved allocation request authorizes the IA to offer the requested item or service to a foreign government, international organization, or Building Partner Capacity program.

The SDAF allocation process begins when an eligible foreign country, international organization, or Building Partner Capacity program requests information on defense articles and/or services, and the articles and/or services are available in the SDAF inventory. When such a request is received, the IA should verify the availability of the requested asset and then submit an SDAF allocation request to DSCA.

SDAF-procured assets are allocated in accordance with the laws, regulations, and policies that apply to all foreign military sales and transfers. The allocation of an asset to support an eligible foreign country, international organization, or Building Partner Capacity program must be approved by DSCA before it can be added to an LOA

Generally, sales are made from assets in the SDAF inventory. In instances where the article or service requested has been purchased by the SDAF but not yet delivered to the USG, the customer may purchase the equity that the SDAF owns in the acquisition contract.

### **Role of the LOA**

SDAF assets may be offered on a separate LOA or as one or more separate lines on an LOA that includes articles and services that will not be sourced from the SDAF inventory. Sub-lines will not mix SDAF and non-SDAF material and services. Once a case is offered, the SDAF assets on the case will be held in reserve until the offer expiration date (OED) expires.

### **Pricing**

The price for SDAF assets and contract equities sold through the FMS process will be computed by establishing a base acquisition price. The base price is the higher of the SDAF procurement price or the current contract price. Once the base price has been established, additional charges, such as non-recurring costs (NC), contract administration services (CAS), transportation, and proportionate storage fees, will be added to arrive at the SDAF selling price. The payment for defense articles and services sourced from the SDAF must be included in the initial deposit.

When SDAF-purchased assets are transferred to a foreign government or international organization, the proceeds from the transaction are reimbursed to the SDAF and used to finance subsequent purchases.

## **SUMMARY**

The fundamental principle regarding contracting for FMS requirements is that the USG essentially treats the FMS customer's requirements as if they were USG requirements. In contracting for FMS, the same contracting regulations, policies, and procedures are applied. Per the SAMM, this is one of the principal reasons customers select the FMS system rather than contracting themselves using direct commercial processes.

The unique aspects of the procurement process that pertain to FMS are few in number, but they have a major impact on the FMS process. Competitive source selection is the norm; however, the FMS customer has the option to use other than full and open competition if they desire the USG to contract with a specific firm. Under other than full and open competition procedures, the FMS customers need not provide a rationale for the request.

The USG also has established a comprehensive contract administration infrastructure that will be used to oversee the execution of contracts awarded in support of FMS requirements. Again, the USG



uses the same contract administration, quality assurance and contract audit processes for FMS that it uses for DoD procurements.

Offsets are an international market reality. Offsets are permitted in association with FMS when the LOA funding the procurement contract is financed by customer cash or repayable credit. If the LOA is funded by USG grant funds, offset costs claimed by the contractor will be considered unallowable.

Building Partner Capacity (BPC) programs that are implemented via pseudo-LOAs will utilize the FMS infrastructure for execution. However, due to the different authorities and appropriated funding sources for BPC programs, acquisitions for BPC will not follow the FMS acquisition processes and procedures outlined in SAMM C6.3 and the DFARS Subpart 225.7300. Instead, acquisition for BPC programs will follow the processes and procedures outlined in SAMM C15 as well as the FAR and DFARS provisions associated with contracts funded by USG-appropriated funds.

The SDAF provides a unique potential opportunity to initiate contracting actions in advance of LOA financial implementation, thereby reducing the overall procurement lead-time. DSCA must approve each proposal by the DoD components to procure using SDAF funds. The SDAF-acquired assets are allocated by DSCA and are sold via stand-alone SDAF LOAs or as separate SDAF lines on LOAs that sell other non-SDAF articles and services.

## REFERENCES

*Defense Federal Acquisition Regulation Supplement* (DFARS), Subpart 225.73-Acquisitions for Foreign Military Sales. <http://www.acquisition.gov/dfars/part-225-foreign-acquisition>.

Department of Commerce. *Offsets in Defense Trade*, Reports to Congress. <https://www.bis.doc.gov/index.php/other-areas/strategic-industries-and-economic-security-sies/offsets-in-defense-trade>.

DSCA Manual 5105.38-M, *Security Assistance Management Manual* (SAMM), Chapters 3, 4, 5, 6, 9, 11, and 15. <https://www.samm.dsca.mil/>.

*Federal Acquisition Regulation* (FAR), parts 6, 13, 14, 15, 16, 25, 31, and 42. <https://www.acquisition.gov/far/>.



## Chapter

# 10

# LOGISTICS SUPPORT OF SECURITY COOPERATION MATERIEL TRANSFERS

## INTRODUCTION

For Foreign Military Sales (FMS) customers, the weapon system acquisition phase involves configuration identification of the weapon system and the ordering of all related logistics products and services needed to field the weapon system in-country. It includes the monitoring of procurement milestones and the tracking of deliveries in-country. This phase ends with the delivery of the weapon system to the foreign purchaser. Initial support is an extension of the weapon system acquisition phase. It is the establishment of initial maintenance capabilities and materiel support. Initial support is part of the total package provided to the international customer by the Department of Defense (DoD). Follow-on support, discussed later in this chapter, consists of sustainment programs selected by the customer to provide continuing support as the initial support package is depleted.

The DoD does not have a separate logistics system to support foreign military requirements resulting from security assistance (SA)/security cooperation (SC) efforts, and, rather, these requirements are satisfied by using existing DoD logistics systems. Understanding how the basic DoD logistics system components fit together and function is a prerequisite to understanding the relatively minor logistics adaptations that have been made to accommodate SA/SC requirements. This chapter provides an overview of the DoD logistics system and highlights specific logistics issues and adaptations unique to SA/SC.

## THE TOTAL PACKAGE APPROACH

The DoD policy (SAMM C4.3.2) is to offer the FMS purchaser a complete sustainability package when developing a Letter of Offer and Acceptance (LOA) for non-excess systems. This policy is referred to as the Total Package Approach (TPA). TPA ensures that FMS purchasers receive all support articles and services required to introduce, operate, and maintain the equipment. In addition to the system itself, other items to consider in a total package include initial spares, support equipment, training, publications, technical assistance, munitions, and follow-on support. The necessary planning for follow-on support, training, and other elements of continuity should occur simultaneously with the development of the initial total package.

## LOGISTICS

Before discussing the function of DoD logistics, it is appropriate to examine what is generally meant by the term logistics. The *DoD Dictionary of Military and Associated Terms* (Joint Pub 1-02) defines logistics as planning and executing the movement and support of forces. In its most comprehensive sense, it is those aspects of military operations that deal with design and development, acquisition, construction, storage, movement, distribution, maintenance, evacuation, disposition of materiel, and the furnishing of services.

Logistics is a full system, an integrated whole, which involves four elements: acquisition, distribution, sustainment, and disposal. Thus, this chapter focuses on the elements of supply, transportation, and maintenance. A discussion of the acquisition element of the logistics process is provided in Chapter 9 of this textbook.

## **Supply**

Supply is a term that has a variety of meanings. Often, the term “supply” is used in a collective sense, much like logistics, to include acquiring, managing, receiving, storing, and issuing materiel to required forces. Logistics support to FMS cases potentially encompasses all of these functions. Within the military departments (MILDEPs) and the Defense Logistics Agency (DLA) are the organizations responsible for acquiring/managing supplies and for the materiel management functions of receiving, storing, and distributing items.

### ***Item Classification***

There are several ways to classify and manage items in the DoD supply system. Primary items, also called major items, are a final combination of end products, component parts, and/or materials, which are ready for their intended use, e.g., aircraft, ships, tanks, and weapon systems. Each of the military services manages its own major items. Due to the high acquisition costs involved and the attendant absence of available stocks, major items acquired through FMS are usually a procurement lead-time away.

Secondary items are all items not defined as primary or major items. These include repairable components, sub-systems and assemblies, consumable repair parts, bulk items and materiel, subsistence, and expendable end items (including clothing and other personal gear). Secondary items generally fall into two categories: repairable and consumable items. Repairable items are generally higher cost, non-expendable items, e.g., radios, generators, etc., that can be economically repaired when they fail. Consumable items are usually low-cost and expendable items, such as gears, bearings, and gaskets that cannot be economically repaired.

### ***Integrated Materiel Management***

One objective of integrated materiel management is to minimize or eliminate duplication of item management. The wholesale management of a given item for all of the DoD is assigned to a single inventory control point (ICP).

Approximately 90 percent of the items in the DoD supply system have a single manager. The majority of these items are managed by DLA through its supply centers. However, the ICPs in the military departments (MILDEPs) also serve as single item managers. Most of the items that remain under MILDEP management are peculiar to the individual service, directly related to the operation of a particular weapon system, or are identified as high-cost items worthy of MILDEP management.

### ***Retail versus Wholesale Item Management***

The term “retail” item refers to those stocks at the base or operational organization level that are available for local area support. Wholesale items are those stocks that are available for resale, e.g., for further distribution by an ICP to a base or unit. Purchasers are expected to establish their own retail supply system in-country and replenish their retail stocks from the in-country wholesale or ICP-management level. An FMS blanket order case or a cooperative logistics supply support arrangement (CLSSA) can be used to replenish the in-country wholesale supply management level.

## **Transportation**

Transportation involves the movement of equipment from point of origin to final destination. U.S. government (USG) policy states that FMS purchasers should be responsible for as much of the

transportation process as possible beyond the continental U.S. (CONUS) port of embarkation (POE). The DoD becomes involved as an exception in certain complex FMS transportation actions. To help accomplish these tasks, the procedures prescribed in the DoD 4500.9-R, *Defense Transportation Regulation*, Part II, Cargo Movement, are applied. These procedures standardize and automate document flow. The Surface Deployment and Distribution Command (SDDC) is responsible for the administration of the procedures prescribed by DoD 4500.9-R, which uses Military Standard Requisitioning and Issue Procedures (MILSTRIP) to create and exchange standard shipping data for recording and reporting shipping status and to control materiel movements in the Defense Transportation System (DTS). Much more information on transportation is provided in Chapter 11 of this textbook.

## **Maintenance**

Each military service is delegated the responsibility for defining tasks to be performed at the various levels of the maintenance organization chain to ensure effective and economic support of weapons and equipment. An analytical system is used to identify the maintenance level at which an item will be replaced, repaired, or thrown away based on economic considerations and operational readiness requirements. This level of repair analysis is usually performed by a prime contractor or original equipment manufacturer (OEM) and is subsequently approved by the weapon system program manager.

There are two generic levels of maintenance in the DoD: field maintenance and depot maintenance. The level of maintenance employed by each of the U.S. military services is dependent upon the weapon system being maintained. Not all FMS customers employ these levels for all their equipment. Each weapon system sale must take into consideration the purchaser's operating requirements, maintenance capabilities, and investment costs in developing a tailored maintenance plan for the specific purchaser.

### ***Field Maintenance***

Field maintenance consists of organizational and intermediate maintenance. Organizational maintenance is performed by individual operational organizations on their own equipment. Organizational maintenance duties include inspecting, servicing, lubricating, adjusting, and replacing parts, minor assemblies, and subassemblies.

Intermediate maintenance is performed by separate maintenance activities to support operational users. Intermediate maintenance is normally accomplished in fixed or mobile shops, tenders, shore-based repair facilities or by mobile teams. Intermediate maintenance's phases include: calibration, repair or replacement of damaged or unserviceable parts, components, assemblies, manufacturing critical non-available parts, and providing technical assistance.

### ***Depot Maintenance***

This level of maintenance is performed by designated activities to support organizational and intermediate maintenance. It employs more extensive shop facilities, equipment, and personnel of higher technical skill than are available at the lower levels of maintenance. Its phases include inspection, test, repair, modification, alteration, modernization, conversion, overhaul, reclamation or rebuild of parts, assemblies, subassemblies, components, equipment end items, and weapon systems. It is normally accomplished in fixed shops, shipyards, and other shore-based facilities, or by depot field teams. It can be performed by DoD personnel or by commercial contractors.

Purchasing countries can establish FMS cases to get items repaired, most commonly at the depot level. Purchaser country repair requirements are integrated with the repair programs of the DoD military services and are accomplished by organic military repair facilities (i.e., Army maintenance depots, Air Logistics Complexes [formerly Air Logistics Centers], Navy aviation depots, Navy shipyards), or civilian contractors.

## DEPARTMENT OF DEFENSE LOGISTICS ORGANIZATIONS

### **Inventory Control Points**

The primary players in the DoD wholesale system are the ICPs, i.e., Army Life Cycle Management Commands (LCMC), the Air Force Life Cycle Management Center and Air Force Sustainment Center, the Navy ICPs and systems commands, and the various DLA supply centers and depots. ICPs play a major role in satisfying both the U.S. and foreign military requirements placed on the DoD logistics system.

Prior to discussing the role of ICPs and depots in satisfying these requirements, it is helpful to understand the functions of these activities. Each stock numbered item is controlled by an item manager (IM), usually located at the ICP. The IM's functions include: determining requirements, establishing stock levels, initiating procurements, and providing distribution. For secondary items, IMs also manage overhauls and disposals. While the ICPs participate in the management of major end items/systems, i.e., tanks, aircraft, ships, and etc., they do not have primary responsibility for determining the MILDEP quantities for these items.

An ICP's role in SA/SC begins with the receipt of taskings from agencies that write FMS LOAs for those items managed by the ICP. ICPs help develop LOAs by providing pricing information for items sold on defined order cases/lines, such as ammunition and support equipment.

Major item sales cases usually include the repair parts required to support the major item for a twelve to twenty-four month period. Those repair parts are considered "initial support" or "concurrent spare parts" (CSP). The ICPs are responsible for recommending the range and quantity of repair parts to be included for initial support, based upon operational use factors provided by the purchaser.

CLSSAs require a recommended list of repair parts to be stocked in support of the purchasing country. The MILDEPs' ICPs develop the list which includes recommended quantities and the cost for each item. CLSSA will be discussed in detail later in this chapter.

Upon acceptance and implementation of the LOA, the ICPs and the DLA supply centers are the supply activities responsible for satisfying the foreign purchaser's requisitions for items that they manage. Within guidelines established by the DoD, they may either issue items directly from available stocks or, when necessary, procure the materiel.

### ***Navy Inventory Control Points***

Within the Department of the Navy (DON), there are five systems commands that serve as ICPs. They manage primary and secondary Navy or Marine Corps (USMC) assets.

1. The Naval Supply Systems Command (NAVSUP) provides materiel support needs of the DON, such as supply management policies and methods. A subordinate activity of NAVSUP is the NAVSUP Weapon Systems Support, which serves as the inventory control point from two locations. The activity located in Mechanicsburg, Pennsylvania, manages ship spares, and the activity located in Philadelphia, Pennsylvania manages, aircraft spares.
2. The Naval Air Systems Command (NAVAIR) located in Patuxent River, Maryland, manages naval aircraft and air-to-air missiles as well as their associated support equipment and repair depots.
3. The Naval Sea Systems Command (NAVSEA) located in Washington, D.C., manages Navy ships, boats and submarines as well as surface-to-air missiles and their associated support equipment and repair depots.
4. The Space and Naval Warfare Systems Command (SPAWAR) located in San Diego, California, manages the Navy's communications and electronics systems.

5. The Marine Corps Systems Command (MARCORSYSCOM) located in Quantico, Virginia, manages all Marine Corps-specific vehicles, weapons equipment. It also develops and manages Marine Corps FMS cases for the DON.

### ***Army Inventory Control Points***

Within the Army structure, there are four life cycle management commands, each with an SA Management Directorate (SAMD).

- The Tank-automotive and Armaments Command (TACOM), located in Warren, Michigan, manages soldier and ground systems (tracked and wheeled vehicles, and associated support equipment).
- The Aviation and Missile Command (AMCOM), located in Huntsville, Alabama, manages missiles, helicopters, and associated equipment.
- The Communications-Electronics Command (CECOM), located at Aberdeen Proving Ground, Maryland, is responsible for the Army's communications and electronic equipment, as well as cryptography.
- The Joint Munitions Command (JMC), located at Rock Island Arsenal, Illinois, is the single manager of munitions for the DoD.
- Although not a life cycle management command, the Program Executive Office for Simulation, Training, and Instrumentation (PEO-STRl), located in Orlando, Florida, provides simulation, training and products and services to U.S. and foreign forces worldwide.

These ICPs all belong to the Army Materiel Command (AMC). The Army ICPs manage not only the primary (major) end items, but also the secondary and support equipment and repair facilities for their respective major items.

### ***Air Force Inventory Control Points***

Within the Air Force, materiel management responsibility belongs to the Air Force Materiel Command (AFMC), which includes the Air Force Life Cycle Management Center (AFLCMC) and the Air Force Sustainment Center (AFSC). Primary items are managed by Program Executive Offices (PEOs) while depot repairables and secondary support items are managed by Air Logistics Complexes.

Major Air Force weapon systems include:

- Aircraft systems and related equipment are managed through various PEOs at Wright-Patterson Air Force Base (AFB), Ohio. These systems include the B-2, F-117A, C-17, CV-22, AC-130, MC-130, T-6A, T-1A, and C-5, and C-130 upgrades. The PEOs at Wright-Patterson AFB also manage unmanned aircraft systems and provide resource support for F-22, F-35, and airborne laser programs.
- Armaments are managed at Eglin AFB, Florida. The armaments directorate develops, tests, and fields all air-delivered weapons. The armaments directorate plans, directs, and conducts tests and evaluations of U.S. and allied air armament, navigation/guidance systems, and command and control systems.
- The C3I/Network and Battle Management Directorates at Hanscom AFB, Massachusetts, manages the development and acquisition of electronic command and control (C2) systems. One of their best-known programs is the Airborne Warning and Control System (AWACS).



The Air Force Sustainment Center (AFSC) include the following:

- The Warner Robins Air Logistics Complex (ALC), Robins AFB, Georgia, performs depot maintenance for Air Force weapons systems, including the C-5, F-15, C-130, all Air Force helicopters, and all special operations aircraft.
- The Oklahoma City ALC, Tinker AFB, Oklahoma, performs depot maintenance on various aircraft and overhaul and repair on numerous jet engines. Additionally, the complex is responsible for the maintenance, repair, and overhaul of a myriad of Air Force and Navy airborne accessory components and the development and sustainment of a diverse portfolio of operational flight programs, test program sets, automatic test equipment, and industrial automation software.
- The Ogden ALC, Hill AFB, Utah, performs depot level overhaul and repair for all types of landing gear, wheels, brakes, and tires. The center supports the C-130, F-16, and A-10, and it is responsible for program management of the KC-135.

Additionally, the Space and Missile Systems Center (SMC) in Los Angeles, California, a subordinate unit of the Air Force Space Command, is the center for researching, developing, and purchasing military space systems.

### **International Logistics Control Organizations**

Annual SA/SC demands on the military supply systems exceed one million requisitions per service. In order to manage these requisitions, as well as to ensure a smooth interface with the normal service supply organizations, each of the providing services has established a central control point for SA/SC supply actions. Unlike other organizations in the logistics system that serve both U.S. and foreign requirements, these organizations are devoted completely to SA/SC. These organizations are generally called International Logistics Control Organizations (ILCOs).

The ILCO is the entry point into the DoD logistics system for both the FMS purchaser and the Security Cooperation Office in the purchaser's country. FMS purchasers and SCOs submit logistics requirements through the ILCO and work with ILCO case managers to resolve logistics concerns.

### ***International Logistics Control Organizations Functions***

The U.S. Army Security Assistance Command (USASAC) is located at both Redstone Arsenal, Alabama, and New Cumberland, Pennsylvania. Each location serves a different function. Army policy for SA/SC is managed from Redstone Arsenal. The operations directorate is the Army ILCO at New Cumberland. The USASAC commander also serves as the director of SA/SC on the Army Materiel Command headquarters staff.

The U.S. Navy International Programs Directorate (WSS-N52) of the NAVSUP Weapon Systems Support is the Navy's ILCO. With offices in both Philadelphia and Mechanicsburg, Pennsylvania, NAVSUP Weapon Systems Support is a subordinate organization of the U.S. Navy Supply Systems Command.

The Air Force Security Assistance and Cooperation (AFSAC) Directorate, the Air Force ILCO, is a major component of the AFLCMC within the Air Force Materiel Command. Both are located at Wright-Patterson AFB, Ohio.

Although each of the ILCOs has its individual responsibilities, operating techniques, and interfaces, there are many functions generally applicable to all three. They serve as the connecting link between the SA/SC customer and the DoD supply system. In this role, each ILCO employs a country desk officer (or country program manager or country case manager), who is the primary contact point for



materiel support for assigned countries. The country desk officer monitors current FMS cases status and is the focal point for resolving logistics problems. The ILCO has logistics oversight of all materiel in the LOAs. They develop and manage follow-on support cases for maintenance, publications, nonstandard support, and excess materiel. The ILCO processes discrepancy reports, resolves FMS transportation problems and processes FMS customer materiel requisitions. The ILCO management team provides information for various types of management reviews, and serves as the focal point for case reconciliation and closure.

In order to manage their programs, the ILCOs each operate unique SA/SC computer data systems: the Army Centralized Integrated System for International Logistics (CISIL), the Navy Management Information System for International Logistics (MISIL), and the Air Force Security Assistance Management Information System (SAMIS). The ILCOs establish programs and cases, validate and pass requisitions, account for obligation/expenditure authority, record supply status, interface with service accounting and supply data systems, and produce program reports and statistics. These SA/SC data systems are discussed further in Appendix 1, “Security Cooperation Automation,” of this text.

Once the program data is available and obligation authority (OA) has been established, the ILCO may then start to process requisitions. All SA/SC requisitions must be prepared in accordance with DLM 4000.25-1, Volume 2, Chapter 4, *Requisitioning and Issue Procedures* (MILSTRIP). Requisitions for defined order cases are prepared by the ILCOs, normally upon receipt of an implemented case. Requisitions for blanket order cases, to include CLSSAs, are prepared by the purchaser. Every requisition for SA/SC must be validated by the ILCO before it is passed to the DoD supply system. This is usually done automatically by the ILCO management information system, which checks the requisition against an authorized FMS case, ensures that the required funding is available, records the estimated cost of the requisitioned materiel against the appropriate account, and routes the requisition to the appropriate ICP. If all checks are not met, the requisition is routed for manual review by the country desk officer or case manager.

It is important to note that the ILCO is not a supply activity. No materiel is controlled by the ILCO, and no decisions are made to issue materiel from stock or from procurement. After the validation of the requisition, the ILCO passes it to an ICP within the DoD supply system.

In accordance with the MILSTRIP procedures, supply and shipment status are provided to the purchaser to advise of the progress in filling any requisitions. This information is provided by the supply activity to the ILCO, which records this status in the computer data system and, in turn, provides the status to the purchaser.

By maintaining the status of all requisitions in process and the financial status of each case, the ILCO can produce a variety of management reports for use by the MILDEPs, the overseas security cooperation organization (SCO), and customer country managers. These reports are used for day-to-day monitoring of the program as well as periodic country or program reviews. The ILCOs also report FMS deliveries monthly to Defense Finance and Accounting Service–Security Cooperation Accounting (DFAS–SCA) for billing and record purposes. In some instances, the ICPs report their deliveries directly to DFAS–SCA and provide the ILCOs with copies of the reports. The ILCOs use these reports to maintain current requisition, case, and financial records. In other situations, delivery information is provided first to the ILCO, which, in turn, provides a consolidated delivery status to DFAS–SCA.

Customer countries may maintain liaison officers to review program and requisition status with the ILCO desk officers. These liaison officers may, in some instances, initiate or modify requisitions on behalf of their government. Country purchasing office representatives or foreign embassy personnel from Washington, DC, often conduct the required liaison with the ILCO. However, for a growing number of countries, a foreign liaison officer (FLO), security assistance foreign representative (SAFR), or security assistance liaison officer (SALO) is located at the ILCO.

## Defense Logistics Agency

The DLA has inventory management responsibility for approximately 95 percent of consumable items and approximately 85 percent of all spare parts in the DoD supply system. DLA supplies more items and processes more requisitions than all of the services combined. It is, therefore, important for supply personnel in any of the services to understand the DLA system and how it supplies the items assigned to it.

The DLA maintains three ICPs. Each ICP is assigned responsibility for a portion of the approximately five million items used by the services but supplied by DLA. The three DLA ICPs and their responsibilities are as follows:

1. DLA Land and Maritime at Columbus, Ohio, is the lead ICP for land, maritime, and product testing.
2. DLA Aviation at Richmond, Virginia, is the lead ICP for aviation support and depot-level repairable procurement operations.
3. DLA Troop Support at Philadelphia, Pennsylvania, is the lead ICP for food, clothing, textiles, medicines, medical equipment, and construction supplies and equipment. It also supports the humanitarian and disaster relief efforts of the DoD, other government agencies, and FMS purchasers.

These three DLA ICPs receive and process incoming requisitions from purchasers worldwide and direct shipment of goods from their depots back to their customers. For FMS customers, these requisitions are passed to DLA from the ILCOs.

The DLA is also assigned a number of additional DoD-wide responsibilities:

- DoD-wide cataloging of items is performed by the DLA Logistics Information Service in Battle Creek, Michigan, as the national codification bureau for the U.S.
- DoD materiel reutilization and surplus property disposal are performed by the DLA Disposition Services, located in Battle Creek, Michigan.
- DLA Distribution, New Cumberland, Pennsylvania, operates twenty-five wholesale warehouse depots located around the world. It is responsible for the receipt, storage, issuance, packing, preservation, and transportation of over four million items.
- DLA Energy at Ft. Belvoir, Virginia, supplies bulk petroleum products and alternative fuels, performs direct delivery, and manages terminal facilities and distribution.
- DLA Transaction Services is the official repository for selected DoD publications and databases. DLA Transaction Services receives, edits, and routes logistics transactions for the military services and federal agencies. All electronic security cooperation program MILSTRIP transactions are routed through DLA Transaction Services.
- DLA Document Services, located in Mechanicsburg, Pennsylvania, is responsible for automated document production, printing, digital conversion, and document storage support.

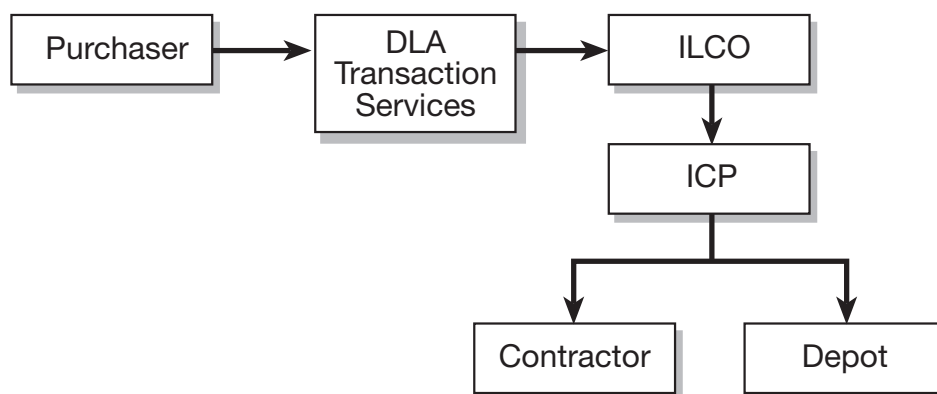
Although the DLA manages the vast majority of items, the DLA supply management mission does not have a central ILCO for the management of SA/SC programs. Rather, foreign requisitions flow to the DLA through the MILDEP ILCOs. It is interesting to note that a majority of MILDEP-processed FMS requisitions are for DLA-managed consumable items supplied by the DLA inventory control points. In 2019, DLA had over \$1.2 billion of FMS sales with 118 countries.

## REQUISITION PROCESS OVERVIEW

The typical FMS requisition process starts when the U.S. implementing agency (IA) receives obligation authority (OA) from the DFAS upon acceptance of an LOA by an FMS customer. For defined order FMS cases, the ILCO establishes a block of requisition numbers for use by the weapon system-program managers when ordering various services and support materiel requirements, and passes obligation authority to the various logistics managers for ordering purposes. The logistics managers initiate requisitions for spare parts, support equipment, and technical manuals, assigning a unique document number to each transaction. These document numbers are used to track materiel and services through the ordering and delivery process, and materiel is “pushed” to the FMS purchaser. The ILCO records all requisitions in a service-unique database and forwards the requisitions to the appropriate item manager for issue from either DoD-owned stock or for procurement from a contractor.

When the FMS case is a blanket order or CLSSA, the purchaser initiates the requisition, assigns a unique document number, and passes the requirement to the ILCO. Upon determining that the FMS case is valid and OA exists, the ILCO records the requisition in its database and passes the requisition to the item manager, as illustrated in Figure 10-1.

**Figure 10-1**  
**Logistics Communications**



### Military Standard Requisitioning and Issue Procedures

The MILSTRIP prescribes standard forms and codes adaptable to high-speed communications and automatic data processing. MILSTRIP is the backbone of all logistical and financial procedures used in executing an FMS case. DLM 4000.25-1, *Requisitioning and Issue Procedures* (MILSTRIP), Volume 2, Chapter 4, covers MILSTRIP procedures for FMS purchasers. The structure of an FMS document number is very different from a domestic requisition document, resulting in several unique MILSTRIP codes and procedures for FMS use. Figure 10-2 illustrates the unique MILSTRIP entries for FMS. An FMS-specific reference for using and interpreting MILSTRIP is available at the DSCU website, located under the “publications” tab. This reference is designed to assist FMS customers, FMS case managers, logistics managers, and other personnel involved in the FMS materiel issue and movement process with the unique FMS applications.

**Figure 10-2  
Foreign Military Sales Record Positions**

Record Position	Definition
30	Implementing agency (IA) code
31-32	Foreign purchaser's country code
33	Mark-for code
34	Delivery term code
35	Type assistance code
36	Last digit of the year of the requisition
37-39	Julian date
40-43	Requisition serial number
44	Recurring or non-recurring demand
45	Foreign purchaser's service or agency
46	Offer/Release code
47	Freight forwarder code
48-50	FMS case designator

DOCUMENT IDENTIFIER			ROUTING IDENTIFIER				M&S	STOCK NUMBER															UNIT OF ISSUE		QUANTITY				
								CLASS				NIIN																	
												NCB CODE																	
1	2	3	4	5	6	7	8	9	10	1	12		13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29

DOCUMENT NUMBER													DEM/SUF	SUPPL ADDRESS						SIGNAL CODE	FUNDING CODE	DIST			PROJ CODE				
					DATE				SERIAL NUMBER					SVC															
					YEAR	DAY																							
30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59

PRIORITY CODE		RAD/ RDD				ADV CODE		SUPPLY/SHIPMENT STATUS												
60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80

## NORTH ATLANTIC TREATY ORGANIZATION CODIFICATION SYSTEM

The North Atlantic Treaty Organization (NATO) Codification System (NCS) has been in place since the mid-1950s. It provides standards for the use of a common stock identification system throughout the NATO alliance. Subsequently, its use has spread to other countries around the world. The advantage of having international partners using the same supply identification standards for their defense products as is used by the U.S. is that it allows for the exchange of parts and support equipment between participating nations in a coalition. Participation in the NCS has extended beyond NATO to include over sixty countries.

The NCS is an integral part of supply operations throughout the world. It furnishes accurate information to all participating countries on the characteristics of millions of items. It simplifies the solution of supply data management problems by providing quick responses from a single, up-to-date source. The NCS offers many significant advantages to NATO and non-NATO countries, as well as to private sector participants outside the defense community.

### Item Identification

To achieve the three NCS objectives of (1) increasing the efficiency and effectiveness of logistics operations, (2) facilitating data handling, and (3) minimizing costs to user nations, it is essential that each item of supply be assigned a unique name, classification, identification, and a NATO or National Stock Number (NSN). Countries that participate in the NCS follow common standards and techniques to assign NATO stock numbers to items of supply in their defense inventory. The national codification bureau within each country centrally assigns their national NSNs. The National Codification Bureau (NCB) for the U.S. is the DLA Logistics Information Service in Battle Creek, Michigan. The assignment of an NSN fixes the identity of each distinctive item of supply. All NSNs are uniform in composition, length, and structure. Each is represented by a thirteen-digit number, which can be divided into the three following unique parts:

- The first four digits are the NCS code, which relates the item to the group and class of similar items. This is also often referred to as the Federal Supply Classification (FSC) code.
- The next two digits indicate the assigning NCB code (each country has its own two digit NCB code. The U.S. uses “00” and “01”).
- The final seven digits are assigned sequentially and have no inherent significance. However, when coupled with the NCB code this number relates to one and only one item of supply.

Within NATO, the NCS currently contains about seventeen million active NSNs. The items represented range from hand grenades to guided missiles, from propeller blades to space vehicles, and from soap dishes to washing machines.

Around 43 percent of the “active” U.S. NSNs have at least one allied user registered. There are currently ninety-seven separate foreign countries recorded as users on various NSNs in the U.S. catalog system. About thirty-three million part numbers are registered on these NSNs, as are about 1.7 million manufacturers. These NSNs, part numbers, their distinguishing characteristics, and usage rules make up the Federal Logistics Information System (FLIS). The FLIS is the central repository of all logistics identification data. Several supply catalogs available from DLA Logistics Information Service are produced from FLIS data.

## **Federal Supply Catalogs**

The Defense Logistics Agency (DLA) Logistics Information Service compiles information on all materiel used by U.S. Government agencies in a catalog system referred to as the Federal Logistics Information System (FLIS). The FLIS forms the foundation for all U.S. DoD logistics information systems. It is the catalog of more than fifteen million supply items used by the United States Government Department of Defense (DoD) and the international partners that request and receive parts managed by the DoD. FLIS only includes NATO NSNs for parts used by the DoD.

The reference for those NATO-unique NSNs is the NATO Master Catalogue of References for Logistics (NMCRL). The NMCRL database contains all NSNs worldwide, is available (both online and offline) to authorized users via subscription, and is managed by the NATO Support and Procurement Agency (NSPA). The FLIS is the U.S. Government Department of Defense (DoD) database of all the National Stock Numbers, associated part numbers, manufacturers' identification, and management information that the DoD utilizes and manages. The FLIS also contains unique packaging, hazardous materials, and freight information, and each item's most recent procurement information. The FLIS lists active stock numbered and part numbered items in the Federal inventory.

DLA Logistics Information Service produces a variety of digital catalogs to allow quick and easy searching of stock numbers, part numbers, and characteristics. There are four principal U.S. DoD products that are used by both U.S. and international customers. Federal Logistics (FED LOG) and Public Logistics (PUB LOG) are available via compact disc. Web Federal Logistics Information System (WEBFLIS) & Public Logistics Federal Logistics Information System (PUB LOG FLIS) Search are available via the internet. WEBFLI application is only accessible by controlled access such as Common Access Card (CAC), External Certificate Authority (ECA), or Federal Bridge authentication. Users can register/obtain roles through the DLA Access Management and Provisioning System (AMPS). PUB LOG FLIS Search requires no subscription or Common Access Card (CAC) authorization and is available for download.

## **North Atlantic Treaty Organization Codification System Sponsorship**

More and more countries are seeking and receiving sponsorship within NCS. Sponsored countries sign an agreement to exchange codification data and to abide by the rules and procedures of the system. Among other things, the rules require countries to provide equivalent safeguards to protect sensitive and proprietary data. Information about NCS sponsorship is kept up-to-date at the following website: <https://www.dla.mil/HQ/LogisticsOperations/Services/FIC/NATO/>.

Table 10-1 lists the twenty-eight members of NATO, and the nearly forty other nations and international organizations, which have been accepted as sponsored members of the NCS.



**Table 10-1**  
**NATO Codification System Sponsorship**

NATO Countries		Sponsored Countries		
Albania	Latvia	Afghanistan	Indonesia	Philippines
Belgium	Lithuania	Argentina	Israel	Saudi Arabia
Bulgaria	Luxembourg	Australia	Japan	Serbia
Canada	Netherlands	Austria	Jordan	Singapore
Croatia	Norway	Bosnia and Herzegovina	Korea	South Africa
Czech Republic	Poland	Brazil	Kuwait	Sweden
Denmark	Portugal	Brunei Darussalam	Macedonia (FYROM)	Thailand
Estonia	Romania	Chile	Malaysia	Tonga
France	Slovakia	Colombia	Montenegro	Ukraine
Germany	Slovenia	Egypt	Morocco	United Arab Emirates
Greece	Spain	Fiji	New Zealand	
Hungary	Turkey	Finland	Oman	
Iceland	United Kingdom	Georgia	Papua New Guinea	
Italy	United States	India	Peru	

## UNIFORM MATERIEL MOVEMENT AND ISSUE PRIORITY SYSTEM

The Uniform Materiel Movement and Issue Priority System (UMMIPS) helps identify the relative importance of competing demands for logistic systems resources. It guides the ranking of materiel requirements and time standards for requisition processing and materiel movement through the use of a two-digit priority designator. The priority designator is based on two factors that relate to the mission of the requisitioning activity and the urgency of need.

Force/Activity designators (FADs) are represented by Roman numerals I through V. The U.S. Joint Chiefs of Staff assign FADs to selected foreign country forces in their classified directive CJCSI 4110.01, Force/Activity Designators for Foreign Country Forces. The FAD is applicable to all requisitions for materiel destined for the country.

The customer's urgency of need for the materiel being requisitioned is indicated by an urgency of need designator (UND), either A, B, or C. The requisition originator determines the UND to be assigned using the criteria set forth in the UMMIPS directives. In broad terms, UND "A" equates to an extremely urgent requirement, UND "B" to a less urgent requirement, and UND "C" to a routine requirement, e.g., stock replenishment.

Table 10-2 is the UMMIPS matrix. The matrix is used to determine the priority number for a given requisition. For example, an FMS purchaser assigned a FAD "IV" with a UND "C" would assign a priority "14" to the requisition.

**Table 10-2**  
**UMMIPS Matrix**

FAD	Urgency of Need		
	A	B	C
I	01	04	11
II	02	05	12
III	03	06	13
IV	07	09	14
V	08	10	15

## **LOGISTICS COMMUNICATIONS**

As with all military operations, the success of DoD logistics operations depends, to a large extent, on the availability of fast, accurate, and reliable communication systems such as the Defense Data Network (DDN). However, since the DDN is not available to the majority of FMS purchasers, other methods such as international mail, facsimile transmissions (fax), email, and the International Logistics Communications System (ILCS) serve many countries as the primary logistics communications methods for FMS.

### **International Logistics Communication System**

International mail is both slow and unreliable when compared to electronic means of transmitting MILSTRIP documents, cataloging data, and narrative traffic. Although fax and email may be faster than international mail, they are still subject to manual processing at the ILCO. This manual intervention slows down the request and subjects the document to potential transcription errors.

The ILCS was developed to improve logistics communications service to SA/SC countries, freight forwarders, and contractors. Used since 1979, it has also been adopted for use by a large number of USG and commercial organizations.

The service provides a computer-to-computer telecommunications capability that allows a subscriber to exchange logistics related information with the DoD logistics community and with other ILCS subscribers. The ILCS operates at high speeds and is suited for purchasers with high volumes of traffic. Furthermore, the ILCS can be directly integrated into a purchaser's logistics data system and used to transmit narrative messages to offices in the DoD.

The ILCS significantly increases the amount and timeliness of management information available to purchaser logisticians. This system, which is a multi-service application, passes MILSTRIP requisitions to DLA Transaction Services. DLA Transaction Services automatically routes the documents to the appropriate ILCO for processing. After an ILCO verifies the requisitions' validity and funding, the requisitions are forwarded to the source of supply via DLA Transaction Services. For most requisitions, use of these systems eliminates manual processing between the requester and the source of supply. Additionally, status transactions return to the requester through this same system.

ILCS is normally installed based on an implemented FMS case after it has been determined that the existing methods of communication are not adequate to serve the subscriber's needs. The information processed in ILCS is contained in eighty record positions of data for each transaction.

ILCS can be provided to the subscriber through:

- A DLA Transaction Services-developed, turn-key system, consisting of hardware, software,

supplies, installation, and training for the system at the subscriber's location. This service is provided based on an FMS case established by the appropriate ILCO.

- An existing in-country personal computer system with the capability, hardware, and software to interface with the DLA Transaction Services network control system computer system. DLA Transaction Services will provide the interface requirements and the DLA Automatic Message Exchange System (DAMES) software package to the subscriber. The cost of a DAMES system for a subscriber cannot be determined exactly until a site survey is performed or a working group meeting is convened. However, first-year costs can be as low as \$10,000, depending on the configuration and location.

The investment and recurring costs of ILCS are provided from funds in an FMS case managed by the appropriate service ILCO. FMS countries with an interest in ILCS should notify their country office at the appropriate service ILCO, who will then interface with DLA Transaction Services to secure the required ILCS services through an FMS case.

### **Supply Tracking and Repairable Return**

A further refinement of the ILCS is an optional system known as Supply Tracking and Repairable Return (STARR/PC). This is a personal computer-based system available from the U.S. Air Force, U.S. Army, and U.S. Navy. STARR/PC provides the foreign purchaser much more logistics and financial information than ILCS alone. Typical costs include a system subscription fee based on a pro rata share of developing and operating the system, system hardware, software, supplies, U.S. support for system installation, and telephone charges. Hardware and software costs are one-time in nature while the annual fee, optional technical assistance, and telephone charges are recurring. Telephone costs associated with the connection to DLA Transaction Services are on a time-used basis. The Air Force Security Assistance and Cooperation (AFSAC) Directorate is the program manager for STARR/PC.

### **Security Cooperation Information Portal**

The Security Cooperation Information Portal (SCIP) is another medium available to the international purchaser for submitting and tracking requisitions as well as monitoring case status. The SCIP gives the user access to data from the ILCO logistics databases (MISIL, CISIL, and SAMIS) to data from the Defense Integrated Financial System (DIFS) and to case management information from the Defense Security Assistance Management System (DSAMS). The SCIP capabilities and features are discussed in Appendix 1, "Security Cooperation Automation," of this text.

## **LIFE CYCLE LOGISTICS SUPPORT PLANNING PROCESS**

The DoD logistics system is designed to provide support throughout the life cycle of a weapon system to ensure maximum mission capability. The goal is to provide the greatest support for the least cost. Decisions regarding which repair parts to stock in order to maintain the highest operational readiness possible start with the initial planning phases of a new weapon system and continue during its entire operational life. For the purposes of FMS, the life-cycle management of a weapon system can be divided into two phases: initial support and follow-on support.

When an international customer decides to acquire a sophisticated weapon system through the FMS program, formal logistics support planning begins when the international customer submits a comprehensive letter of request (LOR), which, in addition to identifying the desired weapon system configuration, identifies the country's operational requirements, and existing logistics support capabilities. However, before the LOR is submitted, there should be informal meetings and discussions between the FMS purchaser, the weapon system program office, the implementing agency, the security cooperation office, and, potentially, the contractor or manufacturer. These discussions should address the configuration of the product, delivery methods, and how the item is to be sustained. The LOR should include customer delivery preferences and limitations that will be used to determine the most

appropriate delivery term code and mode of delivery. The planning process for follow-on support programs and sustainment requirements typically continues with the IA conducting a site survey in the FMS purchaser's country.

### **Site Survey**

Site surveys are associated with weapon system sales. They are the foundation of logistics support provided to the FMS customer. Site surveys are typically held in the purchaser's country with representatives from the IA, representatives of the manufacturer, and the FMS customer. The structure of the site survey team may be a few people for several days for small, relatively simple weapon systems, to a large contingent of technical experts and logistics managers meeting with the purchaser in country for several weeks.

The purpose of the site survey is to tailor the maintenance and supply support strategy for the weapon system to the unique requirements of the FMS customer. During the site survey, the purchaser should become acquainted with the implementing agency's acquisition and delivery process, the maintenance support plan, and the initial spare parts and support equipment allowances. The site survey team will confirm the FMS customer's operational and support plan, verify the purchaser's in-country logistics resources and requirements, prepare a plan for the delivery of materiel and services, and prepare a proposal for follow-on logistics support.

### **Planning for Initial Support**

Initial support is the range and quantity of items such as tools, spares, and repair parts provided in a defined order case during an initial period of service. These items are provided to support and maintain the major item purchased in the defined order case. Initial support is provided to the purchaser before, or at the same time, the system or major item is delivered. This ensures the successful introduction and operation of the new system into the purchaser's inventory. Sufficient quantities of repair parts must be on hand until follow-on support is available.

The level of initial support can vary from weapon system to weapon system, but, in general, initial support is provided for a twelve-to twenty-four-month period. In order to determine the level required for SC customers, information is needed by the U.S. implementing MILDEP, such as the average operations per month, number of repair locations, maintenance concept, etc. A driving force in determining the amount of initial support to be provided for a particular weapon system is often the amount of money that the country is willing to invest.

After returning from the site survey, the logistics program manager reviews the repairable and maintenance-allowance recommendations. Part numbers, stock numbers, quantities, and supply sources are validated for subsequent ordering. The amount of support is normally based on a mutually agreed upon rate of operation for the system. Determining the type and duration of initial support is normally accomplished with a program-specific definitization conference. The U.S. recommendation for the range and depth of initial support will be based on earlier U.S. provisioning data.

### **Provisioning**

Provisioning is the process of determining the type of repair parts to stock (or "range") and quantity of each stocked item to have on hand (or "depth") to support and maintain a system through its initial period of service DoD 4140.01-V2. A weapon system must be maintained in operating condition throughout its lifetime to be valuable. It is not enough to think only of the plane, ship, or tank, but all those things that will be necessary to use and maintain that weapon system. Provisioning is used to determine all the necessary repair parts, test equipment, and other accessories such as special tools and ground support equipment. It is an extensive and expensive process that the DoD does for each new weapon system it employs.

The provisioning conference is a working group consisting of engineering, maintenance, supply, system operational personnel, and contractor representatives. This conference is held early enough in a weapon system acquisition program to permit an orderly production of the required items. Through the use of the maintenance concept, technical drawings, parts lists, estimated prices, recommended quantities, and agreed upon replacement factors, a decision is made regarding which items will be stocked in the DoD supply system and which will be procured only on demand. It is also during the provisioning conference that the necessary information is collected to begin cataloging new items for the DoD logistics system.

In provisioning, several decisions must be made to determine the precise level of support required. Normally, these decisions are made not only for the system as a whole but also on a component-by-component basis. The following concepts must be considered when selecting the optimum equipment support.

### ***Reliability***

Clearly, for a weapon system to be valuable, it must be combat-ready as much of the time as possible. As a measure of reliability, the failure rate of each constituent part is examined. A measure commonly used is the mean time between failure (MTBF). In simple terms, the providing implementing agency is concerned about how often an item breaks down and requires replacement or repair. This information influences the type and quantity of items placed on the initial provisioning list.

### ***Maintainability***

When an item fails, a determination must be made whether it can be restored to an operable condition according to predetermined specifications in the time allocated for its repair. Maintainability measures the ease of completing maintenance tasks. It is measured as the mean time to repair (MTTR) or restore.

In practice, the longer a repairable item is out of circulation for maintenance, the greater the quantity needed on the supply shelf. This, in turn, impacts the inventory investment that the purchasing country must consider.

The capability to perform maintenance on a component presumes that the foreign nation has adequate resources, i.e., facilities, test equipment, skilled personnel, manuals, repair parts, and tools to do the job. If any one of the resources is deficient or missing, repairs to be done in country may prove impossible, thus rendering the weapon system incapable of performing its mission. On the other hand, the cost of the component, when compared to the maintenance labor costs to repair it and the cost to hold an inventory of parts, may dictate that, if the component fails it should be thrown away and replaced. Many small components such as valves, motors, and pumps are discarded rather than repaired, since repair costs exceed item value.

A key factor in the final decision regarding how many parts to buy is the in-country repair capability. If such a capability exists, the quantity purchased will be lower; if not, and the items must be shipped to distant repair facilities, then a greater number of items will be required to compensate for the number of days the items are in the pipeline. This is a critical point, because it helps determine the amount of investment needed for spares and repair parts. The selection of parts must be aimed at reducing downtime to ensure the weapon system can perform its designated mission in the most cost-effective manner.

### ***Economy***

In making support decisions, cost can be an overriding factor. The providing IA must consider not just the cost of the materiel, but also labor costs for making the repairs and the cost of not having the weapon system available while repairs are being made. The lowest cost of parts may not necessarily



be the most economical cost. Standardization and interchangeability also enter into the economics equation. Selecting parts common to systems currently being used may avoid inventory costs and support difficulties.

### ***Level of Repair***

Once it is determined that an item of equipment or component can be repaired, the recipient country must determine at which level in its overall maintenance organization the repair will be made. Three different levels of repair are usually considered:

- Organizational repair that is done by the using organization, i.e., company, squadron, or shipboard levels
- Intermediate repair, usually at an echelon above and supporting the organizational level, but still operating in the field, such as base, battalion, station or division levels
- Depot-level maintenance, usually performed in a military depot or a contractor's plant

The decision to repair at the organizational, intermediate, or depot level is made after considering the technical skills of the personnel at each level, the investment in special tools, test equipment, facilities or handling devices which may be required, and any problems in physical access to the equipment that may be encountered.

### ***Military Essentiality***

Since having unlimited funds to secure support items is not usually the case, it is necessary to allocate available resources on the basis of military essentiality. Military essentiality is the relative value of each part to the equipment and the equipment to the system as a whole. Parts become more essential when their individual performance directly affect the entire system. Obviously, the failure of some part or equipment will prevent a weapon system from performing its total mission. While failure in back-up or auxiliary equipment may not be so catastrophic, funds will usually be applied to those items whose failure will have the most significant impact on the ability of the equipment to accomplish its designated mission.

### ***Definitization***

Definitization is the process by which the provisioning requirements for the U.S. are adjusted to accommodate those of the foreign purchaser. The definitization process is essentially the same for FMS as is the provisioning process for new systems procured for U.S. forces. However, since most systems sold through FMS have already been provisioned for U.S. use, the U.S. operation, maintenance, and consumption data are the foundation for making adjustments for the FMS customer's projected requirements. During the operation of a weapon system, the database created during provisioning is updated continuously to reflect actual usage and to modify the theoretical decisions, which were originally assumed. This updated database becomes the basis for determining what types of support should be included in the total package transferred to a foreign purchaser.

A concurrent spare parts list (CSP) accompanies each system sale to provide the basic in-country supply system. FMS customer's CSP lists are tailored from DoD provisioning data. The data is modified to reflect actual consumption of parts during operation, and purchaser's input addressing, at a minimum, equipment operations, condition (i.e., hours, climate), and budget constraints. Alternatives for reducing the FMS customer's initial spares investment are discussed with the major system and subsystem vendors. Depending upon the weapon system being sold, the CSP list may be a simple extract from U.S. files, or it may represent a major modification to U.S. requirements.



The weapon system configuration being sold may differ from the standard U.S. model. In some cases, there are components, which cannot be sold to other nations for security reasons or to protect vital technologies. In such instances, these must be replaced, most likely with components not used by U.S. forces. In other cases, a country's special needs or operational considerations require that some modification be made to the standard configuration. In either instance, the configuration changes must be identified in the definitization process, and the logistics support must be modified accordingly. The definitization process includes planning for follow-on support.

The support infrastructure of the purchaser often has a bearing on the support package. The number of operating bases and supply depots and their locations may require changes to U.S. recommendations. Especially important in this area are the location and use of repair facilities. Today, more sophisticated equipment is being provided under SA/SC programs. It is often the case with such equipment that many components are more economically repaired than purchased new. However, many purchasing countries do not have the capability to repair the items and must return them to the U.S. repair facilities. In such an instance, the in-country stocks of repairable items may have to be higher to accommodate this longer loop in the repair cycle while items are being returned to the U.S. The alternatives for reducing initial and life-cycle support costs through increased self-sufficiency and a shorter supply and maintenance pipeline should be presented as options to the FMS customer.

The overall objective of definitization is to provide optimum logistics support, at a reasonable cost, using the best possible calculations of projected needs. It is rarely advisable for the FMS customer to use unreviewed U.S. data alone. The additional step of definitization is necessary to ensure adequate and tailored support for the system, which is being purchased.

## **FOLLOW-ON SUPPORT CONCEPT**

Follow-on support is that collection of sustainment activities provided subsequent to the initial support period and prior to the removal of the end item from inventory. Follow-on support negotiations are generally started during the weapon system acquisition phase to accommodate administrative and production lead times.

The follow-on support phase begins with the international customer planning follow-on support and ends when the international customer phases the weapon system out of its inventory. A newly purchased weapon system without follow-on logistics support rapidly takes on all of the characteristics of a museum piece—impressive, but inert and immobile. Obviously, this applies whether a U.S. MILDEP or a foreign country becomes the owner of the system. There is a commercial equivalent to the concept of follow-on support termed “after-market” support. The same principles apply; however, in the military, this support takes on vastly greater dimensions. Segments of such support span the entire spectrum from spares through training to technical manuals. Each of the separate segments must be considered, because, if one is missing or is less than adequate, the system's mission capability is significantly degraded or terminated.

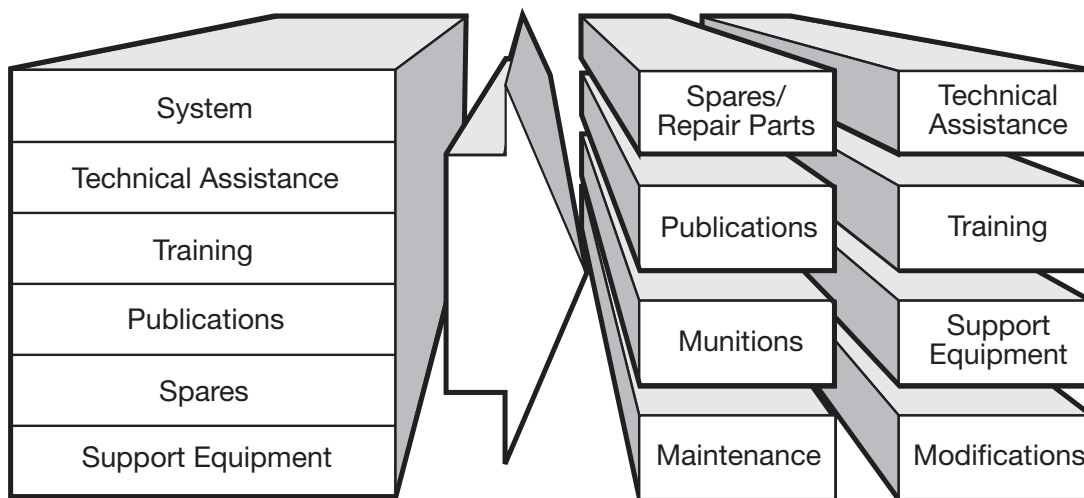
Follow-on support, unlike initial support, involves the USG being in a reactive role rather than a proactive role. That is, the DoD responds to demands initiated by the international customer. Follow-on logistics support encompasses all the various services and materiel required to sustain a weapon system after its operations begin. Follow-on support includes replenishment of initial spares and repair parts, procurement of new support equipment not provided for in the initial allowance, procurement of repair and engineering services, replenishment of munitions, updates of technical publications, etc. Follow-on logistics support is designed to maintain defense systems/equipment in an operating condition or to modify an original configuration after a weapon system or item of major equipment has been originally acquired.

The timely rendering of follow-on logistics support is vital to the success of the FMS program. Without it, the equipment, usually purchased at a considerable cost, will become inoperable and of little

value to the purchaser, who might then very well question the value of major FMS purchases. Follow-on support should be considered at the same time as initial support. This is necessary because of the lead-time required to negotiate and implement the various types of follow-on support agreements and, in some instances, because of long lead times to procure required items.

Supply support is often considered to be synonymous with follow-on support; however, spares and repair parts are only one important aspect of a complete follow-on support program. Spares and repair parts will be of no value to the purchaser if they cannot be identified or installed properly to maintain and operate applicable systems. Figure 10-3 is a sample of the areas that should be considered in addition to spares and repair parts: the arrow represents a transition from initial support to follow-on support.

**Figure 10-3**  
**Total Logistics Support**



### **Options for Follow-on Support Other Than Foreign Military Sales**

An FMS system sale, including all associated training, support equipment, and initial spares/repair parts, is normally processed as a single case, or as a series of related cases, with a program manager/lead command being assigned to coordinate the overall effort. However, management of the follow-on support program for the system is fragmented, and visibility of the overall program is difficult to obtain. This difficulty is compounded by the fact that there are usually several options, other than an FMS agreement with the USG, from which a customer country can choose to support the system. These other options involve in-country resources, third-country support, and private contractor support.

#### ***In-Country Resources***

The capability of a country to provide follow-on support from its own in-country resources should not be overlooked. While the use of this method varies from country to country and from system to system, as a general rule, both the USG and the recipient countries wish to maximize the use of this means of support. For various reasons, e.g., costs or self-sufficiency, a country may decide to establish in-country capabilities for follow-on support, particularly in areas such as training and maintenance.

#### ***Third-Country Support***

Third-country support may be available. The Arms Export Control Act (AECA) imposes definite restrictions on third-country transfers; however, this method may be available as a result of previous licensing arrangements, or coproduction agreements. For example, there are many instances where

third-country personnel have conducted training on U.S. equipment in a purchaser country. USG-approved maintenance facilities may be available in a third country that have been established under U.S. license and are managed by U.S. personnel. These facilities, typically for aviation or tracked vehicle maintenance, are used by other FMS-purchasing countries in the region to reduce the transportation time and the logistics tail associated with normally sending materiel back to the U.S. for depot-level repair.

### ***Commercial Contractor Support***

The foreign purchaser may use commercial contractors for follow-on support in accordance with DSCA 5105.38-M, Section C4.3.4, *Security Assistance Management Manual* (SAMM). The contractor may have a continuing support plan available to offer the country. If such a plan is not readily available, in many cases, the contractor may be willing to develop one for a price. Commercial contractor support, however, is not an option for customers using the Foreign Military Financing Program (FMFP), with certain exceptions. The SAMM, C9.7.3, provides guidance on the exclusions and limitations of using direct commercial contracts in support of FMS customers.

### **Purchaser Preference for Foreign Military Sales Support**

While the above methods of support may be available and are often used in varying degrees, the overwhelming preference of the customer countries is for FMS follow-on support. Customer countries are aware that the DoD normally sells FMS materiel only when there are plans to assure logistics support for the expected life of the equipment. FMS managers have developed options to provide a reasonable level of follow-on support through a combination of government and commercial resources. Many aspects of the DoD logistics system serve the FMS customers well. These include:

- Quality products delivered through a robust defense acquisition system
- Government shelf stock that can reduce pipeline costs
- Access to ongoing product updates on common items
- Ongoing supply chain management initiatives
- Program managers and item managers dedicated to reducing costs for their FMS customers and effective problem solving
- A surge capability in the event of a national emergency

The purchasing country has several options from which to choose in terms of the types of FMS cases available for follow-on support. Defined order cases, blanket order cases, and CLSSAs are all used in providing follow-on support. Each has distinct advantages and disadvantages as well as certain restrictions on the types of support that can be provided. For further discussion, especially of FMS defined order and blanket order cases, see Chapter 6 of this textbook, “Types of LOAs.”

## **COOPERATIVE LOGISTICS SUPPLY SUPPORT ARRANGEMENT**

The DoD offers the CLSSA as an effective means of replenishing the in-country stocks of spares and repair parts, which were initially furnished with end items of equipment. The CLSSA is an FMS arrangement for the furnishing of secondary items from the U.S. logistics system to a country in support of specific major end items/systems. The arrangement requires the country to make a financial investment in the DoD logistics system to fund its anticipated support requirements. The country, with the recommendation of the system program managers, identifies (by stock number and quantity) those secondary and support items which the country anticipates it will require annually. This list is known as the equity list, because of the purchaser investment in the U.S. supply system. The investment permits

the MILDEP to augment its stocks in anticipation of the country's actual demands. The CLSSA is used for replenishment of consumables or for replacement of repairable components. It may not be used to acquire munitions, major end items, classified items, commercial off-the-shelf materiel, bulk fuel, or anything that the DoD doesn't centrally stock or centrally manage. The CLSSA is not intended for initial support, but, rather, as a mechanism to resupply the initial support package.

The materiel purchased with the country's cash investment is comingled with DoD stocks and is not physically separated or otherwise identified in the inventory control point's inventory records. In return for this investment, the country is entitled to support from DoD stocks equal to that, provided U.S. forces assigned the same force activity designator.

Once an investment has been used to augment DoD stocks and a country desires to withdraw materiel for use, the country's payment for those items provides funds for restoring USG stock levels. This allows for further support to that particular country in the future under the arrangement.

Due to the two-step nature of the arrangement, the CLSSA consists of two separate FMS cases where the case designator's first character is "K": one for DoD stock augmentation and another for materiel withdrawal. Each LOA in the arrangement is referred to as a Foreign Military Sales Order (FMSO) I and II respectively.

### **Foreign Military Sales Order I**

The FMSO I (or stock-level case) initiates the arrangement by establishing the country's investment for augmenting DoD stock. The FMSO I consists of an equity list of spares projected to be required over the next twelve months. No materiel is transferred to the purchaser as a direct result of the FMSO I. The FMSO I case remains in existence for the duration of the CLSSA. It will be renegotiated or adjusted as necessary whenever a change is required in the investment level necessary to support the country's actual withdrawal or usage rate.

The FMSO I case is subdivided into two parts: Part A, an on-hand portion representing the value of materiel that must be in U.S. stock to fill CLSSA requisitions; and Part B, which represents a dependable undertaking of the on-order portion. The FMSO I case provides obligation authority to increase stocks to meet the anticipated demands from the country. The standard FMSO I investment is 30 percent of the equity list value for part A and 70 percent for part B.

The country's total obligation includes the value of both part A and part B. However, upon acceptance, the country is only required to pay for part A (the on-hand portion) plus a 5 percent administrative charge based on the value of part A. This special administrative charge pays for the extraordinary costs incurred by the DoD to set up the arrangement.

CLSSA procedures are outlined in DSCA 5105.38-M, C6.4.3.2 and C5.4.3.3, *Security Assistance Management Manual* (SAMM).

### **Foreign Military Sales Order II**

The FMSO II (or requisition case) permits the country to requisition spares and repair parts to replenish in-country stocks as they are consumed. The purchaser's payments under the FMSO II case serve to replenish materiel withdrawn from DoD stocks and to maintain the country's level of equity investment in the U.S. DoD inventory.

The FMSO II case has characteristics of blanket order case. It has a dollar ceiling with undefined requirements and is valid as long as funds exist in the case. The country prepares its own requisitions and submits them to the appropriate ILCO. Customer billings are for the value of actual materiel delivered plus the appropriate accessorial and administrative charges.

## **Cooperative Logistics Supply Support Arrangement Effectiveness**

The CLSSA is a viable option for many FMS customers who own U.S.-origin weapon systems currently in use by U.S. operating forces. By participating in the CLSSA, the FMS customer has greater access to the DoD's inventory of spares, on the same level as does the American military customer. The result is faster FMS stock replenishment, which keeps the FMS customer's equipment operating at full capability.

The effectiveness of CLSSA can be influenced by a variety of factors. First and foremost, CLSSA is predicated on adequate inventories of stocked materiel in the purchasing country. In most instances, this requirement is accomplished through the initial support package/concurrent spares package provided with the purchase of the weapon system. CLSSA effectiveness depends on the orderly and timely replenishment of this in-country stock. The participating country should submit replenishment requisitions in a routine manner, as needed, and should avoid ordering large quantities infrequently. In addition, CLSSAs are not intended as the vehicle for large quantity augmentation of in-country stocks. Such augmentation may be required because of an increase in stock levels due to changes in mission, operational levels, maintenance philosophy, or the introduction of additional end items. These requirements should be satisfied through a defined order or blanket order case. The investment levels of the CLSSA should then be adjusted accordingly to support the replenishment of these increased levels of in-country stock.

Factors that normally preclude the use of a CLSSA for follow-on support or drastically reduce its utility are the purchaser's requirements for sole-source procurement, the purchaser's desire for single-vendor integrity, or the need for nonstandard items.

### ***Sole-Source Procurement***

A sole-source procurement is defined as one where supplies or services may only be obtained from a specific person or firm. The CLSSA program relies on the availability of depot stock, and there often are multiple suppliers of a single-stocked item. Since DoD procedures do not provide for segregation or identification of stocked materiel by the manufacturer, FMS customers insisting upon a sole source may not requisition the item against a CLSSA.

### ***Single-Vendor Integrity***

A country's use of single-vendor integrity (SVI) can also affect the follow-on support provided by the DoD. If a country requires SVI, this precludes the use of a CLSSA, since normal DoD procedures do not provide for segregation or identification of stocked materiel by manufacturer or by funding source. For the purpose of this discussion, SVI is defined as the purchaser's specification that all of the spares needed to support a particular weapon system and be furnished by the original manufacturer. Spares are typically bought by agencies other than the agency that buys the weapon system itself. For example, DLA typically procures and stocks aviation spares that are used on aircraft managed by the Army, Air Force, Navy, and Marine Corps. Thus, to ensure that the installed equipment and the spares come from the same manufacturer, an FMS customer invokes SVI in the LOA.

The purpose of SVI is to ensure that the spares match the installed equipment and will function within the weapon system when installed as replacement equipment and that configuration adaptation of intermediate and/or depot-level support equipment and parts will not be required. The SVI concept is more restrictive than sole source in that it stipulates that the same subcontractor and suppliers for the initial purchase must also be used for subsequent procurements.

Single-vendor integrity has many appealing features for the foreign purchaser. It simplifies their in-country repair and rebuild program because less inventory is required. Training and publications are also easier to maintain, and the requirements for test equipment are reduced.



Despite these benefits to the customer, SVI also requires extra effort by U.S. implementing agency to manage follow-on support, beyond the level funded by the FMS Administrative Surcharge. Supply requisitions for single-vendor items must be processed manually by both the ILCO and ICP. The added expense of these manual processes will be passed along to the purchaser. Other disadvantages include certain inherent risks that are also associated with sole-source procurement, e.g., the source may go out of business, may become nonresponsive to requests for changes, and prices may be higher.

## **FOREIGN PROCUREMENT**

FMS purchasers may receive spare parts and support equipment that have been manufactured in foreign countries. This occurs when the implementing agency contracts with a U.S. company, who outsources or subcontracts work to a foreign company or foreign subsidiary. The U.S. company imports the items to the U.S., where they are accepted by the DoD, become part of the DoD inventory, and are used by U.S. forces. Despite the fact that the items are manufactured abroad, they are considered to be of U.S.-origin and are exported to the FMS purchaser using the same procedures as if they had been manufactured in the U.S. FMS purchasers should be aware that they most likely will receive materiel from the same manufacturing sources that the DoD uses for itself.

## **PERFORMANCE-BASED LOGISTICS**

The procurement agencies for U.S. military items have changed their acquisition strategy from acquiring stock for distribution on demand to a performance-based logistics (PBL) strategy. PBL is the purchase of support as an integrated, affordable, performance package designed to optimize system readiness and meet performance goals for a weapon system through long-term support arrangements with clear lines of authority and responsibility between the USG and a contractor. Simply put, performance-based strategies buy outcomes, not products or services.

The integration of FMS customers into this new strategy is ongoing. For defined and blanket order cases, this new arrangement has simply meant that the FMS customers indirectly get the benefits of the PBL relationships in the form of better availability of parts and shorter response times to requisitions. Because CLSSA agreements entitle FMS customers to the same priorities and treatment as is provided to DoD customers, if a PBL strategy is in place for items that are also provided to FMS customers, those with CLSSAs would participate in and benefit directly from the PBL support.

## **OBSOLESCENCE, DIMINISHING MANUFACTURING SOURCES, AND MATERIAL SHORTAGES**

Obsolescence is the lack of availability of items needed to support or maintain a system due to new design or process changes. While very closely related, obsolescence is not exactly the same as diminishing manufacturing sources and material shortages (DMSMS). DMSMS is the loss or impending loss of manufacturers of items, suppliers of items, or raw materials needed to support and maintain a system. In other words, it is the loss of support due to a lack of sources or materials.

Both obsolescence and DMSMS may cause situations that result in material shortages that endanger the life-cycle support and capability of a defense system. In that regard, the DoD and other IAs as well as the FMS customer, should proactively identify timely and effective actions to reduce or eliminate the impact of obsolescence and DMSMS on FMS acquisition and logistics support efforts. The four basic steps of a proactive DMSMS risk management process are as follows:

- Identification and notification
- Verification
- Options analysis
- Resolution and implementation



A detailed study of DMSMS and associated risk-management processes can be found in DoD SD-22, *Diminishing Manufacturing Sources and Material Shortages (DMSMS) Guidebook*, January 2021.

Unfortunately, the reality for many FMS customers is that DMSMS and obsolescence will continue to affect the support of their system purchases due to the fact that many of their U.S.-origin systems are either in the process of or already are phased out of the DoD inventory. A number of programs have been implemented to mitigate this issue by providing continued logistic support for international military sales long after the DoD no longer supports the items for itself. These programs include System Support Buyout, the Aerospace Maintenance and Regeneration Group (AMARG), the acquisition of property through DLA Disposition Services and the redistribution of FMS customer excess spares and equipment via the Worldwide Warehouse Redistribution Service (WWRS).

## **COMMERCIAL BUYING SERVICES**

The use of aging weapon systems beyond their original life expectancies has placed unexpected demands on supply systems initially provisioned to support shorter life cycles. A combination of diminishing manufacturing support, failure of electronic components, fatigue and corrosion of non-electronic parts, and age, has created unanticipated demands for spares supporting older weapons systems. Exacerbating the problem, the original equipment manufacturer may not be capable of supplying spares, repair parts and engineering support for aging weapon systems. The original manufacturer may no longer exist.

Commercial buying services (CBS) involve the purchase of defense articles and services that cannot be effectively acquired through other means. This may include nonstandard items, commercial off-the-shelf items, standard articles that the IA determines to be unobtainable within a reasonable time, and certain repairs or other services.

The purchase of nonstandard items can have an impact on the follow-on support provided by the DoD. Nonstandard items, as they relate to FMS, may be defined as any items or equipment not included in the DoD inventory or not purchased for regular use by the DoD. The DoD also considers as nonstandard those country-peculiar system configurations resulting from the installation of a nonstandard item on equipment or systems that make it dissimilar to like systems in the DoD inventory.

Nonstandard items are normally in FMS channels for the following reasons:

- The purchaser may change an item's design to improve the desired mission.
- The U.S. may change the design for security reasons.
- An item may become obsolete as a result of technological advancements and improvements.

Follow-on support problems are encountered, because there usually is no ICP or item manager assigned responsibility for managing nonstandard items. Therefore, instead of using a relatively standard requisition and distribution system, manual procedures must be used to satisfy purchaser demands. This not only proves more costly to the U.S. but also increases the replacement time and costs for the purchaser.

The following special programs provide contractor support for nonstandard items:

- The Simplified Nonstandard Acquisition Process (SNAP) is managed by the U.S. Army. The program purchases nonstandard item components, repair parts and supplies of primarily land systems and communications equipment, and UH-1 helicopter spares.
- The Parts and Repair Ordering System (PROS) is a contractor-operated program that purchases nonstandard item components, repair parts, and supplies and arranges for

maintenance of nonstandard items on a repair-and-return basis. Although the program is managed by the U.S. Air Force, the Army and Navy also use the PROS program for nonstandard spares, nonstandard maintenance, and nonstandard services.

Finding sources for supply of nonstandard items, particularly spare parts for end items no longer in the DoD inventory, has been an ongoing challenge. System support buyouts and efforts to withhold items with FMS requirements from disposal are providing only a partial answer to this problem. CBS contracts, such as PROS, are filling an important need in this area. In addition to nonstandard item support, CBS processes are increasingly the source of last resort for defense articles and services that cannot be supplied by the standard DoD logistics system in a timely manner. As the DoD emphasizes business-like practices, including less stock and more direct vendor delivery, CBS efforts are becoming even more important.

Another use of the term “nonstandard” applies when the FMS customer requests DoD support for an item that the customer purchased commercially, in a configuration not supported by the DoD. In this situation, it may become necessary for the FMS customer to provide manufacturing design specifications from the prime vendor to the DoD in order to determine the level of supportability through the DoD. This configuration study can be funded through an FMS LOA.

## **REPAIR OF REPAIRABLES**

Joint Pub 1-02 defines a repairable item as an item that can be reconditioned or economically repaired for reuse when it becomes unserviceable. Often, it is less expensive to repair items than it is to discard them and order new items. The U.S. military services make extensive use of returns from repairs; in some cases, returns from repairs are the only source of supply. The FMS repairable program provides a country the means of obtaining repair services without the necessity of establishing an in-country capability, which can be a long-term and normally uneconomical investment because of a relatively small number of weapon systems in use. When an in-country capability does exist, the FMS repairable program can supplement this capability when necessary.

Often, purchasers will opt to return repair items to U.S. facilities for repair or modification. The scope of work performed under the FMS repairable program is usually referred to as “depot-level repairs.” This means the repair, overhaul, or rebuild of unserviceable assets requires maintenance beyond the capability (equipment and/or skills) available in field- or organization-level activities. The repairs are accomplished by the service depots or by commercial firms under contract to the depots. The choice of this option is often based largely on economics. Rather than investing heavily in facilities, skills, tools, test equipment, etc., the purchaser may find that U.S., or other external depot repair service, is more advantageous. When a purchaser follows this course of action and uses FMS cases for the repair of items, close coordination with and among the servicing depot facilities is required. The maintenance facility can determine when the item should be returned and estimate the cost of repairs. The ILCO coordinates repair services and instructs the FMS customer to send the item to the appropriate depot repair facility. The ICP is responsible for procuring the needed repair parts, and for getting them to the depot assigned the overhaul/rebuilding task.

### **Purchaser Country Responsibilities**

The country has certain basic responsibilities under the FMS repairable program. The country must establish an FMS case in order to get the items repaired. Procedures for establishing FMS cases and processing materiel returns to the U.S., including the documentation required to accompany the items, are contained in the appropriate service regulations referenced at the end of this chapter. The country should only return economically repairable items to the U.S. If the repair facility deems an item not economically repairable, it will not be repaired without specific authorization from the country.

The country is responsible for transportation to and from the designated repair facility, port handling fees, broker fees, and customs clearance. International customers must understand that materiel being returned to the U.S. for repair, regardless of the type of repair program, must clear U.S. customs. Customers or their designated freight forwarders must cite International Traffic in Arms Regulations (ITAR) exemption 123.4 (unclassified) with U.S. customs at the primary U.S. port of entry, along with a copy of the LOA, which authorizes the materiel's repair. For more information on import/export requirements, see Chapter 11, "Security Cooperation Transportation Policy," of this textbook, or the SAMM, Chapter 7.

## **Concepts of Repair**

Two concepts are used in obtaining repairs under the FMS repairable program: repair and return and repair and replace.

### ***Repair and Return***

To participate in the repair and return program, the FMS customer must establish an FMS case for repair services with the MILDEP. This may be a blanket order or a defined order case. Under the repair and return concept, the country enters its unserviceable item into the U.S. repair cycle, and, upon completion of repairs, the same item is returned to the country. The U.S. Air Force and U.S. Army call this program "repair and return." The U.S. Navy calls this program "Repair of Repairables" (RoR).

The repair program is normally limited to items for which the MILDEP has established a depot-level repair program. The FMS customer must request approval for repair through the ILCO from the inventory manager (IM) before shipping materiel to the U.S. for repair. After receiving approval and shipping instructions from the IM, the purchaser ships the materiel to the designated repair facility where it is entered into the repair queue. After repairs are completed, the item is shipped back to the FMS customer.

In the repair and return or RoR program, the cost to the country is the actual cost of the repair in accordance with DoD 7000.14-R, *Financial Management Regulation* (FMR), Volume 15, Chapter 7.

### ***Repair and Replace***

Under the repair and replace program, also known as direct exchange (DX), the unserviceable item is returned to the repair activity and, if it can be economically repaired or overhauled, a replacement item is issued from the U.S. military service's stocks. The country's unserviceable item is repaired or overhauled and returned to the U.S. military service's stocks. Under this program, countries are charged the estimated average cost of repairs (also referred to as the net cost or exchange price). With the exception of the administrative and special requirements, i.e., packing, crating and handling, the same costs will be assessed to FMS customers as are charged to U.S. forces. The DX program is usually available through either a blanket order case or as a CLSSA.

For FMS, the Air Force and Navy currently offer the option to use both the repair and return and the direct exchange program. The Marine Corps and the Army only offer the repair and return program.

**U.S. Navy.** The U.S. Navy's repair and replace program is called the repairable item replacement option (RIRO). Under this program, FMS customers can draw directly from the U.S. Navy stock system (through a CLSSA) for specifically identified weapons replaceable assemblies, system replaceable assemblies, and other designated repairable spares that are managed and have been approved by NAVSUP Weapon Systems Support in conjunction with the U.S. Navy's systems commands. If the requested materiel is available in the U.S. Navy's stock system, it is shipped immediately upon request. Then, the purchaser sends the failed item to a U.S. Navy designated receiving point for further transfer to a depot for repair. Upon completion of repairs to the returned item, it is returned to U.S. Navy stock. Purchasers are charged the difference between a condition "A" item and the value of the failed item

carcass. If the carcass is determined to be non-repairable, then the purchaser is charged the full price for a condition “A” item.

**U.S. Air Force.** Under the U.S. Air Force’s repair and replace program, FMS customers can draw directly from USAF sources of supply (through a CLSSA or blanket order case) for items listed on a preauthorized materiel repair requirements list (MRRL). Purchasers send their failed items to a designated USAF receiving depot. Upon receipt at the depot, a replacement requisition is generated and the purchaser is charged the average repair cost for that particular item (also known as the “exchange price”). If the carcass is determined to be non-repairable, then the purchaser is charged the full price for a condition “A” item.

## **EXCESS PROPERTY**

### **General**

Excess property procedures afford still another method for limited materiel support. Property that is excess to U.S. MILDEP requirements and cannot be used by other DoD components may be provided to eligible foreign governments through the FMS program as Excess Defense Articles (EDA). Providing excess materiel is accomplished either through the military departments or the DLA Disposition Services. EDA include lethal and non-lethal defense equipment owned by the MILDEPs, excluding construction equipment, which may be provided to selected countries on a grant or as an FMS sale. All sales of excess significant military equipment (SME) or materiel valued at \$7M or higher in original acquisition value require a thirty-day advance congressional notification prior to transfer. The DLA Disposition Services program, on the other hand, is the sale of non-lethal, non-SME excess government property, which may include major end items, support equipment and consumables that are no longer needed by the MILDEPs, and are transferred by DLA as a grant to eligible countries, or sold to non-grant eligible countries at a reduced cost based on the condition of the items.

Purchases of DoD excess equipment and supplies can provide a valuable source of supply and, through reduced prices, enable foreign governments to obtain a greater return for their procurement dollar.

### **Excess Defense Articles**

Not all countries are eligible for all types of EDA transfers. For information on eligibility and program restrictions, see Chapter 2, “Security Cooperation Legislation and Policy,” of this textbook.

Under the EDA process, each MILDEP determines what items are excess. Additionally, the MILDEPs must ensure that the items must also be excess to other MILDEPs, defense agencies, reserve components, and the National Guard before being offered to a foreign government. There are two general ways in which countries can request EDA. Countries may respond to MILDEP surveys of interest for EDA by the requested deadline. Countries may submit short lists of requirements to the MILDEP. Upon receipt, the MILDEP will determine whether the item is available as EDA. If not, the MILDEP will keep the request on file.

The important factor in the acquisition of EDA from any source is the availability of both initial and follow-on support. Sales or transfers of excess defense articles do not follow the total package approach concept. Excess defense articles are transferred “as is, where is,” meaning that EDA does not include spares, support, publications, training or any other aspect of support. Care should be taken to ensure a prospective customer has either an existing infrastructure or that one can be developed in order to support the introduction of EDA into the purchaser’s inventory. Foreign governments interested in acquiring EDA should contact the U.S. SCO in their country. Since EDA is provided on an “as is, where is” basis, the associated costs for any refurbishment and subsequent packaging, crating, handling, and transportation of the defense article are generally the determining factor as to whether or not a country accepts the EDA, even if it is offered on a grant basis. These associated costs prove to be prohibitive to

many countries wanting EDA equipment, resulting in a high percentage of EDA offers being declined. Most EDA articles are unserviceable and require major repair. Additionally, spare parts, tools, and manuals, if available, must be purchased separately. In some cases, no follow-on support is available since the MILDEPs no longer field the items. These associated costs often outweigh the benefit of the materiel being offered for transfer.

Major EDA transferred by the MILDEPs are generally priced at the fair market value. Grant-eligible recipients may receive the major end item at no cost, but they are still required to pay all accessorial costs and the administrative charge prior to delivery. Major EDA transferred by the MILDEPs is often in poor condition and requires extensive overhaul or refurbishment if the customer intends to use it as a fully functioning item. The costs of such extensive repairs, if available, must be paid by the receiving customer through an FMS case.

### **DLA Disposition Services**

There has been an increase in interest in the DLA Disposition Services and how countries can find and acquire DoD excess property. The objective of this DLA FMS program is to maximize the reuse of excess property when such sales favorably contribute to both the U.S. and host country's national security objectives. DLA Disposition Services provides an alternative low-cost method of acquiring non-lethal, demilitarized property through FMS.

DLA Disposition Services has performed disposal services for the DoD for over thirty years as a primary field level activity. DLA Disposition Services maximizes the return to the U.S. taxpayer by finding new homes for the property in other government agencies, non-profit organizations, the armed services, and foreign governments. Property remaining after this effort is cataloged and sold to the public. FMS is one of the many programs qualified to receive DLA Disposition Services property. To assist in this effort, DLA Disposition Services prepares and manages all of its own cases.

When property is no longer needed or the DoD has too many items in stock, the property is deemed excess and scheduled for turn-in at one of the DLA Disposition Services facilities. Items that have a military offensive or defensive capability are first demilitarized. Once property enters the inventory, it begins a forty-two-day screening cycle during which time FMS customers and U.S. Federal agencies may view and select items for purchase. After the screening cycle is complete, items that have not been selected for transfer may be made available to the general public through a contracted liquidator, or the items may be destroyed and sold as scrap. Therefore, it is important for the purchaser to locate needed property as soon as possible. DLA Disposition Services has several methods to assist the purchaser in finding the property. Because the DoD considers the property excess, the property is in a wide range of conditions. The owner turning in the item determines the condition of the property. The condition of the property ranges from new and in original packaging to items whose only value is as scrap. Realizing the inherent problem of identifying the usability of the property, DLA Disposition Services has taken extra measures to assist the purchaser in determining condition. The DLA Disposition Services may upload photos of actual items so that potential purchasers may have a better idea of the condition of the item. Additionally, DLA Disposition Services personnel can check the basic functioning of the item. However, since all EDAs are "as is, where is," purchasers are encouraged to visually inspect all major items to ensure each item is in an acceptable condition. The FMS purchaser cannot obtain overhauls and repairs from DLA of materiel available in the DLA Disposition Services inventory.

The pricing of property in the DLA Disposition Services inventory for FMS customers is based on the condition code of the item. The price ranges from 5 to 50 percent of original acquisition value with additional accessorial charges of packaging, crating, handling, and transportation and administrative charges. Grant-eligible countries must also pay for packaging, crating, handling, and transportation (PCH&T). See Chapter 12 of this textbook, "Financial Management," for more information on depreciation values.



The DLA Disposition Services materiel can only be viewed through DLA's secure Enterprise Portal by registered account holders. FMS purchasers may only obtain access to the site if they have an implemented LOA with DLA Disposition Services. Security Cooperation Officers (SCOs) may assist FMS purchasers in screening for available materiel by registering for access to the Enterprise Portal and viewing the DoD listings in the Reutilization/Transfer/Donation (RTD) section of the DLA Disposition Services website. The user can search the inventory by NSN, item name or federal supply class, location, or condition code. Once the search is performed, a listing of all the available assets meeting the search criteria is visible. The list may also include photos of the items. Users may submit want lists to DLA Disposition Services for items that may become available in the future. When an item becomes available, the user is notified by email.

The preferred method for an FMS customer to order from DLA Disposition Services is by using a blanket order case. When such a case is approved, the eligible country is issued a password and user ID that allows the purchaser to enter into the DLA Disposition Services website and process its order online. Each order is processed overnight and received at the DLA Disposition Services sites worldwide the next business day. The item is then prepared for shipping. Countries are responsible for the cost of transporting the property to the final destination.

## **OTHER LOGISTICS SUPPORT PROGRAMS**

### **United States Air Force Technical Coordination Program**

For more than twenty-five years, the U.S. Air Force has been supporting the FMS and SA/SC countries with what has become known as the technical coordination program (TCP) (formally known as the Technical Coordination Group [TCG]). The TCPs, international engine management programs (IEMPs), and the electronic combat international SA program (ECISAP) provide dedicated follow-on technical and engineering support to the FMS customers. Purchasers sign an FMS case to become members of the TCP. The TCPs provide a single point of contact for countries on all their technical concerns regarding their respective systems once the system is procured. The TCPs provide technical assistance for weapon systems including the following: F-4, F-5, A/T-37, F-16, F-15, E-3, C-130, and KC-135 aircraft, plus AIM-9, AIM-7 and AGM-65 missiles. The IEMPs provide technical support for all aircraft engines to include the following: F100, F108, F110, J69, J79, J85, T56, and T30. ECISAP provides engineering software support and system hardware support. The TCPs, IEMPs, and ECISAP work exclusively for their international customers, and they are not responsible for providing any service to USAF units. The member countries fund the TCGs, IEMPs, and ECISAP, and 100 percent of the TCP's time is dedicated to FMS support. The FMS customers pay for these services on a prorated basis.

### **United States Army Fair Share Sustainment Programs**

The U.S. Army's Aviation and Missile Command (AMCOM) provides follow-on technical and engineering support to FMS purchasers of the HAWK and CHAPARRAL missile systems. These programs, known as the HAWK and CHAPARRAL Fair Share Sustainment Programs (FSSP) respectively, provide hardware, software, and technical support to these two systems, which are obsolete to the U.S. Army but are actively managed by AMCOM to support international users. Purchasers can participate in either or both FSSP programs through a separate FMS case, or through a support line on a larger system sale. The FMS customers pay on a prorated basis to receive these services. There are currently fifteen countries supported by the Army's FSSP programs; eleven are HAWK users and four are CHAPARRAL users.

### **United States Navy F/A-18 In-Service Support**

The U.S. Navy has established the F/A-18 in-service support (ISS) program to ensure that post-production logistics and engineering support will be available for FMS customers that own out-of-production F/A-18s. The ISS program enables FMS customers to address their problems with the U.S.



Navy and the prime contractor, Boeing, on a day-to-day basis. The ISS program assists FMS countries in the continuing operation and maintenance of their weapon systems by sharing U.S. Navy and FMS logistics and engineering data at minimum cost to all concerned. Without a common ISS program, it would be necessary for each FMS customer to establish individual contracts to obtain those sustaining services. The ISS program joins all F/A-18 users into a single cohesive team. It contains common requirements, those that are applicable to both USN and FMS customers' unique requirements, and those that specifically apply to one or more FMS customers.

### **United States Army Corps of Engineers**

The U.S. Army Corps of Engineers (USACE) is the Army's principal engineering design, construction, research, and development organization. It is responsible for delivering technical services and infrastructure solutions to a wide range of customers, including all of the geographic and functional combatant commands, the DoD, some seventy other U.S. federal agencies, and approximately ninety countries worldwide. The USACE is an implementing agency for security assistance for part of the international and interagency mission and is responsible for accepting Letters of Request and developing them into Letters of Offer and Acceptance. The USACE executes missions that support war fighting, disaster relief, and other contingencies as well as providing planning, technical support, acquisition, construction, and capacity development around the globe.

The USACE supports the combatant commands (CCMDs) in designing and executing engineering projects and water resource management in over one hundred countries and currently has offices in thirty countries. Some of the construction and public works projects the USACE has provided under security cooperation programs in the last decade include construction of maintenance and storage facilities in support of major systems and stand-alone projects in support of foreign military capacity improvements. Examples include the construction of piers, seawalls, firing ranges, schools, barracks, water wells, health clinics, simulation and training facilities, munitions storage bunkers, dining facilities, prisons, roads, and runways.

### **System Support Buyout**

When a U.S. MILDEP is terminating support for a particular system, or, in some instances, components of a system, it is normal practice to offer those countries having the system an opportunity to participate in what is referred to as a life-of-type buy or system support buyout. If this is offered, the purchasing country must inform the MILDEP of the total remaining expected service life of the equipment and other supporting information. The MILDEP then recommends those spares and repair parts that will be required to support the system for its intended life. A list of these items is forwarded to the country for review and adjustment prior to the eventual request for an FMS case for the agreed upon items. The purchaser should have a minimum of two years to place a final order for secondary items to support the system for its remaining useful life. After the system support buyout is completed, no further CLSSA is maintained, nor are standard item FMS follow-on support cases rendered for that system/component.

### **Worldwide Warehouse Redistribution Services**

WWRS is a program designed to redistribute excess spare parts and support equipment acquired by FMS customers. Items available through WWRS must be U.S.-origin items in operating condition. WWRS is designed to be self-funding through the collection of a redistribution service fee assessed on the sales price of the materiel sold. WWRS can be considered a virtual warehouse of assets used to fill FMS requisitions. WWRS may not include significant military equipment (SME). An approved LOA is the authority to purchase the WWRS listed materiel. FMS customers submit their list of excess items for sale through the WWRS program office at AFSAC. AFSAC posts the items to the WWRS website. Prices are determined by the seller. Buyers purchase items listed on the WWRS by submitting a supply requisition against a blanket order case to AFSAC. Neither the buyer nor the seller is identified in the website. Once a buyer requisitions the item, the seller is instructed by AFSAC to ship the materiel to

a contractor near Dayton, Ohio. Title to the materiel transfers to the U.S. government upon passing inspection by the contractor. After inspection and sanitization, the item is shipped and title transfers to the buyer. Using this process ensures no third-country transfer violations. The WWRS listing of materiel, customer handbook, and program changes and enhancements can be found on the WWRS homepage at <https://afsac4.wpafb.af.mil/WWRS>.

### **Aerospace Maintenance and Regeneration Group**

The Aerospace Maintenance and Regeneration Group (AMARG) is joint service storage, regeneration, reclamation, and disposal facility located at Davis-Monthan AFB. The AMARG maintains approximately 4,200 aircraft and 40 aerospace vehicles from the Air Force, Navy, Marine Corps, Army, Coast Guard, and several federal agencies including NASA. The AMARG provides critical aerospace maintenance and regeneration capabilities for joint, allied, and coalition warfighters in support of global operations for a wide range of military operations. The operation is unique in that authorized customers from all over the world may withdraw parts and aircraft. The group provides customer services including aircraft regeneration (restoring aircraft to flying status), limited depot-level maintenance, and parts reclamation, in addition to its historic storage and disposal functions.

The AMARG maintains aircraft in long-term and short-term storage. Long-term storage aircraft may be contingency weapon systems, weapon systems designated for potential FMS, and weapon systems designated for reclamation. With an original purchase price of more than \$33 billion, this aerospace fleet provides a unique savings account from which military units throughout the world (including our FMS customers) may withdraw parts and aircraft. The inventory consists of a wide range of reciprocating, turboprop, and jet-engine powered fixed and rotary wing aircraft. International customers may withdraw entire aircraft from storage, or just those spare parts which are otherwise hard to obtain. Some notable FMS sales that included entire aircraft being supplied from AMARG resources include a sale of nine P-3B maritime aircraft and a sale of six C-130E cargo aircraft. Additionally, AMARG provided thirty-four refurbished F-16A/B fighter aircraft in support of an FMS lease.

## **PUBLICATIONS SUPPORT**

The term “publication” can be defined as a wide range of printed material, or other media (such as digital download, CD/DVD, etc.), including technical orders/manuals, indexes, software, supply catalogs, training publications, administrative publications, engineering drawings and associated documents, equipment component lists, decals, forms, and audiovisual products.

In most cases, as with other aspects of the FMS program, no special system has been developed to requisition publications to support the FMS customer. The systems already used by each of the MILDEPs and other DoD organizations to meet internal requirements have all been adapted to include the FMS customer. Publications are provided in English. FMS customers who desire to have contractual, technical or administrative documents translated into the local language may contract for translating services using local resources after the publications have been delivered. By exception, the DoD may agree to translate selected publications as part of an FMS case. If so, the English language version takes precedence, and, if there is a translating error, the DoD will not accept liability if equipment damage or personnel injury occurs. Translated documents should be marked “Informal and unofficial translation—English text governs,” as prescribed by SAMM C4.2.4.

Numerous websites provide access to MILDEP and DLA publications, but most can only be accessed through a .mil or .gov address. An up-to-date list of publications websites can be accessed through the external links identified on the Defense Security Cooperation University (DSCU) website.

### **Initial Versus Follow-On Publications Support**

Under the total logistics support concept (Figure 10-3 shown earlier), publications are an integral part of the support package for major weapons systems. Each major system sale includes those

publications required to maintain the system. Technical publications are crucial items in the FMS program, since they often provide the only operating and maintenance instructions for the equipment purchased by FMS customers. Without the proper publications, equipment may be misused or improperly maintained.

Nevertheless, it is up to the purchaser to ensure that such publications are kept current. Lack of up-to-date publications can render a weapon system inoperative. Publications are just as important as training, spares, and support equipment to ensure that the system will perform as required. Follow-on cases for publications are required. To aid in this effort, each of the MILDEPs has developed procedures for automatic distribution. This is the easiest method to ensure that publications are kept up-to-date. The indexes of MILDEP publications are available on CD-ROM and at the respective MILDEP publishing agency websites.

### **Types of Cases/Categories of Publications**

The purchaser has a choice of two types of FMS cases for ordering publications, either a blanket order or a defined order case. The blanket order is the preferred type of case to use, as it makes administration of the case much simpler and permits the more rapid filling of purchaser requests. If the purchaser desires to participate in the automatic distribution program, a blanket order case is mandatory. Certain categories of publications can only be ordered using a defined order case, including classified publications, Defense Language Institute (DLI) publications, and professional military education (PME) correspondence courses. Additionally, each MILDEP has placed restrictions on other publications. More specific guidance on the ordering of publications can be obtained from the respective ILCO.

### ***Navy Publications***

Each Navy publication or form, including changes, has been assigned a Navy item control number (NICN) allowing the use of the MILSTRIP format to order publications. The purchaser may submit a requisition via normal means; however, the document identifier "A04" must be used in record positions 1-3. All requisitions for publications are forwarded electronically from the NAVSUP Weapon Systems Support-OF to the Navy Logistics Library (NLL) for minimal validation. The NLL forwards the requisition to the publication sponsor for release determination. If the sponsor disapproves the release of the publication, the requisition will be rejected with a cancellation status sent to the customer via the supply system. If the sponsor approves release of the publication to the FMS customer, the NLL refers the requisition to the supply point for fulfillment. Requests for classified publications must be approved by the Navy International Programs Office prior to the submission of a requisition to NAVSUP Weapon Systems Support-OF.

### ***Army Publications***

Publications requisitioning from the Army is accomplished under a combination of MILSTRIP and non-MILSTRIP requisition processes, because the U.S. Army Publishing Directorate does not have an automated internal supply system capable of accepting MILSTRIP requisition actions. However, the U.S. Army Security Assistance Command records all publication orders electronically so that the purchaser always has visibility of the requests.

The Army uses two different methods for publications support: initial distribution and resupply. Initial distribution is part of the initial sale or transfer of the system under the TPA concept. Customers are provided with a basic set of publications that are delivered during the same time-frame as the equipment. The resupply method includes both defined and blanket order cases, and the publications are requisitioned using the DA Form 4569-1-R, Security Assistance Publication Requisition Code Sheet. The instructions and a copy of this form are contained in DA Pamphlet 25-33, and the form can be locally reproduced.

If the country participates in the ILCS, it can use the ILCS to transmit publication requests in lieu of mailing in the hard copy DA Form 4569-1-R. MILSTRIP document identifier code “BMB” has been established to allow purchasers to transmit publication resupply requisitions to USASAC. FMS customers requiring advice and assistance with publications support should contact their case manager at USASAC-NC.

### ***Air Force Publications***

The Air Force has two distinct sources and methods of obtaining publications. Technical orders (TOs) are requested through Tinker AFB, Oklahoma, and shipped from the managing Air Logistics Complex. All other publications are obtained through AFSAC at Wright-Patterson AFB, Ohio. Distribution of publications continues to be via paper copies.

Requests for standard publications, forms, engineering drawings, CD-ROM, and decals are sent to the AFSAC using DD Form 1149. Since each publication does not have a stock number assigned, the purchaser must use the current publication short title. The form must be mailed to AFSAC. Classified publications, other than technical orders (TO), are released only after approval by a delegated disclosure release authority. Technical orders are requisitioned from the Security Assistance Technical Order Program (SATOP) office located at the Oklahoma City ALC on AFTO Form 187 or AFTO Form 276. Automatic distribution of changes can be requested by indicating the initial distribution quantity on the AFTO Form 187.

### ***Publications from Department of Defense and Other Sources***

Publications are normally ordered through FMS cases with the three MILDEPs; however, some publications can be ordered directly from the agency that acts as the single manager for a particular series. An example of this is catalog data managed by DLA's Logistics Information Services. The FMS purchaser can establish an FMS case directly with DLA to obtain catalog products. There are many DoD directives, instructions, and publications that may be of interest to FMS customers. Most can be viewed and downloaded from the proponent MILDEP publishing agency website. However, many sites are restricted to users with Common Access Cards (CACs).

## **EQUIPMENT DISPOSAL**

The disposal phase begins when an FMS customer has a need to dispose of all or part of a weapon system. SAMM, Chapter 8, states that the proper use of U.S.-origin items is a joint responsibility of the recipient and U.S. personnel. Often, an item must be demilitarized to eliminate its military capability. Classified features and those that pose physical or environmental hazards should be neutralized prior to or during the disposal process. Demilitarization procedures are outlined in DoDM 4160.28, Volume 3. International customers are encouraged to use the DoD procedures for demilitarization if they have no equivalent demilitarization procedures of their own. Demilitarization guidance is available from weapon system managers or through DLA Disposition Services. The SAMM, Section C8.8, provides further guidance on equipment demilitarization and disposal.

The DoD Demilitarization Program Office (DDPO) manages the DoD DEMIL Program to ensure that policy, procedures, program implementation, and operational performance are consistent with U.S. Foreign Policy, National Security objectives, and DoD interest.

International customers also may consider transferring their unwanted materiel to another country as a means of disposal. This is typically done with items that still have military capability. It is the responsibility of the transferring country to locate a buyer that meets the approval of the U.S. All third-country transfers must be approved by the Department of State (DoS).

Both the DoS and DoD have set up end-use monitoring (EUM) programs to ensure that defense



articles are used according to agreements with the U.S. from receipt to final disposal. See Chapter 18, “End-Use Monitoring and Third-Party Transfers,” of this textbook.

## **TEAMS USED TO SUPPORT COUNTRY LOGISTICS REQUIREMENTS**

Often, when the USG provides new equipment to a country, there is a need for technical assistance and training. Whenever there is a new Presidential determination that a country is eligible for U.S. SA/SC, the country will often require help to interface with the U.S. logistics system. Various teams sent to the country from the U.S. often provide this technical assistance and training. To ensure that all aspects of the SA/SC mission are integrated into an overall effective program, all such teams are under the supervision of the overseas SCO while they are in the foreign country.

The use of these teams is an integral part of the TPA, providing both initial and follow-on support for the country. The following is a brief discussion of the general types of teams that may be provided.

### **Quality Assurance Teams**

Quality assurance teams (QATs) are often provided whenever a new item of military equipment is transferred to a foreign purchaser. The mission of the QAT is to receive, inspect, and prepare the U.S. equipment for initial operation. They are not a training team. The QAT is assigned to make sure that the equipment has not been damaged during transit and, if it has, to repair the equipment and ensure that it is operational when provided to the purchasing country. QATs are usually very small teams temporarily assigned in country; they perform their mission and leave the country promptly, thereby minimizing the cost to the purchaser.

### **Technical Assistance Teams**

Technical assistance teams (TATs) are U.S. DoD personnel temporarily assigned in-country to maintain or repair equipment provided under an FMS program. These teams can also be used to set up and place into operation such things as repair parts warehouses, personnel records systems, and technical libraries. TATs are often used when a country finds itself having problems in maintaining U.S. equipment or interfacing with U.S.-management techniques. The primary purpose of a TAT does not normally include training, although some degree of training will be provided by virtue of the team performing their mission.

### **Extended Training Service Specialists**

Extended training service specialists (ETSS) are DoD personnel (military or civilian) who are technically qualified to provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems. Unless specifically approved by DSCA, an ETSS will be provided for no longer than one year. These are the long-term training teams utilized for in-country training of foreign military personnel. English language instructors are an example of ETSS.

### **Contract Field Services**

Contract field services (CFS) are furnished by DoD contract with U.S. industry to provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems. CFS will be used only when DoD personnel with the required skills are not available or it is not practical to use them. CFS can be programmed on a one-year basis, although the term may extend past the end of a fiscal year. The conditions of CFS must be approved by DSCA and may be funded under IMET. Both CFS and ETSS are considered to be a field training service.

### **Technical Assistance Field Teams**

Technical assistance field teams (TAFTs) are U.S. DoD personnel permanently assigned in country who are used to provide in-country technical support to foreign personnel on specific equipment,

technology, weapons, and supporting systems when Mobile Training Teams (MTTs) and ETSS are not appropriate. TAFTs are often the bridge between purely technical assistance and pure training. TAFT members are technical experts in their fields and often provide formal and informal training to their counterparts as part of their primary mission of ensuring the continued operation of the equipment or support system. TAFTs are often used to set up operational maintenance and supply systems that will interface effectively with continental U.S. (CONUS) activities. In this sense, TAFT members are both doers and trainers. TAFTs set up and operate the systems, but they also train their counterparts to assume full operational control as quickly as possible.

As part of the TPA for support, it is essential that consideration is given to using the various teams available to assist in both initial and follow-on support. For additional information, see the SAMM, Section C10.22, and Chapter 14, “International Training,” of this textbook.

## **DISCREPANCY REPORTING**

In a system as large and diverse as the DoD logistics system, errors are bound to happen. The DoD, recognizing this fact, has set up a system to quickly validate the problem and respond to the purchaser, while documenting trends to preclude recurrence of the discrepancy.

A discrepancy is a difference or variance from a standard. If something does not meet the standard in either quantity or quality, a discrepancy exists. The USG’s intention is to resolve the discrepancy and ensure that every effort is made to provide the correct defense article or service in the quantity and quality agreed to in the FMS LOA.

A deviation from a standard can be caused in any number of ways: shipment damage, wrong items, shortages, and many others. Considering the large number of shipments processed through the SC program, some discrepancies can be expected. Most discrepancies involve some human error or oversight. Anyone in the long line of people processing the transaction, its transfer, shipment, or receipt may have inadvertently contributed to the discrepancy.

The USG’s goal is to efficiently resolve reported discrepancies as soon as possible. Where it is determined that the USG is responsible, the implementing agency will make a financial adjustment for the recipient country. Furthermore, per the LOA standard terms and conditions, Section 5.1, the USG disclaims any liability for damage or loss to the items incurred after the passage of title, irrespective of whether transportation is by common carrier or by the U.S. Defense Transportation System. An exception to this is a discrepancy in billing, which normally occurs after the title has passed to the purchaser.

There are three categories of discrepancies. Each has unique reporting requirements for FMS.

- Supply discrepancies, which capture a wide range of issues
- Product quality deficiencies, caused by the manufacturer
- Financial discrepancies, caused by erroneous computation of administrative or accessorial charges

### **Supply Discrepancies**

Supply discrepancies are those caused by the ILCO, item manager, shipping activity, or by the manufacturer. They are reported by the country or freight forwarder to the appropriate ILCO on an SF 364, Supply Discrepancy Report (SDR), or automated equivalent. The principal reference for supply discrepancies is DLM 4000.25, *Defense Logistics Management Standards (DLMS)*, Volume 2, Chapter 17. The military departments have published supplemental SDR guides, which can be obtained from the ILCO.



## ***Shipment Discrepancies***

Shipment discrepancies may include shortages, overages, damage, insufficient remaining shelf-life, incorrect items, and misdirected shipments. Occasionally, unnecessary SDRs are submitted in these areas, because the country does not completely understand the U.S. supply system or fails to coordinate with its freight forwarder prior to submission of the SDR.

Purchasers often believe there is a shortage or total non-receipt of an item when the reconciliation documents sent to the purchaser show that an item is shipped, but the freight forwarder has not yet sent the item to the country. When shipments are made through a freight forwarder, the purchaser submitting SDRs for non-receipt is required to provide documentation from the freight forwarder indicating that no materiel has been received on the applicable requisition and transportation control number. The ILCO will deny any non-receipt SDR that does not include this documentation.

Many times, SDRs are submitted for shortages because there was a partial shipment of the quantity requested. Such shortages are often identified by researching the supply status received prior to the shipment or by inspecting the shipping document to see if the items received are partial shipments. If a purchaser receives a partial shipment, further research is required to see if the remaining items were previously received or if they are still due-in to the country.

An SDR may be submitted when the value of a missing shipment unit is at least \$200. A shipment unit is defined as one of multiple shipments with the same document number but with a unique suffix code. Each shipment unit will have its own Transportation Control Number (TCN). For example, if the customer requisitions 300 bolts at a cost of \$1 each, the total requisition value is \$300. If the requisition is filled in three increments of one hundred, and each increment is shipped individually, then each increment is a shipment unit. If one of the three shipment units is lost, the value of that shipment unit is only \$100 and would not qualify for submitting an SDR.

Another problem is caused by the use of multi-pack shipments. This is a packaging method whereby many different items are, for economic reasons, packed and shipped in a single container. Often the documentation on the outside of the crate or box identifies only the document used to track the container. Inside, there may be numerous small items consolidated in the shipment that may be individually accounted for by the foreign customer.

## ***Misdirected or Unordered Items***

In the event that the purchaser receives unordered or misdirected shipments containing items that are identified as classified/sensitive materiel, and/or arms, arms parts, or explosives, the purchaser should report the discrepancy within twenty-four hours of discovery, regardless of dollar value, for disposition instructions from the USG. The USG requests that the purchaser returns classified/sensitive materiel, and/or arms, arms parts, or explosives within thirty days of USG direction. For all other items, the purchaser is requested to ship discrepant articles within 180 days of receiving USG direction for such returns.

## ***Quality Deficiencies***

Product quality deficiencies are defects or nonconforming conditions, which limit or prohibit the item from fulfilling its intended purpose. These include deficiencies in materiel, manufacturing, and workmanship, e.g., failure to put a gasket in a carburetor. A latent defect is defined as a deficiency in an article that affects the operability and is not normally detected by examination or routine test, but which was present at the time of manufacture.

## ***Substitute Items***

SDRs are often submitted for incorrect items, because the shipping activity did not have a specific item in stock and, instead, shipped an authorized substitute. Although the item will often perform as

well as the requested item, the purchaser submits an SDR because it is not the same stock number as the item ordered. Again, further research of previously received status documentation is needed. If the purchaser does not desire a substitute, the appropriate advice code should be placed on the original requisition. There are times, however, when human error is involved and an incorrect item is shipped. If an item has not been identified as a suitable substitute for, or interchangeable with, the original item ordered, then an SDR is appropriate.

### ***Shelf Life Items***

A shelf life item is an item of supply possessing deteriorative or unstable characteristics to the degree that a storage time-period must be assigned to ensure that it will perform satisfactorily in service. All shelf life items are categorized as one of the following two types:

- TYPE I items are determined through an evaluation of technical test data and/or actual experience to have a non-extendable shelf-life. These items include fresh foods, vaccines, and drugs.
- TYPE II items have an assigned shelf life that may be extended after completion of visual inspection/certified laboratory test, and/or restorative action. These products include petroleum, oil and lubricants, canned or packaged foods, and certain rubber-based products.

The DoD shelf-life policy requires that materiel will be issued/shipped on a first in, first out (FIFO) basis and shall be the oldest within the condition code specified. However, the DoD recognizes that some FMS shipments may require a longer transportation time and has provided the following exceptions for FMS customers.

FMS requisitions will be issued in accordance with last in, first out (LIFO) issue policy. LIFO issue of non-extendable Type I shelf-life items will be accomplished by issuing materiel with the latest date of expiration; extendable Type II items will be issued by the latest date of manufacture, date of cure, date of assembly, or date of pack (subsistence only) regardless of the number of extensions.

Items with a shelf-life code (SLC) of twenty-four months or greater, issued to satisfy FMS shall be in condition code A, with a minimum of twelve months shelf life remaining. Requesters have the option to waive the twelve-month minimum by submitting exception requisitions (A05).

Items with a SLC of less than twenty-four months are not subject to the twelve-month minimum. However, they must be issued from condition code A assets, unless the purchaser specifies that other than condition code A materiel is acceptable.

Shelf-life extensions for items/materiel in the custody of the FMS customer can be found by contacting the USG security assistance or international program offices having responsibility over the FMS case. The office can access the DoD shelf-life extension system for applicable data and extension test results. Shelf-life policy for FMS is contained in DoDM 4140.27, Volume 2, DoD Shelf-Life Management Program.

### ***Improper Packaging***

SDRs may be submitted for materiel received in damaged condition if the damage is the result of improper preservation, packing, marking, loading, handling, or storage provided prior to title transfer. SDRs will not be accepted for damage caused by the carrier.

## ***Billing Discrepancies***

A billing discrepancy involves materiel, which is received as ordered and with proper accompanying documentation, but the charge is incorrectly reflected on the quarterly billing statement provided by DFAS. These are usually duplicate charges or omissions from the bill. The purchaser will usually identify these problems by using the FMS delivery listing provided as part of the quarterly billing statement.

### **Submission of Supply Discrepancy Reports**

To determine if a suspected discrepancy should be reported, a step-by-step process is recommended, which involves the elements of time, value, and determination of the cause of the discrepancy.

#### ***Element of Time***

SDRs must be submitted to the ILCO within one year of the date of the title transfer/date of shipment. Therefore, it is imperative that the purchaser inspect each delivery upon receipt to ensure that the correct item is received in the correct amount and in good condition. If there is a discrepancy with the shipment, the purchaser must submit the SDR within one year from the time the item left the depot/manufacturing facility. In the event that a purchaser fails to receive an entire shipment, but is billed for the original amount ordered, the purchaser has one year from the date on the DFAS quarterly billing statement (DD Form 645) on which it was billed for the shipment.

The element of time, twelve months from the date of initial shipment, is provided in the terms and conditions of the LOA, Section 5.4, to allow the purchaser sufficient time to receive, inspect, and, if necessary, test the materiel. It does not constitute a warranty, but rather allows the FMS customer to assemble the necessary documentation to support a claim for a discrepancy. The constraint of time is not applicable in the case of a latent defect, which is defined as a defect, which exists at the time of acceptance, but which cannot be identified by a reasonable inspection.

#### ***Element of Value***

Next, the purchaser should determine if the suspected discrepancy is, in fact, valid. The monetary minimum is \$200 for any LOA implemented on or after 1 June 1992. SDRs will only be credited by the MILDEP when the estimated value is \$200 or greater. This minimum value includes the value of the item plus any transportation and handling costs. Purchasers are encouraged to submit SDRs regardless of the dollar value so that problems can be documented, but only those over the minimum dollar value will be reviewed for possible compensation.

#### ***Cause of Discrepancy***

It must be decided whether the resolution of a reported discrepancy is the responsibility of the shipper (U.S. Government) or the carrier. If a carrier discrepancy is suspected, claims should immediately be filed directly with the carrier, as a carrier's liability is terminated after nine months from the date of shipment. If the discrepancy is a shipper or billing responsibility, an SDR should be prepared and forwarded to the appropriate ILCO for initial processing. Table 10-3 provides a decision table to assist the purchaser in determining the appropriate action to be taken with respect to the gamut of discrepancies that might be encountered. Further SDR decision criteria can be found in the SAMM, Table C6.T4.

**Table 10-3**  
**Decision Table for Supply Discrepancy Report Submissions**

Discrepancy	Action
Transportation: Packages are missing or damaged when received.	<p>Inspect shipping manifest to ensure that cargo is missing and/or was not damaged when picked up by the carrier.</p> <p>If DTS is the carrier, contact U.S. military representative and have the SCO submit a DD 361 (TDR).</p> <p>If not a DTS shipment, immediately submit a claim with the carrier.</p>
Financial: Accessorial or administrative charges are computed incorrectly.	<p>Army/Navy: Submit a letter directly to DFAS–SCA explaining the deficiency and requesting correction.</p> <p>Air Force: Submit a letter to AFSAC explaining the deficiency and requesting correction.</p>
Quality: Item does not perform properly due to workmanship, material, etc., and the item was purchased using FMS.	Submit an SF 364 (SDR) and all supporting documentation to the appropriate ILCO.
Billing: Item is billed erroneously on the quarterly statement (Duplication, etc.).	Submit an SF 364 (SDR) and all supporting documentation to the appropriate ILCO.
Shipping: When there is an incorrect item, a shipment misdirected to you but intended for someone else, or an item is damaged but the container is not, and the item was shipped via U.S. Postal Service or damage was caused by the way the item was packaged (improper bracing, marking, etc.).	Research status previously received to ensure there has not been a partial cancellation, substitution, or split shipment. If appropriate, submit an SF 364 (SDR) and all supporting documentation to appropriate ILCO.

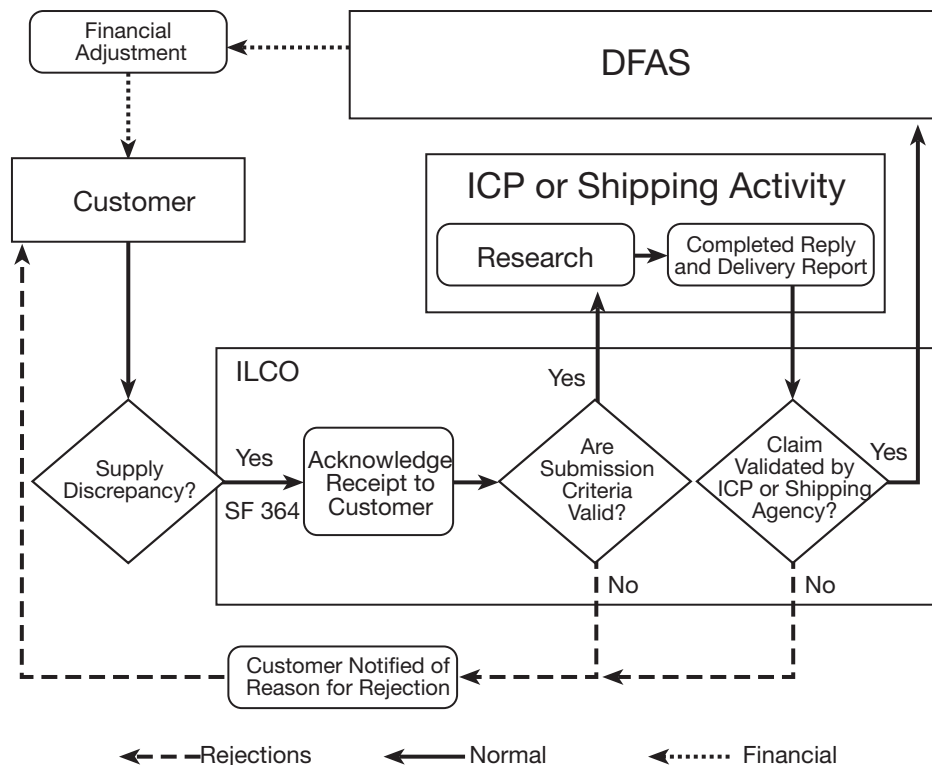
## The Discrepancy Report

After completing the step-by-step review using the process just outlined, the next action involves preparation of the SDR. Refer to Figure 10-4 for this process. The SF 364, *Supply Discrepancy Report*, or an electronic equivalent, is the document used in reporting selected discrepancies to the ILCO. See the *Bandarian Security Cooperation Program Sample Documents* for a sample SF 364. The requirement for the FMS customer to submit reports of discrepancy on an SF 364 is included in the conditions of each LOA negotiated with the country. FMS customers may use SCIP or AFSAC Online to submit SDRs electronically instead of using the SF 364.

The security cooperation office may assist the FMS customers in articulating the discrepancy so that it is understandable by the ILCO. However, the SCO has no role in accepting or adjudicating the SDR on behalf of the FMS customer or ILCO.

The supply discrepancy reporting process does not apply to materiel transferred to international partners under Building Partner Capacity (BPC) programs (“pseudo” LOAs). The SDR process also does not apply to EDAs, or materiel provided under a Presidential drawdown. In BPC LOAs, the standard terms and conditions do not apply. EDAs are sold in “as is, where is” condition, and Presidential drawdowns are grants executed without an LOA. If discrepancies are identified with BPC materiel, the SCO is responsible for submitting the SDR to the ILCO prior to the material being transferred to the international partner. Once the materiel has been turned over to the international partner, SDRs for loss or damage will not be accepted.

**Figure 10-4  
Discrepancy Process**



The original and six copies of the SF 364 along with a copy of all applicable documentation should be forwarded to the ILCO of the military service managing the FMS case. Electronic submission of the SDR via STARR-PC, AFSAC Online, SCIP, or some other electronic medium will speed up the investigation process. Photographs of materiel as received, which involve damaged or mislabeled materiel, should be attached to the SF 364 or uploaded along with the electronic SDR as evidence to substantiate the claim. If available, other documents that should accompany the SF 364 include copies of the DD Form 1348-1A, *Issue Release/Receipt Document*; DD Form 250 or WAWF electronic equivalent, *Material Inspection and Receiving Report*; and any previously received status reports, bills of lading, drawings, and any other related documents that support the SDR. SDRs for other than transportation or financial discrepancies should be submitted to one of the following:

**Navy**

NAVSUP Weapon Systems Support  
ATTN: Code P753112  
700 Robbins Avenue  
Philadelphia, Pennsylvania 19111-5098

**Army**

U.S. Army Security Assistance Command  
54 M Avenue, Suite 1  
New Cumberland, Pennsylvania 17070-5096

**Air Force**

Air Force Security Assistance and Cooperation Directorate  
5454 Buckner Road  
Wright-Patterson Air Force Base, Ohio 45433

*Initial Edit*

When an SDR is received from an FMS customer, the ILCO acknowledges receipt to the customer. The receiving activity then makes an initial edit of the SDR for proper format, and a second edit against the FMS management information system, SAMIS, MISIL, or CISIL. The ILCO has fifteen days to accomplish this initial processing. If correct, the SDR is recorded, entered into the processing system, and forwarded to the appropriate inventory control point or shipping activity for further processing. The ICP/shipping activity has sixty days to research the SDR and provide evidence of shipment or delivery. If the initial edit by the ILCO reveals that the SDR was submitted in error, e.g., not in accordance with the conditions on the LOA or was submitted with insufficient information for processing, the SDR is rejected with the reason(s) indicated.

### ***Resolution***

Resolution of an accepted SDR normally requires a minimum of ninety days after receipt. Thus, the FMS customer will normally not receive any report of the final action taken until about three months after receipt of the SDR by the appropriate ILCO. If a purchaser's request for compensation under this procedure is denied by the MILDEP concerned, i.e., an unfavorable finding, the purchaser may request reconsideration by resubmitting the SDR within forty-five calendar days of the denial. A copy of the original SDR, annotated to indicate that it is a resubmission along with all supporting documentation, is resubmitted to the ILCO. The FMS customer should include a cover letter explaining why the original finding is thought to be incorrect. If the customer remains dissatisfied with the second response, the SDR may be resubmitted a third time within forty-five days of the date of the second response. A third submission is normally accomplished only if there is additional documentation to support the claim.

### ***Final Action***

The appropriate MILDEP item manager or shipping activity of the source of supply is responsible for providing an SDR reply to the ILCO.

Compensation for an approved SDR may be in the form of a financial credit, a repair service, or a replacement item. If the discrepancy was for a lost, damaged, or incorrect item, the customer may request a replacement item. In that case, the ILCO will coordinate with the item manager to ship a replacement asset without having the customer reorder the item. If the discrepancy is financial, the ILCO will coordinate with DFAS to take appropriate financial action on the purchaser account. The billing statement furnished to the purchaser on a quarterly basis (DD Form 645) will reflect such financial adjustments. If the discrepancy involves a quality or performance defect, the MILDEP may determine that repair services are the most appropriate method to resolve the discrepancy.

### ***Mandatory Defense Security Cooperation Agency Approval***

DSCA approval of an SDR is required when the implementing agency determines that the USG is liable for correction of the discrepancy under the terms and conditions of the LOA and recommends that the use of FMS funds and the value of the SDR is in excess of \$50,000. DSCA approval is also required when the SDR involves a resolution, which is not consistent with guidance provided in the SAMM or other appropriate directives.

### ***Materiel Returns***

Whenever discrepant materiel is to be returned to U.S. custody, the purchasing country will be directed to reship the materiel using the same document number under which the materiel was originally shipped. For routine materiel discrepancies, the country will be advised to return the materiel to USG custody within 180 days from the date of approval, at USG expense, using either DTS or a commercial carrier under contract to the DoD. Upon evidence of materiel being returned, a credit adjustment will be processed for the return of the discrepant materiel if previously authorized. This evidence releases the FMS customer of liability for the materiel. In the case of unordered sensitive or classified materiel,



the purchasing country will be directed to return the materiel to the USG within thirty days from the date of notification.

### ***Warranties and Supply Discrepancy Reports***

The SDR process is not a warranty. FMS customers may submit SDRs for discrepant materiel whether or not a warranty exists. If the purchaser desires a special performance warranty, the U.S. will purchase one and exercise these rights at an additional cost. If the FMS purchaser did not request and pay for a special performance warranty, then they have no warranty (except for the clear title). If the U.S. happens to purchase a routine warranty, no special warranty actions are required by the purchaser. The purchaser may receive the benefit of any routine warranties through the SDR process. The presence of a warranty or lack thereof influences the potential range of remedies the DoD can pursue. The IA may accept the SDR for evaluation. However, doing so does not automatically create an obligation to compensate the FMS customer. If a customer-requested written warranty exists and is documented in the LOA, an SDR submitted for warranty repairs or service is valid as long as the warranty is effective. An LOA note or other written direction will be provided to the FMS customer on how to exercise the warranty (SAMM C6.3.8).

### ***SDR Transportation Reimbursement Policy***

DSCA policy allows for reimbursement of transportation for discrepant materiel approved under an SDR. The policy covers SDR transportation reimbursement for the following:

- FMS items furnished in new or as-new condition
- Packing, crating, and handling relating to FMS materiel
- Local disposal relating to FMS materiel
- Transporting items repaired under a warranty to the FMS customer

The SDR agency approving the transportation reimbursement must follow a checklist to ensure all reimbursement prerequisites are met. The policy allows for a reimbursement of between 3 and 5 percent of the billed amount. More information is available in DSCA policy letter dated 6 October 2003, subject: FMS SDR Transportation Reimbursement Policy (DSCA 03-15).

### ***Product Quality Deficiency Reports***

The Product Quality Deficiency Report (PQDR) program provides DoD users with a method of reporting deficiencies in new or as-new or repaired materiel to the item manager for preventing recurrence. DoD item managers use PQDRs to justify freezing assets, purging system assets, or returning materiel to the contractor for repair or replacement. FMS customers may submit the SDR in lieu of the PQDR to the ILCO to report product deficiencies at any time. The ILCO will provide information about the product deficiency to the item manager. However, submission of an SDR to report a quality issue will not automatically give the purchaser any financial credit or provide a replacement item, unless the deficiency is reported within twelve months of initial shipment and the item has a value of at least \$200. DLM 4000.25, Volume 2, C17.1.8.3, provides further information on the submission criteria and use of the SDR to report a quality deficiency in lieu of a PQDR.

### ***Financial Discrepancies***

Financial discrepancies are very rare but may occur when the incorrect accessorial charges are recorded by DFAS on the quarterly bill. An example of a financial discrepancy is an incorrect transportation charge due to a change in delivery terms. Such discrepancies should be identified by the purchaser and submitted to the FMS case manager in a letter format requesting correction. The SDR form, SF 364, is not used for reporting financial discrepancies.

## **Transportation Discrepancies**

Transportation Discrepancy Reports (TDR) apply only to materiel that is lost or damaged while being transported in the Defense Transportation System (DTS). The TDR is not one of the categories of reporting discrepancies afforded to FMS customers. The TDR procedures are used to document carrier performance and are not intended as a reimbursement option for FMS customers. Transportation discrepancies are normally handled by a U.S. representative filing a claim with the shipper or Surface Deployment Distribution Command against the carrier on a Transportation Discrepancy Report (TDR), DD form 361. Transportation discrepancies are discussed in detail in Chapter 11 of this textbook, "Security Cooperation Transportation Policy."

## **SECURITY COOPERATION PROGRAM SUSPENSIONS**

Security cooperation programs may be suspended by the Department of State (DoS) for various reasons, as described in Chapter 2 of this textbook and the SAMM C6.6. If the DoS determines that it is necessary to suspend security cooperation to a particular country, it issues guidance for execution. Upon receipt of this guidance, the Defense Security Cooperation Agency (DSCA) issues appropriate instructions to the implementing agency informing the Combatant Commander and the Security Cooperation Organization (SCO).

The DoS may direct that all deliveries of defense articles to the suspended country be stopped immediately. Materiel is not released to the country's freight forwarder or to the country. In the absence of such direction, materiel support cases implemented prior to the effective date of sanctions are allowed to continue regardless of term. New LOAs are not signed. If procurements have started but contracts have not been awarded, the IA provides details to DSCA and requests guidance. Contracts that have been awarded should continue. However, when items are ready for delivery, DSCA issues guidance on possible diversion of the materiel to another country, to the DoD itself, or to storage consistent with DoS guidance.

If the DoS so directs, shipments of defense articles, where the materiel is under USG control, are not loaded at the ports of embarkation. Materiel already in route to the country is not delivered; it is retained under USG control. These articles are stored by the appropriate DoD component until DSCA issues further direction.

Materiel ready for shipment from a contractor may be shipped to a DoD facility for segregated storage to await DSCA disposition instructions. If economical, the materiel may be stored at the contractor's facility. The purchaser is responsible for any storage fees if the title has passed.

Any requisitions submitted against either a Cooperative Logistics Supply Support Agreement (CLSSA) or a blanket order FMS case may be required to be held by the IA and not be filled.

The DoS may extend a suspension to become a cancellation in accordance with AECA, Sections 2(b) and 42(e). DSCA directs case cancellation and appropriate contract actions to include termination. DSCA provides guidance on the disposition of items, funding, etc., after a case-by-case review.

## **SUMMARY**

Logistics employs four processes to complete four tasks: acquisition, transportation, supply, and maintenance. Since there is no separate logistics system for FMS, the processes required for FMS support are furnished through the existing DoD infrastructure. The same wholesale (ICP or depot-level) acquisition, supply, transportation, and maintenance systems used for the support of U.S. forces are also used for the support of FMS. By taking advantage of DoD resources through the FMS program, the foreign country avoids establishing its own separate offices to perform the same functions.

The primary interface between the foreign country and the U.S. logistics system are the ILCOs, i.e.,

USASAC, NAVSUP Weapon Systems Support-N52, and AFSAC. These organizations are dedicated to managing logistics programs that support the FMS purchaser and working with purchasers to resolve problems with materiel deliveries.

It is DoD policy to support FMS systems and equipment. Initial support and follow-on support must be considered part of the total package approach (TPA). The TPA ensures that FMS customers plan for and obtain all necessary support items, training, and services required to introduce and operate major systems and equipment. In addition, both initial and follow-on support must be considered at the time a major system is sold. The purchaser's unique requirements are often determined through a site survey. These unique requirements are integrated into the standard DoD configuration through the definitization of the purchaser's total package.

Follow-on support is available through several avenues within the FMS program. At times, the purchasing country itself may have some compatible resources that can be applied to the new system. Other sources are from third countries (with U.S. permission) or private U.S. contractor support.

Several follow-on support programs are in place for acquiring hard-to-obtain assets. The PROS and SNAP commercial buying services focus primarily on obtaining nonstandard spares for the FMS customer. Follow-on support can also be acquired through a variety of programs whereby materiel excess to the needs of the USG can be made available to purchasing countries under FMS.

Because of the number of FMS transactions and the worldwide distribution of the materiel involved, the potential for errors, differences, and discrepancies is ever-present. To manage this, a formal reporting system has been established using the Supply Discrepancy Report.

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## Chapter

# 11

# SECURITY COOPERATION TRANSPORTATION POLICY

## INTRODUCTION

The movement and accounting of foreign military sales (FMS) and Building Partner Capacity (BPC) materiel programs, involves a number of transportation complexities as the materiel flows from the military department (MILDEP) or agency depots and contractor points of origin to the ultimate customer. This chapter examines those complexities, to include the Department of Defense (DoD) policy governing the process, organization, and responsibilities of those activities engaged in the movement and accounting of the materiel. Each topical area affords the reader an appreciation of the policy and the individual roles and responsibilities of the country representatives, freight forwarders, and DoD. Policy for the movement of materiel is the responsibility of the Deputy Assistant Secretary of Defense for Transportation Policy within the Office of the Secretary of Defense. The Defense Security Cooperation Agency (DSCA) publishes specific guidance for the movement of security cooperation materiel in the *Security Assistance Management Manual* (SAMM) Chapter 7.

## BASIC TRANSPORTATION TERMINOLOGY

To better understand transportation policy as it applies to security cooperation materiel shipments, the following terms are defined.

**Carrier:** The carrier is a transport entity that moves materiel from the supply or repair depot, contractor's warehouse, or staging facility to another location. The carrier may be a commercial trucking company, a commercial rail line, a commercial or military surface ship, or a commercial or military aircraft. The carrier may also be a government package handler such as the U.S. Postal Service (USPS) or a commercial package handler such as the United Parcel Service (UPS) and the Federal Express Corporation (FedEx) when contracted by the DoD. The carrier may be under contract to the DoD and part of the Defense Transportation System, or the carrier may be under contract to the FMS customer.

**Consignee:** The person or organization to whom the shipment is to be delivered, whether by land, sea, or air. This is usually the FMS customer.

**Defense Transportation System (DTS):** The collection of transportation activities and carriers belonging to or under contract to the DoD. The DTS includes commercial carriers, organic military carriers, U.S. military ports in the continental United States (CONUS) and outside the continental United States (OCONUS), the USPS, and commercial package handlers such as UPS and FedEx when contracted by the DoD.

**Freight Forwarder:** A commercial import/export company under contract to the FMS customer. The freight forwarder arranges transportation from CONUS to the final destination and clears U.S. Customs for the FMS customer. The role and responsibilities of the freight forwarder are discussed later in this chapter.

**Port of Embarkation (POE):** The port from which cargo departs (military or commercial). This is sometimes also referred to as the port of exit.

**Port of Debarkation (POD):** The military or commercial airport or ocean port at which the materiel

is off-loaded. This is sometimes also referred to as the port of discharge. This port may not necessarily be in the consignee's country.

**Shipper:** In initial FMS or BPC LOA exports, the term applies to defense organizations such as the Defense Logistics Agency (DLA), the Defense Contract Management Agency (DCMA), any military depots that repair FMS customers' materiel, and any commercial contractors or suppliers under contract to the DoD who ship materiel in support of security cooperation programs. Ultimately, the shipper is the DoD. The responsibilities of the shipper are discussed later in this chapter.

## **BASIC TRANSPORTATION POLICY**

Historically, FMS transportation policy has been a policy of purchaser self-sufficiency whereby each purchaser is normally responsible for the transportation and delivery of its own materiel. In the application of this policy, and within the framework of U.S. laws, regulations, and policies, the purchaser typically employs an agent, such as a freight forwarder, to manage transportation and delivery from the freight forwarder's facility in the U.S. to the purchaser's desired destination.

### **Title Transfer**

Title to equipment and materiel will pass at the initial point of shipment (point of origin) unless otherwise specified in the letter of offer and acceptance (LOA). Title to DoD articles sold from stock will normally transfer at the U.S. depot. Items procured from contractors will normally pass title at the contractor's loading facility. Title to excess materiel will normally pass at the location at which the materiel is being offered for sale. Title to defense articles transported via parcel post passes to the purchaser on the date of parcel post shipment. USG materiel articles transferred under BPC pass title at the point of delivery.

### **Point of Delivery**

The point of delivery is where responsibility for the physical movement of an FMS shipment passes from the DoD to the purchaser. The point of delivery is identified on the LOA by the delivery term code (DTC). The CONUS point of delivery is normally a commercial airport or seaport, and it can also be the freight forwarder's facility. However, there are numerous situations when the point of delivery may be at a CONUS military POE on board the purchaser's carrier or at an overseas POD or final destination.

### **The Defense Transportation System**

The DoD encourages FMS customers to make a best value movement decision in the shipment of their FMS materiel; that is, all transportation arrangements from the point of origin should be made by the FMS customer. However, the DoD recognizes that not all FMS customers have the resources to perform their own transportation or to hire their own freight forwarder. Additionally, not all categories of materiel are eligible to be transported through commercial channels. For these reasons, the DoD arranges transportation for the FMS customer using the DTS.

The prime movers within the DTS are the U.S. Air Force Air Mobility Command (AMC), the U.S. Navy Military Sealift Command (MSC), and the U.S. Army Surface Deployment and Distribution Command (SDDC). All three commands are under the central authority of the U.S. Transportation Command (USTRANSCOM). The AMC manages DoD air terminals and the onward movement of cargo and passengers booked on military airlift. The MSC provides worldwide ocean transportation for the DoD. The SDDC is the single DoD manager for military traffic, land transportation, and common-user ocean terminals. The SDDC provides transportation planning and support for the surface movement of passengers and cargo within the DTS, including within CONUS.

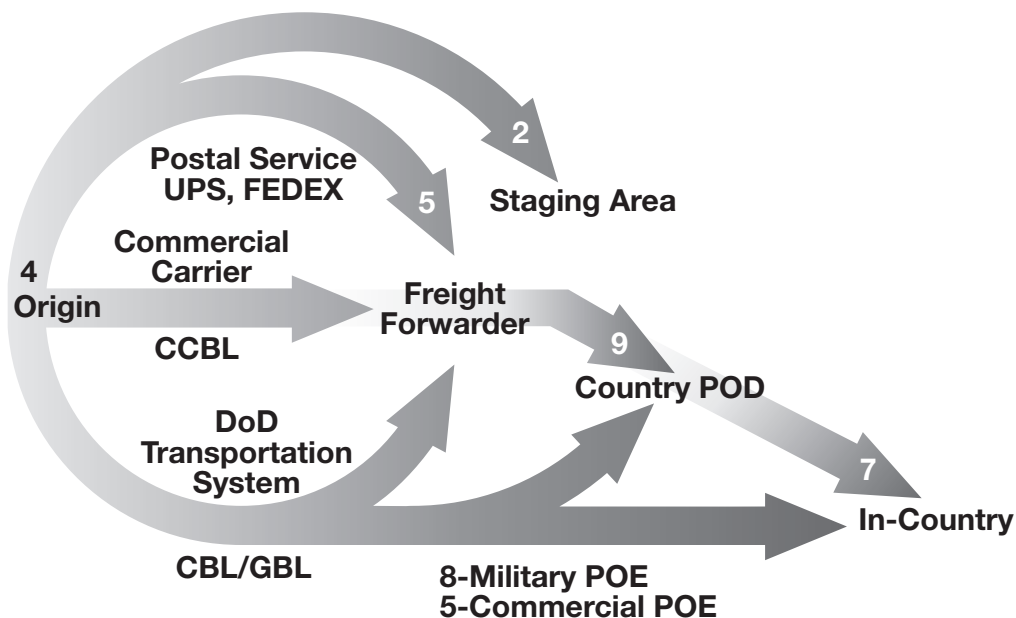
When FMS materiel is shipped through the DTS, the customer is charged for the cost of transportation.



When FMS customers use the DTS, a DTC percentage is applied to the line to compute an estimated amount for these costs on the LOA. DTC percentages are based on the transportation provided (e.g., port-to-port or depot-to-in-country destination) and the rate area where articles are being delivered. DTS may also be billed as an above-the-line charge where an estimated amount is placed above-the-line to pay for transportation services. The price of Working Capital Funded (WCF) materiel (e.g., most DLA-managed secondary and consumable items) includes the cost of transportation to the purchaser's freight forwarder or to the CONUS POE. The transportation document is a commercial or government bill of lading (CBL/GBL). Collect commercial bills of lading (CCBLs) are occasionally used for non-WCF items shipped to the freight forwarder. The DoD 7000.14-R, *Financial Management Regulation* (FMR) Volume 15, Chapter 7, states that, when transportation of FMS materiel is accomplished through the use of CBLs/GBLs, normal commercial rates, not U.S. Government (USG) rates, shall be used. The purchaser remains responsible for onward transportation.

Normally, firearms, explosives, lethal chemicals, other hazardous materiel, and, occasionally, classified materials, are moved within the DTS or other USG-arranged transportation on a CBL/GBL to the CONUS POE. The onward movement of these items will be by purchaser-owned or controlled aircraft or purchaser-owned, operated, or controlled surface vessels. FMS materiel, which requires exceptional movement procedures, such as sensitive and certain hazardous materiel as defined in DoD 4500.9-R, *Defense Transportation Regulation* (DTR) Volume 2, part II, "Cargo Movement," will be shipped through CONUS water or aerial port facilities controlled by the DoD. Air cargo that exceeds commercial capability can also be delivered through DTS. Figure 11-1 illustrates the DTS and the various DTCs.

**Figure 11-1**  
**Foreign Military Sales Transportation Process**



Note that, when using the DTS, the USG normally maintains control and custody of the materiel (but not the title) until delivery to the purchaser. Since use of an FMS-funded bill of lading for an FMS shipment is considered a DTS shipment, the DoD is performing a reimbursable service for the FMS customer, and custody must not be construed to mean retention of title or acceptance by the DoD of any risk of loss or damage. If the DTS ships an item to an FMS recipient, including a recipient freight forwarder, and loss or damage occurs, the recipient must notify the shipper. The shipper may choose to file a claim with the carrier. The FMS customer may not file claims directly against the DTS carrier. The USG has responsibility for filing and processing claims with carriers when the shipment is made on a prepaid basis to locations where DoD personnel or other USG representatives have

primary responsibility for receipt inspection and acceptance. The FMS customer may submit a supply discrepancy report (SDR) to request assistance in resolving the loss or damage discrepancy. If the USG accepts responsibility for the loss or damage, the FMS customer may be reimbursed some or all of the transportation cost as part of the SDR approval process.

## **Insurance**

If the FMS purchaser does not want to self-insure a shipment, the purchaser should obtain commercial insurance for the FMS shipments. The FMS customer may contract with their freight forwarder to arrange for commercial insurance on their behalf.

## **Preservation, Packing, and Marking**

The LOA standard terms and conditions (Section 5.1) state that defense articles will be packed and crated prior to the time that title passes. This packaging is done in accordance with Military Standard (MIL-STD) 2073-1E, *Department of Defense Standard Practice for Military Packaging*. This reference, and the *Security Assistance Management Manual* (SAMM) Section C7.8, require packing for protection of materiel under anticipated favorable environmental conditions of worldwide shipment, handling, and storage. This level of packaging is designed to protect materiel against physical damage and deterioration during favorable conditions of shipment, handling, and storage in warehouse conditions for a minimum of eighteen months. Additional special packing is available as an additional FMS service for an additional fee.

Address markings shall be in accordance with MIL-STD-129P, *Department of Defense Standard Practice for Military Marking*, and DTR Chapter 208. DoD shippers and commercial contractors and vendors making shipments to overseas locations must use the DD Form 1387 shipping label with bar-coded data. In addition to DoD prescribed markings, FMS shipments must be marked with freight forwarder and in-country, clear-text addresses when applicable. Additionally, each package should indicate shipment priority in such a manner that the freight forwarder will know the onward shipment requirements. The case identifier, national stock number, and the item dollar value are also required for freight forwarder and customs export requirements.

## **Small Parcel Shipments**

The U.S. Postal Service (USPS) defines a small parcel as an item that weighs up to seventy pounds and measures up to 130 inches in combined length and girth. Transportation officers are authorized to use either the USPS parcel post facilities or commercial package carrier equivalents, such as UPS or FedEx for small parcel shipments. Overseas movement via the military postal service (Army Post Office [APO]), or the Department of State's diplomatic post office (DPO) may only be used if the APO/DPO is specifically identified in the LOA and the APO/DPO has agreed in writing to accept responsibility for receiving security cooperation shipments. (A diplomatic post office is a postal facility that operates at one of the U.S. embassies abroad as a branch post office of the USPS.) the Department of State's diplomatic pouch services (not the same as the DPO) should not be used for materiel shipments. As a rule, the APO/DPO and diplomatic pouch modes are not to be used for FMS shipments. However, exceptions to this policy are authorized for classified shipments when the purchaser does not have approved facilities to receive classified items in the U.S. or when the LOA specifies delivery in-country through the security cooperation office (SCO) or mission. The SAMM, Section C7.6.2.4, requires that such exceptions be kept to a minimum and all associated costs charged to the purchaser. When shipping via domestic parcel post or commercial carrier equivalents, the transportation service selected must provide proof of entry into the transportation network and proof of delivery to the consignee.

## **Consolidation**

FMS issues from a stock point to a given addressee will be consolidated for shipment purposes to the greatest extent possible consistent with customer requirements. Consolidation of line items

into containers or shipment units will be limited to the same U.S. sponsoring service, the same FMS case designator, the same “Mark-for” and “Ship-to/Freight Forwarder” locations, and the same priority designator (designators 01-08 may be mixed but not with lower priorities). When items are consolidated, the container should be marked to indicate a consolidated shipment.

### **Dangerous Goods Shipments**

FMS customers frequently purchase materiel through the DoD that is deemed hazardous by the *United States Code of Federal Regulations* (CFR). The U.S. Department of Transportation (USDOT) publishes U.S. Hazardous Material (HAZMAT) regulations under Title 49, Sections 100–199 of the *Code of Federal Regulations* (49 CFR 100-199). The USDOT strictly regulates the movement of such materiel. The USDOT defines dangerous goods (hazardous materiel) as those materials that are capable of posing an unreasonable risk to health, safety, and property when transported in commerce. Such materiel includes petroleum products, aerosols, compressed gases, paints, and cleaning compounds. These materials are identified alphabetically, by proper shipping name, in the hazardous materials Table, 49 CFR 172.101. This table covers the transportation of HAZMAT in all modes—highway, rail, water, and air. It makes no difference whether the shipment comes from a DoD or commercial shipper or whether the carrier is a contracted commercial surface or air carrier or a military carrier. It also makes no difference if the movement of the HAZMAT is strictly domestic or international. All movement of dangerous goods in commerce must comply with 49 CFR, and all commercial and DoD shippers must be certified in accordance with 49 CFR before they can approve the movement of dangerous goods.

Often, the DoD or contract shipper will not know the ultimate mode of transportation for export shipments, especially if onward transportation is arranged by a freight forwarder. When this possibility exists, the original shipper should attempt to contact down-line shippers and forwarders to determine what packaging or certification is required, because this can generally be accomplished in a more cost-effective manner if performed by the original shipper rather than by down-line shippers. It is the originating shipper’s responsibility to prepare the shipment for transportation to the ultimate destination.

Failure to adequately package and label dangerous goods, and/or failure to properly provide accurate shipping documents, results in frustrated cargo that cannot clear customs and leave the U.S. If a freight forwarder receives such a shipment, the DoD is still responsible for resolving the discrepancy. This can often be a time-consuming, costly process for both the DoD and the freight forwarder. The DoD is not exempt from paying costly fines imposed under 49 CFR for failing to comply with HAZMAT transportation regulations.

In addition to having to conform to the requirements of 49 CFR, hazardous materiel shipments must be certified to the International Maritime Dangerous Goods Code (IMDGC) if the materiel is being transported by ship. If it is being transported by either commercial cargo aircraft or passenger aircraft, it must be certified to the *International Air Transport Association* (IATA) *Dangerous Goods Regulations* or *International Civil Aviation Organization* (ICAO) *Technical Instructions for the Safe Transport of Dangerous Goods by Air*. If being transported by military aircraft, the shipment must be certified to the U.S. Air Force Joint Manual 24-604, *Preparing Hazardous Materials for Military Air Shipments*.

### **Classified Shipments**

Classified shipments of FMS materiel are often made via the DTS, which provides the required security and enables the DoD to maintain control and custody of the materiel until delivery to the purchaser. Classified materiel or data must be moved under security safeguards appropriate to the transportation mode employed, as established by DoD Manual 5200.01, Volume 3, *DoD Information Security Program: Protection of Classified Information*.

Classified and sensitive materiel is identifiable through the Controlled Inventory Item Code (CIIC) listed in the catalog data for that item. Classified items should also be identified on the LOA. Commercial transportation may be used for the movement of classified or protected materiel provided the carrier has fulfilled the required criteria and has the proper authorization as delineated in DoD 4500.9-R, *Defense Transportation Regulation*, part II, “Cargo Movement,” and DoD 5220.22-R, *Industrial Security Regulation*.

The DoD Manual 5200.01, Volume 3, *DoD Information Security Program: Protection of Classified Information* specifically advises that classified materiel shall be transferred on a government-to-government basis by duly authorized representatives of each government. This means that classified materiel shall be sent only to an embassy or other official agency of the recipient government, or for loading on board a ship, aircraft, or other flag carrier designated by the recipient government at the point of departure from the U.S.

Some freight forwarders have been cleared to receive classified shipments. A foreign government, embassy, or country representative may request a freight forwarder security clearance by contacting the facility clearance branch of the Defense Counterintelligence and Security Agency (DCSA) International Division at [occ.facilities@dss.mil](mailto:occ.facilities@dss.mil), or by calling 1-888-282-7682. The DSS website at <https://www.dss.mil/ma/ctp/io/fcb/> contains instructions for submitting a facility clearance request. The DCSA will grant a facility clearance following an inspection of the facility. A copy of the facility clearance approval letter must be sent to the following address:

The DLA Logistics Management Standards Office  
DLMSO-J627  
8725 John J. Kingman Road  
Fort Belvoir, VA 22060-6221

The DLA Logistics Management Standards Office will update the Military Assistance Program Address Directory (MAPAD) to identify that the freight forwarder is cleared to handle classified freight.

The release of a shipment to a freight forwarder does not constitute transfer of custody and security responsibility to the recipient foreign government; this occurs only when the receiving government’s designated government representative (DGR) assumes custody of the consignment. The freight forwarder acts only as a transfer agent. The DGR must be a citizen of the receiving country and must be appointed in writing by the international customer’s government. For more information on the transfer of classified materiel, see Chapter 7 of this textbook, “Technology Transfer, Export Controls, and International Programs Security.”

## **Transportation Plans**

Before classified FMS materiel can be shipped, the procedures for safeguarding it must be spelled out in a detailed transportation plan by the IA preparing the LOA, in cooperation with the FMS customer. The transportation plan must identify the individual responsible for safeguarding the classified materiel, the methods of transport, the locations of transfer and delivery, the location of storage or processing facilities, and the security clearances of all personnel and facilities involved in the transfer. The IA must ensure that its own security officials review and approve the transportation plan.

The transportation plan should be initiated upon LOA implementation. It must be finalized, reviewed, and approved by the selling command’s security officials before any classified materiel can be shipped. The completed transportation plan must be maintained in the case file. It must also be made available to U.S. Customs and Border Protection and other security officials when classified materiel is exported. Transportation plan specifics are detailed in the SAMM Section C7.13. See the DSCU publication *Bandarian Security Cooperation Program Sample Case Documents* at [www.dscu.mil](http://www.dscu.mil) for an example of a transportation plan. ITAR 126.6(c) provides the appropriate exemptions for temporary imports of unclassified and classified FMS materiel without a license. A transportation plan is also

required before certain types of explosives can be moved, per DoD 5100.76-M, Physical Security of Sensitive Conventional Arms, Ammunition and Explosives (AA&E).

## **Sensitive Shipments**

The term “sensitive” has two different meanings, but both definitions impact the movement of materiel deemed “sensitive.” “Sensitive materiel” is a description usually associated with AA&E, but also includes non-explosive technologies in night vision devices (NVDs) and controlled cryptographic items (CCI).

### ***Sensitive—Security***

In the context of security, “sensitive” is a special term that describes conventional AA&E, CCI, and NVDs requiring special protection and security to keep them out of the hands of criminals and terrorists.

Criminals and terrorists find conventional AA&E, NVDs, and CCI desirable because they are deadly, portable, and highly pilferable if unprotected. Conventional AA&E are munitions that are not nuclear, biological, or chemical (NBC) munitions. NBC items are covered by their own regulations. The DoD applies special security controls to sensitive items. Sensitive explosive materiel will always be moved via the DTS under DTCs 8, 9 or 7.

### ***Sensitive—Hazardous***

The second definition of the term “sensitive” applies in the context of hazardous materials, specifically explosives. “Sensitive” in this context indicates the ease of initiation of fire or explosion within the package and the extent of the damage it causes. Hazardous materiel regulations categorize explosives based on their volatility or ease of detonation.

A Controlled Inventory Item Code (CIIC) is assigned to every piece of materiel in the DoD inventory that has a national stock number. This CIIC is a combination of the security risk category and the hazardous classification of the materiel. The CIIC is used to determine the shipping procedures required to move the materiel to the FMS customer.

Not all AA&E items are sensitive. That means they do not require special security. Non-sensitive AA&E, if it contains explosives, is governed by HAZMAT regulations. Just because an item is hazardous does not make it sensitive AA&E, or vice-versa. Hazardous and non-sensitive items may be shipped through commercial channels under DTC 4 or 5.

## **Arms, Ammunition, and Explosives**

The United Nations’ (UN) hazard classification system for identifying explosive materials and explosive components is recognized internationally and is used universally by the DoD and the USDOT. The UN system consists of nine classes of dangerous materials, with explosives designated as Class 1. The explosives hazard class is further subdivided into six divisions, which are used for segregating ammunition and explosives on the basis of similarity of characteristics, properties, and accident effects potential. Table 11-1 defines these explosive divisions and properties.

Ammunition and explosives are further assigned to compatibility groups, which identify whether the explosives can be transported and stored together without significantly increasing either the probability of an incident or the magnitude of the effects of such an incident. The compatibility group determines the type of carrier that may be used to transport the materiel, such as a passenger aircraft or a dedicated ammunition surface ship.



**Table 11-1**  
**Class 1 Explosives Hazard Division Definitions**

Division 1.1	Substances and articles that have a mass explosion hazard. Includes Man-Portable (MANPAD) Missiles, launched missiles, blasting caps, and TNT.
Division 1.2	Substances and articles having a projection hazard but not a mass explosion hazard. Includes bombs, rockets, grenades, and large caliber ammunition.
Division 1.3	Substances and articles that have a fire hazard and either a minor blast hazard or a minor projection hazard or both, but not a mass explosion hazard. Includes flares, smoke grenades, CAD/PADs, and professional fireworks.
Division 1.4	Substances and articles that present no significant hazard. In the event of ignition or initiation during transport, the effects are largely confined to the package and non-projection of fragments of appreciable size or range is to be expected. Includes CAD/PADs, small caliber ammunition, fuses, rocket motors, and household fireworks.
Division 1.5	Very insensitive substances that have a mass explosion hazard but very little probability of initiation or of transition from burning to detonation under normal conditions of transport. Includes construction and demolition blasting agents.
Division 1.6	Extremely insensitive articles that do not have a mass explosion hazard and demonstrate a negligible probability of accidental initiation or propagation. Includes pyrotechnics, flares, and gunpowder.

Class 1 divisions 1.1 through 1.3 are generally regarded as the most dangerous and most desirable by criminals and terrorists and are, therefore, assigned within four Security Risk Categories (SRC) by the security community. The SRC is used to determine the transportation security requirements for movement of the sensitive AA&E, based on capability, portability, and volatility of the explosive. These SRCs are discussed in detail in the SAMM Chapter 7. SRC I materiel must be transported to at least a customer country's port of debarkation (POD) under DoD control unless waived by the Office of the Under Secretary of Defense for Intelligence. The applicable DTC on the LOA will be 9 or 7. SRC II through IV items must be shipped at least to a DoD ocean or aerial port where DoD personnel load it into a customer country's ship or aircraft. The LOAs for these items must be written with a DTC of 8, 9, or 7.

Table 11-2 correlates the SRC with the appropriate Delivery Term Codes and movement protection requirements that should be used for the movement of explosives.



**Table 11-2**  
**Security Risk Categories**  
**Movement Requirements for Exports of Arms, Ammunition, and Explosives (AA&E)**

	<b>SRC I</b>	<b>SRC II</b>	<b>SRC III</b>	<b>SRC IV</b>
<b>Definition</b>	Highest sensitivity, UNCLASSIFIED or CLASSIFIED	High sensitivity, UNCLASSIFIED or CLASSIFIED	Moderate sensitivity, UNCLASSIFIED or CLASSIFIED	Lowest sensitivity or pilferable, UNCLASSIFIED
<b>Export Authorization</b>	LOA for classified and unclassified FMS exports; No commercial exports authorized	LOA for FMS exports; DSP-5 for commercial unclassified exports; DSP-85 for commercial classified exports	LOA for FMS exports; DSP-5 for commercial unclassified exports; DSP-85 for commercial classified exports	LOA for FMS exports; DSP-5 for commercial unclassified exports
<b>Controlled Item Inventory Code (CIIC)</b>	1 – UNCLASSIFIED 5 – CLASSIFIED SECRET 6 – CLASSIFIED CONFIDENTIAL	2 – UNCLASSIFIED 8 – CLASSIFIED CONFIDENTIAL	3 – UNCLASSIFIED C – CLASSIFIED CONFIDENTIAL	4 – UNCLASSIFIED
<b>Delivery Terms</b>	OCONUS POD (DTC9) or final destination (DTC 7) via DTS	CONUS DoD POE (DTC 8) or OCONUS POD (DTC 9) or final destination (DTC 7) via DTS	CONUS DoD POE (DTC 8) or OCONUS POD (DTC 9) or final destination (DTC 7) via DTS	CONUS DoD POE (DTC 8) or OCONUS POD (DTC 9) or final destination (DTC 7) via DTS
<b>Customer Pickup in CONUS</b>	No * waiver per SAMM C7.15.1	Yes	Yes	Yes
<b>Movement Protection</b>	Armed escort at all times; satellite surveillance	Armed escort at all times; satellite surveillance	Dual Driver protection; constant surveillance	Dual driver protection; constant surveillance

### ***Competent Authority Approval (CAA)***

The Defense Transportation Regulation (DTR) Chapter 205B2 requires DTS to sensitive materiel in hazard class 1, divisions 1.1 through 1.3. Freight forwarders may coordinate customer pickup at a DoD-controlled port, and process export paperwork, but are precluded from accepting or storing explosive materiel in their facilities. Freight forwarders have routinely moved non-sensitive small caliber ammunition, Cartridge Actuated Devices (CADs), and Propellant Actuated Devices (PADs) in hazard class 1.4 through 1.6 through their facilities (provided local safety ordinances permitted such materiel to be in the freight forwarder’s possession). This practice has proven to be both cost-effective and efficient for the FMS purchaser.

Regardless of whether the explosive materiel moves through the DTS or commercial channels, movement of AA&E designated as hazardous materiel requires approval from a national agency responsible under a country’s national law for the regulation of hazardous materials transportation. For the U.S., the “competent authority” (CA) is the USDOT. A Competent Authority Approval (CAA) classification of explosives letter specifies international hazard classification, proper shipping name, packaging, and other requirements for the item and assigns an “explosive hazard” (EX) number. For AA&E controlled by the DoD, the DOT delegates this responsibility to specific DoD components. These organizations propose and submit Final Hazard Classifications (FHC) via the DoD Explosives Safety Board (DDESB) for approval, through the Surface Deployment and Distribution Command (SDDC) to USDOT for issuing a Classification of Explosives approval. An Interim Hazard Classification (IHC) is a mechanism used by the DoD to allow for the transportation of class 1 materiel in the U.S. when the item’s final hazard classification process has not been completed. The IHC is a memorandum, signed by authorized personnel within the Army, Navy, and Air Force, describing the item and giving it a temporary hazard classification.

The Joint Hazard Classification System (JHCS) is the official DoD database of final hazard classification data for the military services' ammunition and explosives. It is maintained by the U.S. Army Technical Center for Explosives Safety (USATCES). Explosive items are evaluated and tri-service coordinated between hazard classifiers for the Army, Navy, and Air Force following procedures in TB 700-2/NAVSEAINST 8020.8B/TO 11A-1-47/DLAR 8220.1, *Department of Defense Ammunition and Explosives Hazard Classification System*. The DDESB publishes changes to hazard classification procedures. Approved items are added to the JHCS database after assignment of an EX-number by the DOT and are published for use by authorized customers on a need-to-know basis.

When explosives are moved under an FMS agreement, the DoD's EX-number or IHC can be used to move the explosives within and from CONUS, provided that the explosives are in the DoD's possession via the DTS. If the DoD moves the explosive materiel to an overseas POD (DTC 9) or to the final destination (DTC 7), the DoD EX-number/IHC is valid to transport the materiel to that location. When the FMS purchaser elects to pick up materiel at a CONUS DoD-controlled port (DTC 8) using their own carrier, the FMS purchaser may continue to use the DoD's EX-number to transport the materiel from CONUS to their own country. However, if the FMS purchaser elects to pick up materiel at the point of origin using their own arranged transportation, the FMS customer must have a country-specific EX-number issued by the USDOT to the FMS purchaser's CA to allow the explosive materiel to move within and from CONUS after the physical transfer of custody from the DoD to the purchaser. If the explosive materiel in the possession of the FMS customer must transit any third country during the initial export, the FMS customer is responsible for obtaining CAAs from the CAs of the countries through which the explosive materiel must transit.

When an FMS customer needs to import AA&E into the U.S. (for repair and return, testing, training exercises at a U.S. installation, etc.), hazard classification documentation for the AA&E, regardless of origin, must come from the FMS customer's CA. If a DoD EX-number/IHC was originally used to export U.S. origin AA&E, it cannot be reused for any subsequent transportation. The purchaser's national CA must apply for a country-specific EX-number from the USDOT before the materiel can be moved back to, within, or from the U.S. The purpose of the application from the FMS customer's national CA is to certify that the customer has not altered the content or packaging of the explosive materiel while it has been in its possession and that it is compliant with U.N. safety standards.

FMS customers must initiate requests for country-specific EX-numbers directly with the USDOT within 60 days of implementation of the LOA authorizing the return of explosive materiel to the U.S., and allow at least 120 days for the USDOT to issue the CAA. FMS case managers should assist the FMS purchaser in obtaining this CAA by providing supporting documentation unavailable to the FMS customer, such as the existing EX-number, the JHCS record printout, and packaging documentation. FMS case managers may obtain assistance from the following:

<b>Department of Defense</b>
Department of Defense Explosives Safety Board (DDESB) 4800 Mark Center Drive Alexandria, VA 22350-3606
<b>Surface Deployment and Distribution Command (SDDC)</b>
SDDC Safety Office ATTN: AMSSD-SA 1 Soldier Way Scott AFB, IL 62225
<b>FMS customers may submit their CAA application directly to the USDOT</b>
U.S. Department of Transportation (DOT) Pipeline Hazardous Materials Safety Administration Office of Hazardous Materials Special Permits and Approvals 1200 New Jersey Avenue, SE East Building, 2nd Floor, PHH-32 Washington, DC 20590

The SAMM Section C7.16 and DSCU publication *Shipping Explosives: An FMS Customer Guide* provide detailed guidance to FMS customers and case managers for preparing a CA application.

Movement of sensitive AA&E for FMS customers requires a transportation plan, which should be coordinated with the customer as part of the FMS negotiation process. The transportation plan will be coordinated following the same procedure as for classified shipments, described earlier in this section. See DoD 5100.76-M, *Physical Security of Sensitive Conventional Arms, Ammunition and Explosives*, Enclosure 10 for more information.

### **Controlled Cryptographic Items**

A Controlled Cryptographic Item (CCI) is a U.S. National Security Agency term for secure telecommunications or information handling equipment, associated cryptographic component, or other hardware items that perform a Critical Communications Security (COMSEC) function. Items so designated may be unclassified but are deemed sensitive and, thus, are subject to special accounting controls and transportation security.

International partners who receive CCI through the NSA must establish COMSEC accounts and have an appointed COMSEC custodian in their country. The COMSEC custodian assumes accountability for the equipment or materiel upon receipt, then controls its dissemination to authorized individuals on job requirements and a need-to-know basis.

The procedures used to transport CCI from the U.S. to the foreign government's COMSEC custodian depends upon whether or not title transfers to the FMS customer. The USG retains title to all CCI equipment provided to non-NATO nations, excluding Australia and New Zealand. USG-titled equipment must be transported by the DTS following DTCs 8, 9, or 7 procedures. The primary DTS method of shipping CCI overseas is by the Defense Courier Service.

For NATO countries, Australia, and New Zealand, title to the CCI does transfer from the USG to the FMS purchaser. These countries are permitted to use their freight forwarders to move the CCI since the title has transferred.

## **Notice of Availability**

Classified, sensitive and hazardous shipments require the shipper to notify the FMS customer representative or freight forwarder of the intent to ship the materiel. This notification is known as a Notice of Availability (NOA). The NOA may be submitted on a DD Form 1348-5, Notice of Availability, or the NOA can be sent using a commercial fax, e-mail, letter, or some other traceable document. These notices may be mailed or sent electronically by the shipper. The NOA alerts the freight forwarder or country representative that a shipment is ready for movement, that appropriate actions are to be taken to ensure the protection of the materiel, and, for classified items, that proper government-to-government transfer must occur. The freight forwarder or country representative must respond to the NOA confirming readiness to receive the materiel. The NOA response should provide specific packaging and documentation instructions to enable the shipper to package the materiel for the appropriate mode of shipment. For classified shipments, the NOA must identify the name of the recipient government's DGR. The shipper is not permitted to ship the materiel unless the NOA response has been received. Shippers may charge materiel storage charges against the LOA when freight forwarders or customer representatives are unable or unwilling to accept materiel.

Notices of Availability are only applicable when the DTC is 4, 5, 8, B, C, E, or H, and for all classified items regardless of DTC; sensitive, oversized shipments to the freight forwarder (10,000 lbs or greater); and sensitive, hazardous, dangerous cargo shipment on DTC 4, 5, or 8. The requirement for an NOA is indicated on the LOA by the offer/release code in column (6). An offer/release code of Y or Z requires the shipper to send an NOA to the freight forwarder or customer representative in the U.S. However, the characteristics of the materiel being shipped determine if an NOA is necessary, even if the offer/release code on the LOA is not Y or Z. NOAs will not normally be sent for unclassified DTC 9 or 7 shipments. Security cooperation officers are responsible for monitoring shipment status using the Enhanced Freight Tracking System (EFTS) in the Security Cooperation Information Portal (SCIP), and by staying in contact with the FMS case manager. NOAs for unclassified, sensitive, oversized and hazardous materiel are sent to the Type Address Code (TAC) 3 address identified in the MAPAD. NOAs for classified materiel, however, must be sent to the country representative identified in the country's special instructions in the MAPAD, not the TAC 3 address. This is normally the country's embassy in Washington, DC. The MAPAD will be discussed in detail later in this chapter.

## **United States Flag Shipping**

In accordance with the Merchant Marine Act of 1936, as amended by the Cargo Preference Act of 1954, defense articles purchased through the Foreign Military Finance Program (FMFP), or which have been granted to a country under the Foreign Assistance Act of 1961 or the National Defense Authorization Acts, and which will be shipped by ocean vessel, are to be transported in vessels of U.S. registry. This requirement applies to new articles and excess defense articles. However, under certain circumstances, the law permits the granting of waivers, allowing not more than 50 percent of the cargo to be shipped in vessels flying flags of the country to which the credit/loan agreement applies.

Freight forwarders must take note of the term of sale on the LOA to determine if the Cargo Preference Act applies to their cargo. The terms of sale "Foreign Military Sales Credit (Non-Repayable)" and "Excess Defense Article (EDA) Grant" require transport by vessel to be made on a U.S.-registered carrier. Shippers can recognize the requirement for a U.S.-registered carrier by the Type Assistance code in the supply requisition, position 35 or in column 5 of the LOA. Type Assistance codes A, M, N, or Z indicate credit funded or granted materiel that is subject to the Cargo Preference Act.

DSCA and the U.S. Maritime Administration (MARAD) of the USDOT closely monitor credit/loan shipments. In general, USG-appropriated funds cannot be used to pay for any portion of the shipment that is not occurring on a U.S. Flagged-vessel, unless a Determination of Non-Availability (DNA) is granted or some other provision of U.S. law applies. DNA applications must demonstrate

that a reasonable, timely, and bona fide effort to arrange P1 service has been made and such vessels are not available. Applications must also show all comparative rates. Partner countries should submit DNA requests to DSCA with a copy to MARAD.

Additional information concerning credit agreements and waivers may be found in Chapter 12 of this textbook, “Financial Management,” and the SAMM, Chapter 7, Table 4 contains DNA Application Information and Chapter 9.

### **Accessorial Services and Charges**

The SAMM and DoD 7000.14-R, *Financial Management Regulation* (FMR) Volume 15, Chapter 7, define accessorial charges as certain expenses incident to issues, sales, and transfers of materiel that are not included in the standard price or contract cost of materiel, such as packing, crating, and handling, transportation, pre-positioning, staging of materiel in CONUS, and port loading and unloading.

Transportation costs for other than CCBL shipments are considered accessorial costs. Transportation rates are assessed when the DTS provides transportation for FMS materiel, when items are shipped on a GBL or CBL, and when packages are shipped prepaid through the USPS, FedEx, UPS, or through any commercial carrier. Consult the FMR, Volume 15, Chapter 7, for transportation rates, their application, and computation.

### **Above the Line Services and Charges**

A Special Assignment Airlift Mission (SAAM) may be required to deliver sensitive or classified materiel to an overseas destination when the recipient country does not have the capability to pick up its materiel at a CONUS DoD POE, DTC 8. A SAAM involves the chartering of an AMC or commercial aircraft for a dedicated flight. The SAAM costs to the customer include the cost of round-trip flying hours, round-trip aircrew support and port loading and handling fees. The costs for SAAMs vary widely depending upon the distance and type of aircraft used. It is not unusual that the cost of the SAAM exceeds the value of the cargo being delivered. Special Airlift Assignment Missions must be charged as “above-the-line” direct costs.

Detention is a charge made on a carrier held by or for a consignor or consignee beyond the allowable free time for loading or unloading, for forwarding directions, or for any other purpose authorized and documented by the consignor or consignee. Demurrage is a charge against a consignor or consignee for holding carrier equipment beyond the allowable free time for loading and unloading, for forwarding directions, or for any other purpose authorized and documented by the consignor or consignee. Transportation costs assessed for detention or demurrage in the delivery of FMS materiel are not considered accessorial costs and may be charged against the LOA line of the materiel being delivered.

## **TRANSPORTATION RESPONSIBILITIES**

There are normally three parties involved in the movement of FMS materiel:

1. The USG
2. The purchaser
3. The freight forwarder

Each has specific responsibilities that must be met in order to ensure the efficient movement of materiel. SAMM, Chapter 7, provides additional information concerning the various responsibilities.



## United States Government

The USG initiates shipments to purchasers or freight forwarders and provides transportation services for specific items identified in the LOA. As the shipment initiator, the USG can cause problems in the movement of FMS articles to the purchasing country. Any failure in the packing and shipping process can result in problems for the carrier, the freight forwarder, and the customer. Failures can also prevent prompt processing of claims or prevent U.S. customs clearance.

Packing and shipping facilities must ensure that packing documentation, hazardous certification, and FMS case identification are properly affixed to the container. Shippers must pack and mark FMS materiel (to include certifying hazardous materiel) for transport through to its final destination. Additionally, it is essential that the online MAPAD system be used to create the clear-text address on the shipping label. If not, items could be shipped to the wrong ship-to or mark-for addressee.

A ship-to address is typically a destination in the U.S. through which materiel will transit, such as a freight forwarder facility, a staging location, or consolidation point. It is the responsibility of the shipping activity to ensure that the information contained on the shipping label (or included on the accompanying documentation, i.e., a DD 1348-1, *DoD Single Line Item Release/Receipt Document*, a DD 250, *Material Inspection and Receiving Report*, or a DD 1149, *Requisition and Invoice/Shipping Document*) include as a minimum the price or value of the shipment, the transportation priority, a description of the item, the FMS case identifier, and the *Military Standard Requisition and Issue Procedures* (MILSTRIP) document number, and supplementary address. Without this ship-to address, the freight forwarder cannot obtain customs clearance or identify the final destination for onward shipment. The item then becomes frustrated cargo and remains undeliverable until the applicable International Logistics Control Organization (ILCO) and shipping activity correct the errors. This affects items shipped directly from procurement as well as those being shipped from stock.

Shipping activities are also responsible for providing the freight forwarder with advance documentation of the impending shipment by sending out a Notice of Availability when the materiel is classified, sensitive, over 10,000 pounds, perishable, or hazardous materiel, regardless of the offer/release code on the LOA. The Defense Transportation Regulation - Part II Cargo Movement, appendix E, dated 4 June 2015, specifically states,

“In order to facilitate FMS case reconciliation and to assist in resolving disputes during and after case closure, all FMS shipping documentation (includes CBLs, NOAs, Transportation Control and Movement Documents (TCMDs), Issue Release/Receipt Documents (DD Forms 1348-1A, 1149, 250, and WAWF Release Forms), Inspection and Receiving Reports, Air Bills, Supply Transactions, Transfer to Carrier Documents, Acceptance Data, and any similarly related materiel used to effect transfer of FMS shipments to carriers) must be retained for 10 years after FMS case closure. Electronic formats are strongly recommended provided such files are complete, secure, and readily retrievable. Delivery and inventory records for Enhanced EUM articles must be maintained by the IA and Security Cooperation Organizations (SCOs) indefinitely, or until the USG has verifiable information that the recipient country has properly disposed of the Enhanced EUM item(s).”

This normally means keeping the documentation for two years at the shipper locations and twenty-eight years in a national records archive. The SAMM, Section C6.2.3, requires general FMS case files to be retained for ten years after final case closure. This documentation should be retained in hard copy, but cases with large volumes of transactions may be stored electronically. USG agencies are required to provide necessary shipping information to enable the purchaser and/or freight forwarder to process claim actions against either the carrier or the USG. When applicable, the USG assists the purchaser in processing any claim that may arise for lost or damaged shipments in the same manner it processes



claims for USG-owned materiel. In addition, the DoD components can provide technical assistance and guidance to purchaser representatives/freight forwarders, if requested.

When the DoD ships security cooperation materiel through the DTS, the shipment usually moves through a DoD port, and there is no commercial freight forwarder involved. However, in recent years, the DTS system has been expanded to include commercial airlift or surface shipments contracted by DoD shippers to move FMS purchases directly to overseas destinations. These shipments are usually made through commercial ports. As a result of heightened security and an increased concern over technology transfer and export controls, the U.S. Customs and Border Protection (CBP) inspectors now require the DoD to certify the value of FMS export authorizations.

In accordance with SAMM C7.17, a shipper's export declaration is filed electronically at the U.S. port using the Automated Export System (AES), a Census Bureau tracking system for exports licensed by either the DoS or the Department of Commerce. An AES transaction is processed each time a shipment occurs, and the value of the shipment is decremented by CBP. The DoD shipper is responsible for reporting shipments via AES for service-owned materiel shipped entirely through DTS. For depot stock materiel, the shipper is the DLA. For FMS materiel coming from procurement and shipped entirely through DTS, the Defense Contract Management Agency is responsible for reporting via AES. When the shipment is made via a freight forwarder and not through DTS, the freight forwarder reports the shipment via AES. When documents, technical data packages, or digital media are mailed by the case manager or program office to the FMS purchaser, the IA is required to report the export via the AES. The AES transaction by the IA is required regardless of where the item is delivered. Delivery to an FMS customer's embassy still constitutes an export, which must be reported via AES. Specific export document preparation and filing instructions are provided in the SAMM, Chapter 7.

CBP considers the value of materiel, technical data packages, and maintenance services listed above the line (the net estimated cost) when calculating exportable value. This value excludes the administrative cost, transportation, technical services, training, and any other category for which a tangible item is not physically moved in or out of the U.S. When re-exporting materiel that has been returned for maintenance or overhaul, the value that should be decremented is the cost of the repair service, not the original acquisition value. Repair facilities and shippers should ensure that the repair cost is clearly stated on the invoice so that Customs decrements the cost of the repair from the as opposed to the original acquisition cost. If this is not done correctly, the remaining exportable value will be consumed too quickly, resulting in Customs stopping further exports after the case value reaches zero.

The MILDEP's FMS transportation coordinators at each ILCO are the points of contact for country representatives and may assist the country representative and freight forwarder in the determination of proper addresses and codes for entry in the MAPAD and subsequent use in requisitions. Additionally, the FMS transportation coordinators may assist freight forwarders in processing claims against DTS carriers for lost or damaged freight received at the freight forwarder's facility.

### **Combatant Command (CCMD) Responsibilities**

The Air Mobility Command (AMC) operates regularly scheduled and contingency flights to various overseas destinations in support of U.S. forces. These channel flights are often used to transport FMS-materiel on a space-available basis. The USTRANSCOM Deployment and Distribution Operations Center (DDOC) has a regional office at each CCMD headquarters. This regional DDOC CCMD coordinates transportation for personnel and equipment in and out of the theater. The DDOC is responsible for requesting airlift channels and providing personnel and cargo estimates to justify the channel and channel frequency. Unless the channel is supporting a hard lift location with little or no commercial business options, the minimum monthly volume required to source organic or commercial

airlift support is 50,000 pounds. The regional DDOC coordinates with the AMC to review all channels annually and advise USTRANSCOM of those that have not had significant movement activity for six consecutive months. Guidance for requesting air channels is in DoD 4500.9-R, Volume 2, Appendix P.

CCMDs must certify all Special Assignment Airlift Missions (SAAM) terminating in their theater. This provides the CCMD commander visibility over total theater lift allocations and SAAM movement in their theater for onward movement planning and prioritization.

For FMS freight shipped surface via the DTS with door-to-door delivery terms (DTC 7), SDDC personnel assigned to the CCMD's DDOC are responsible for coordinating delivery to an inland point in the recipient country. The DoD is responsible for transportation, including trans-ocean and overseas inland movement from the point of origin to a specified inland location. The customer is responsible for unloading the shipment from the inland carrier at the specified location and for all subsequent onward movement. Any expenses the DoD incurs in the movement of FMS materiel must be charged to the FMS purchaser through the LOA.

The CCMD involvement in arranging or tracking transportation for FMS or BPC LOA materiel will vary by CCMD. Security cooperation country desk officers may need to become engaged with the DDOC to assist the SCO and FMS customer in determining appropriate transportation methods and routes on a case-by-case basis.

### **Security Cooperation Office Responsibilities**

Most SCOs will not be routinely involved in transportation issues. Many FMS customers are self-sufficient in arranging for materiel movement and receiving materiel both at CONUS ports and in overseas ports of debarkation. However, when the DTS is used to deliver materiel in-country, with LOA DTCs 9 or 7, an in-country U.S. Military Representative (USMILREP), such as the SCO, may get involved. For clarification, the USMILREP may be any of the following:

- The SCO
- The Defense Attaché
- A representative of the SDDC
- A DoD employee

The USMILREP is responsible for supervision of the discharge at the destination of classified FMS materiel and equipment moving through the DTS. The SCO may be required to serve as the U.S. DGR, and ensure proper transfer of the classified materiel to the FMS customer's DGR. If the SCO is to serve as the U.S. DGR, the responsible individual must be identified in the transportation plan for the movement of classified materiel. The IA is responsible for preparing the transportation plan. The case manager should provide a copy of the transportation plan to the SCO or other USMILREP acting as the U.S. DGR.

The extent of the SCO's responsibility in the discharge of unclassified materiel shipped through the DTS will depend upon the capabilities of the foreign purchaser. This responsibility may include making arrangements for receipt of the cargo, ensuring establishment by the purchaser of adequate procedures for checking the equipment and materiel against manifests and shipping documents, providing technical advice regarding proper discharge of cargo, and responding to transportation correspondence and initiating various transportation receipt documents and discrepancy reports as outlined in the DoD 4500.9-R, *Defense Transportation Regulation* Volume II, Chapter 210, and *The Defense Logistics Management Standards* (DLMS) 4000.25-M, Volume 2, Chapter 17, *Supply Discrepancy Reporting*. This latter instruction explains how to report shipping or packaging discrepancies caused by the shipper (i.e., overages, damages, or non-receipt) via an SDR by the receiving activity.

## ***Shipping Documentation***

The following guidance is provided for shipments made through the DTS on DTCs 9 or 7. The SCO must monitor and coordinate transfer of DTS-routed shipments arriving at aerial or water PODs, by tracking shipments in the Security Cooperation Information Portal (SCIP) and the Enhanced Freight Tracking System (EFTS). Advance notice of incoming shipments plus copies of release documents, manifests, Reports of Shipment (REPSHIP), Cargo Traffic Messages, and Bills of Lading are needed to clear customs at PODs. Release documents can be any of the following: (1) Form 1348-1A, (2) DD Form 250, and (3) DD Form 1149, or WAWF Forms (electronic version of DD Form 250). FMS purchasers often request certificates of origin to identify the source and exporter of the materiel. The DoD uses the release documents as proof that the USG is the exporter and the items are of U.S. origin. For further discussion, see the section on foreign procurement in Chapter 10 of this textbook.

Release documents should be mailed by the shipper to the SCO at the TAC 5 or 6 address in the MAPAD. The SCO is responsible for providing the release documents to the purchaser to permit the purchaser to clear customs. An APO or DoS pouch service address may not move documentation quickly enough to be available for ship arrivals. The SCO should ensure that the U.S. SCO communication routing identifier (COMMRI) or message address is listed as the TAC 4 address in the MAPAD or that a reliable office email address for the U.S. SCO is listed in the MAPAD special instructions. This message or email address will be used for electronic notification of REPSHIPS. The MAPAD TAC 5 and 6 addresses should reflect the mailing address of the U.S. SCO. SCOs should contact SDDC whenever DTS ocean delivery of cargo is anticipated. SDDC can be reached at the SDDC 24-Hour Operations Center at DSN 770-4262, Commercial 618-220-4262, or via email at [usarmy.scott.sddc.mbx.hqcoc@mail.mil](mailto:usarmy.scott.sddc.mbx.hqcoc@mail.mil). At a minimum, the following information should be provided: name, email address, telephone number, Transportation Control Number (TCN), and any other information the SCO might have about the shipment.

Commercial invoices and certificates of origin may also be necessary to clear customs in the purchaser's country or customs in third countries through which the FMS purchaser's materiel is transiting. If a shipment is released from a depot, an *Issue Release/Receipt Document* (DD Form 1348-1A) identifies materiel as DoD-supplied and provides the details (document number, FMS case designator, national stock number, etc.) that link the materiel to an LOA. If the shipment is released from a vendor under a DoD contract, a *Materiel Inspection and Receiving Report* (DD Form 250) is used. These documents should accompany the various shipment units. Prior to releasing sensitive items, controlled cryptographic items, or conventional AA&E, shippers are required by the DoD 4500.9-R, *Defense Transportation Regulation* Volume II, Chapter 205, to send a REPSHIP to the consignee. This will either be a message sent to the TAC 4 address or the SCO's email address in the MAPAD or a copy of the *Ocean Bill of Lading* (OBL) sent to the TAC 5 or 6 address in the MAPAD. For REPSHIP purposes, the in-country USMILREP is the consignee addressee for security cooperation materiel deliveries. The USMILREP will use the REPSHIP to coordinate pickup by the purchaser at the POD.

## ***Ocean/Surface Shipments***

When transportation is by ocean carrier, the SDDC may send a cargo traffic message and an OBL to the SCO. The cargo traffic message is a non-detailed summation of cargo picked up at a CONUS ocean port of embarkation. It is normally addressed to any destination that is to receive any of the cargo that is picked up. Although it does not provide exhaustive detail, the cargo traffic message advises if the load includes hazardous materiel or if the ocean container with FMS shipment units destined for the purchaser's water port of debarkation will be transferred to another ship while en route. Original OBLs are the most important document of all for USMILREPs located in a recipient country. Foreign Customs officials will normally accept nothing else for releasing cargo from a surface POD. Without an original OBL, FMS deliveries may be delayed, either the country's own customs requirement, or those of a third country, if the water POD (WPOD) is outside of the purchasing country itself.

## ***Air Shipments***

Advance documentation is not available for AMC-lifted cargo or routine FMS cargo transported via commercial air. Shippers have discontinued sending advanced copies of release documents to USMILREPs and consignees for air shipments, primarily because the documents arrive much later than the actual shipments. Manifests and release documents normally travel with cargo, and these will be available for USMILREPs located in destination countries. SCOs and the FMS customers are encouraged to use the SCIP and EFTS to monitor shipments of DTC 7 and 9 materiel and plan for carrier arrival at Air POD (APODs).

## ***Customs Clearance***

Customs clearance in-country is the FMS purchaser's responsibility. At no time should the SCO or USMILREP get involved in clearing customs for the FMS purchaser. If shipments are made against a pseudo LOA for a Building Partner Capacity (BPC) program, the SCO should arrange for a representative of the benefiting country to accompany the SCO to clear local customs.

## ***Discrepancies***

The SCO or USMILREP may also be required to initiate *Transportation Discrepancy Reports* (TDR) using DD Form 361 when DTS shipments arriving in country are damaged or lost. The TDR process is discussed later in this chapter.

## ***MAPAD Maintenance***

The SCO should meet with the FMS purchaser at least annually to conduct a review of the Military Assistance Program Address Directory (MAPAD) addresses that apply to the purchaser. The SCO is also responsible for identifying the appropriate shipping destination codes for BPC LOA shipments prior to case implementation. The MAPAD is discussed in detail later in this chapter.

## ***Purchaser***

Normally, the FMS purchaser is responsible for transporting its own LOA-furnished materiel beyond the U.S. port of embarkation. The FMS purchaser may choose to hire a commercial freight forwarder to arrange for the receipt, processing, export, and import of security assistance materiel. The purchaser must clearly define his requirements in a contract with the freight forwarder. MILDEPs do not participate in contract negotiations between a country and a freight forwarder.

FMFP funds cannot be used to pay for freight forwarder services. These services must be procured with the purchaser's own national funds. The prohibition on the use of FMFP to finance a freight forwarder is inferred from the language of the Arms Export Control Act (AECA), Section 23. The law citation is paraphrased in the SAMM, Chapter 9. The USG (i.e., the DoD) procures defense articles, defense services, and construction for FMFP customers in accordance with the *Federal Acquisition Regulation/Defense Federal Acquisition Regulation* (FAR/DFARs). Under the law, the defense contractor works for the DoD, and the funds are controlled by the DoD. Freight forwarders, on the other hand, are under contract to the foreign government, and the DoD has no contractual authority over the freight forwarder. The DoD has no need to hire a freight forwarder because it has the U.S. Transportation Command, which performs movement functions for the DoD via the DTS. Consequently, services by a freight forwarder under contract to a foreign government do not constitute a defense service under the AECA and are not eligible for payment by the FMFP.

Addresses for the delivery of materiel, documents, and reports must be determined and coordinated with the individual services' MAPAD administrators. These addresses are published in the MAPAD and must be kept current. The purchasing country must also determine its financial arrangements with the freight forwarder, particularly in the payment of freight bills and the provision of funds for the



freight forwarder to pay CONUS CCBLs. The purchaser should also determine the type and amount of insurance desired on freight shipments. When materiel is shipped through a freight forwarder, the foreign purchaser can delegate the responsibility for preparing all export documents, which include initiating reporting each shipment via the automated export system, but only if the purchaser provides the freight forwarder with a complete copy of the LOA.

When the purchaser ships unclassified materiel back to the U.S. for repair, overhaul, calibration, testing, or participation in an exercise, the *International Traffic in Arms Regulations*, Section 123.4(a) exempts the import from further license applications, provided that a line exists on an open FMS LOA authorizing such return. If no FMS case exists clearly authorizing the import, U.S. CBP inspectors will require a DSP-61, *Temporary Import License*. As of this publication, there is a discussion that when the purchaser ships classified materiel back to the U.S. for any reason, ITAR 126.6(c) provides the appropriate exemptions for temporary imports of unclassified and classified FMS materiel without a license.

### **Freight Forwarder**

Purchasing countries are encouraged to hire a commercial freight forwarder because freight forwarders can provide transportation services for routine cargo that are faster and less expensive than the DTS. The freight forwarder is a private firm under contract to the FMS customer to receive, consolidate, and stage materiel within the U.S. and arrange for its onward movement. As such, the freight forwarder's responsibilities must be specified in the contract. Freight forwarders vary considerably in size, personnel manning, and capability to process materiel, documents, and data for the purchasing country. However, no matter the size of the freight forwarder or amount of materiel handled, all freight forwarders should attempt to accomplish the following basic functions.

**Storage Facilities and Materiel Handling Equipment.** The freight forwarder should have sufficient space and equipment to handle and store all expected shipments.

**An In-transit Visibility System.** The freight forwarder receives shipping documents and should always match them against actual materiel receipts. If shipping documents are received and no materiel is received, the freight forwarder should follow up with the indicated point of shipment. Some freight forwarders participate in the Enhanced Freight Tracking System (EFTS), which enables the freight forwarder to confirm receipt of materiel from shippers. An audit trail should be available to allow the country to track any missing or damaged shipments from the purchasing country back to the point of origin.

**Payment of Collect Commercial Bills of Lading.** The freight forwarder must have sufficient funds to pay CCBL or, when possible, to make credit arrangements with carriers or appropriate agencies to handle bills for deliveries, and to provide "bill to" addresses as necessary for inclusion in the MAPAD.

**Notices of Availability.** The freight forwarder should immediately respond to each NOA requesting shipping instructions. The DoD does not store materiel to accommodate freight forwarders.

**Shipment Damage.** Very few freight forwarders are permitted to open containers to check for possible damage of the contents. Claims must be filed against commercial carriers for shortages and visible damages. Because title to the materiel transfers to the FMS customer at the initial point of shipment, the freight forwarder should generally not refuse a shipment that is destined for the FMS customer. The DoD shipper has no authority to take the materiel back, because the title is warranted to the FMS purchaser in the LOA. The freight forwarder should accept damaged articles and resolve discrepancies with the shipper. Freight forwarders may refuse shipments such as munitions, or uncertified hazardous shipments, if they are in violation of local ordinances or federal transportation law or they are not cleared to accept classified freight.

**Repack, Recrate, and Reinforce.** Most freight forwarders are not permitted to open containers they receive from the DoD or other sources. Instead, the freight forwarder must have the capability of repacking the inadequate original container into one that is more suitable for containerization and overseas shipment. If possible, small packages should be consolidated and loaded in sea-land type containers to minimize loss, damage, or pilferage. However, this may not be possible, since some countries do not have the capability to handle containerized shipments.

**Marking, Labeling, Documentation.** The freight forwarder should ensure that all required marking, labeling, and documentation is affixed to consolidated shipping containers and is legible for the onward processing of materiel. It is the USG's responsibility to ensure that the DoD shipper or the contracted manufacturer packs the materiel for overseas shipment, and that packing documentation, hazardous certification, and FMS case identification are properly affixed to the container.

**Repairable Return.** Purchasing countries return numerous items to organizations for repair and maintenance. The freight forwarder is responsible for clearing the incoming shipments through U.S. Customs and arranging transportation to the repair facility. Returning classified items are provided the appropriate exemptions for temporary imports of unclassified and classified FMS materiel without a license under ITAR 126.6(c).

Many freight forwarders licensed by the U.S. Federal Maritime Commission are also licensed customs brokers. A customs broker facilitates the clearance of cargo imported into the U.S. Frequently, the purchaser's materiel will need to be returned to the U.S. for testing or repair. Therefore, the freight forwarder selected by the purchaser should also be a licensed customs broker and tasked to perform import duties and transportation arrangements to the testing or repair facility in the U.S.

The FMS customer must select the freight forwarder; DoD personnel are not authorized to recommend a freight forwarder or tell a freight forwarder how to conduct his or her operations. The National Customs Brokers and Forwarders Association of America (NCBFAA—[www.ncbfaa.org](http://www.ncbfaa.org)) publishes an annual membership directory that lists licensed customs brokers and international freight forwarders throughout the U.S. and around the world. This directory explains the role of the customs brokers and freight forwarders and describes how to locate them within a particular area.

For more information on freight forwarder selection, see the DSCU publication *Foreign Purchaser Guide to Freight Forwarder Selection*, located at [www.dscu.mil](http://www.dscu.mil).

## **TRANSPORTATION DISCREPANCIES**

Transportation discrepancies occur when there is loss or damage to an item that can be attributed to the carrier (e.g., loss of a crate or package or a hole put through a container by a forklift during loading). These types of discrepancies are usually easy to detect by a visual inspection of the containers or by ensuring the number of items received matches the carrier's bill of lading for the number of items shipped. If a container was damaged when the carrier picked it up from the shipping activity, the damage should also be reflected on the bill of lading.

Transportation discrepancies are normally filed by the shipper against the carrier. The freight forwarder will report these discrepancies to the DoD shipping activity with a letter or memorandum. The shipping activity will use these reports to initiate tracers or damage claims with the inland CONUS carrier using the DD Form 361, *Transportation Discrepancy Report* (TDR), process. If non-receipt is suspected, FMS customers should submit a Supply Discrepancy Report (SDR) in accordance with the SAMM, Chapter 6.

Transportation discrepancy reporting procedures apply to any security cooperation shipment made within the DTS. This includes FMS shipments to overseas destinations and ports of debarkation (DTCs 7, 9, G, and J), to DoD CONUS ports of embarkation (DTCs 8, B, and C), and to DoD/USG



CONUS-located activities and contractors (DTC 2). For overseas shipments, when the carrier is DTS, the FMS purchaser should contact the SCO, the defense attaché, or the closest U.S. representative. That individual then submits a TDR to the supporting SDDC. If there is no U.S. representative available in country at the time a DTS shipment is received, the FMS purchaser may submit an SDR using procedures described in Chapter 10, “Logistics Support of International Military Sales,” of this textbook. The TDR procedures also apply to FMS materiel shipped to non-DoD consignees within the CONUS (e.g., FMS freight forwarders, customer country embassies, or carrier facilities identified in notice of availability responses) and BPC LOA shipments when the USG arranges the prepaid transportation via the LOA.

When the shipment is prepaid to the freight forwarder (DTC 5 or H) different procedures apply. Prepaid shipments to these destinations, regardless of the funding source, involve a contractual relationship between a DoD/USG shipping activity and the inland CONUS carrier. The FMS customer (the consignee) is not a party to that contract; therefore, they cannot submit claims or tracing requests directly to the carrier. Also, as a non-DoD/USG entity, the FMS customer cannot submit TDRs. For these reasons, the freight forwarder or the country representative will report these discrepancies to the DoD shipping activity with a letter or memorandum. The shipping activity will use the TDR to initiate tracers or damage claims with the inland CONUS carrier. The proceeds from claims will be returned to the FMS transportation account. FMS customers must submit an SDR to the ILCO to obtain compensation for loss or damage of materiel and associated transportation costs.

All lost or damaged security cooperation shipments, regardless of value or classification of the materiel, should be reported by the shipper or overseas SDDC representative on a TDR when shipment is through the DTS. Damaged shipments made via ocean freight should be reported within one year of delivery. Damaged air freight shipments should be reported within fourteen days of delivery. Lost or missing air shipments should be reported within 120 days from the date of the airway bill.

Submission of a TDR only serves to initiate a tracer for missing shipments and/or to report mishandling by the carrier. It does not provide financial compensation to the FMS customer. The customer must still submit an SDR, SF 364, to request compensation for loss or damage of materiel shipped via DTS. Since Section 5.1 of the LOA standard terms and conditions indemnifies the USG of any liability or risk during shipment after passage of title, the TDR, in conjunction with the SDR, serves only as a means for the USG to file claims against the commercial carrier and collect damages up to the value of the carrier’s insurance coverage. The FMS customer will receive neither replacement materiel nor credit for the full value of the loss. FMS customers who are unwilling to accept this risk should consider purchasing commercial insurance for their DTS shipments. Further guidance on TDRs can be found in the DoD 4500.9-R, *Defense Transportation Regulation* Volume II, Chapter 210.

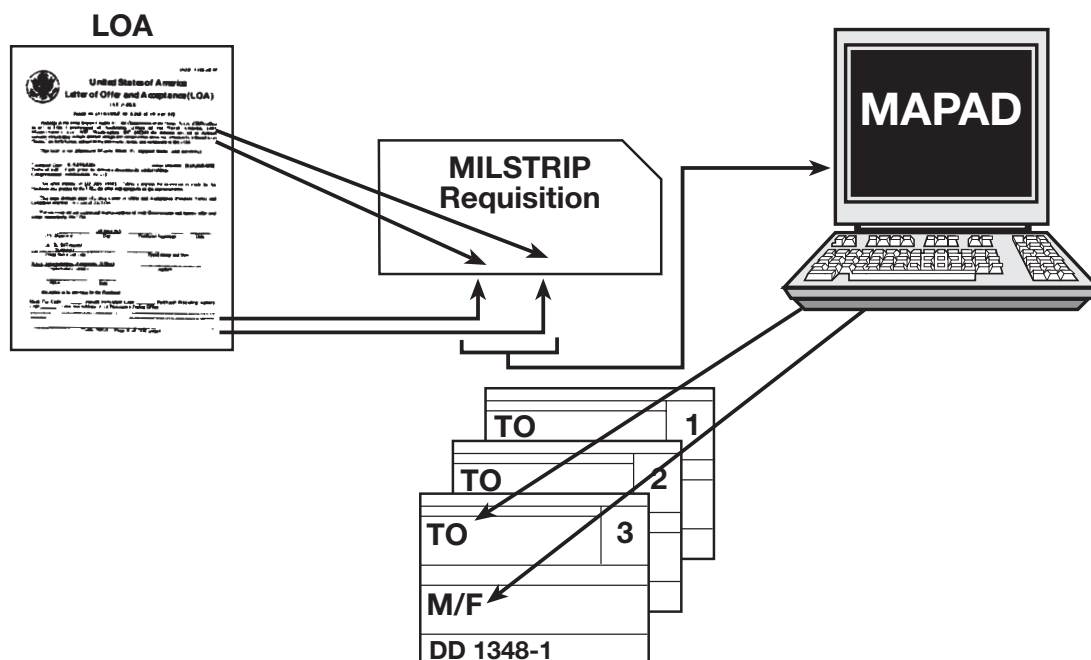
## **TRANSPORTATION PRICING**

There are several methods of computing the cost of transportation based on the source of the materiel. Transportation costs may be included on the LOA line price of the materiel being shipped, or it may be collected as a separate transportation line on the LOA, or it may be computed as a percentage based on the item value and the DTC. For major systems and components, transportation costs may be computed from estimated actual shipping costs identified in SAMM Appendix 2, “Transportation Cost Lookup Table.” For materiel returns and repairs, actual transportation costs may be assessed against the LOA. For a more detailed explanation of transportation pricing, see Chapter 12, “Financial Management,” of this text.

## **THREE MAJOR DELIVERY ELEMENTS**

There are three major elements involved in the delivery of SC materiel to the proper purchasing country address, as illustrated in Figure 11-2. These elements are the FMS LOA, the MILSTRIP requisition, and the MAPAD system.

**Figure 11-2  
Document Relationships**



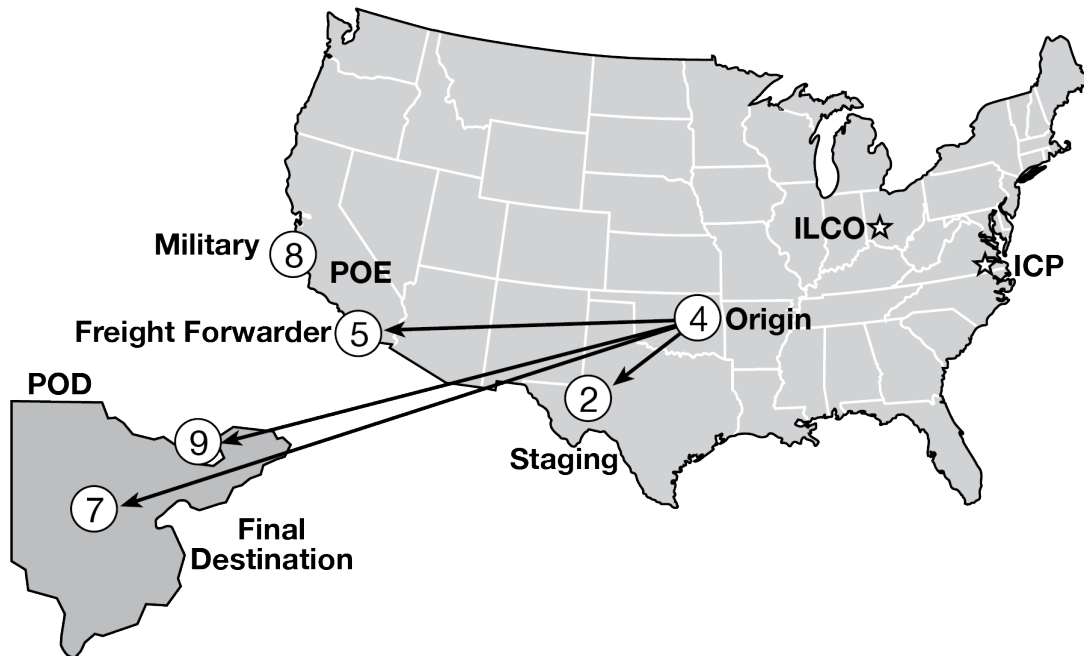
## Letter of Offer and Acceptance

During the pre-LOR planning and processing of the LOA, various transportation blocks are completed, which identify how items will be shipped, when shipments will be released, where responsibility for physical movement of an FMS shipment passes to the purchaser, and which accessorial charges are applicable. The LOA serves as the authority to export. It is necessary, therefore, that the freight forwarder has a copy of the LOA and all applicable amendments and modifications to the LOA to facilitate shipments to the customer's country. The purchaser should provide the LOA and any amendments or modifications to the freight forwarder.

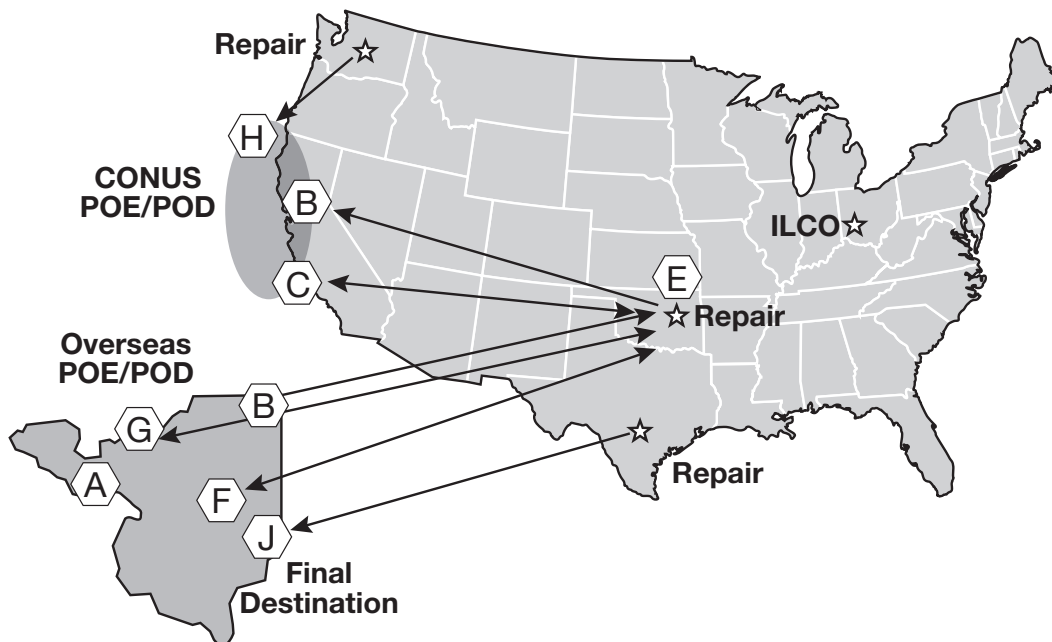
## Delivery Term Code

The DTC indicates the point in the transportation cycle where responsibility for the physical movement of an FMS shipment passes from the U.S. DoD to the purchaser. The LOA normally specifies a delivery location for every line included in the case. The DTC specifies to what point the U.S. will provide transportation, and, from that point onward, the purchaser provides the transportation. The most commonly used DTC on LOAs is DTC 5, which indicates that the USG will sponsor transportation to the CONUS port of embarkation. This is normally the freight forwarder. DTC 8 indicates pickup of items by DTS at the point of origin and movement to a CONUS port. The DTC appears in column (7) of the LOA. Table 11-3 shows the numeric DTCs for outbound materiel, as illustrated by Figure 11-3. Table 11-3 also shows alphabetic DTCs for returning materiel.

**Figure 11-3**  
**Delivery Term Codes for Shipments from the United States (Outbound)**



**Figure 11-4**  
**Delivery Term Codes for Repair and Return Shipments (Inbound)**



**Table 11-3  
Term Codes**

<b>Term Code</b>	<b>Definition</b>
2	To a CONUS inland point (or overseas inland point when the origin and destination are both in the same geographic area).
4	Not applicable (Purchaser has full responsibility at the point of origin. Often forwarded collect to country freight forwarder.)
5	At the CONUS POE on the inland carrier's equipment
7	At the overseas inland destination on board the inland carrier's equipment
8	At the CONUS POE on board the vessel or aircraft
9	At the overseas POD alongside the vessel or aircraft
	Delivery Term Codes showing DoD transportation responsibility for repair LOAs are shown below. The LOA will provide a CONUS address for each item identified for repair. The Purchaser must assure this address is shown on all containers and documentation when materiel is returned.
A	From overseas POE through CONUS destination to overseas POD on board the vessel or aircraft (FMS customer responsibility equal to DTC 4 in both directions.)
B	From overseas POE through CONUS destination to CONUS POE on board the vessel or aircraft (Transportation is the same as DTC 9 for inbound materiel, and DTC 8 for outbound materiel.)
C	From CONUS POD on board the vessel or aircraft through CONUS destination to CONUS POE on board the vessel or aircraft (Transportation is the same as DTC 8 in both directions.)
D	From CONUS POD on board the vessel or aircraft through the CONUS destination to overseas POD on board the vessel or aircraft
E	Not applicable (Purchaser has complete responsibility.) (Transportation is the same as DTC 4 in both directions.)
F	From overseas inland point through CONUS destination to overseas inland destination (Transportation is the same as DTC 7 in both directions.)
G	From overseas POE through CONUS destination to overseas POD alongside vessel or aircraft (Transportation is the same as DTC 9 in both directions.)
H	(For classified items) From CONUS inland point to CONUS POE alongside vessel or aircraft (Transportation is the same as DTC 4 for inbound materiel and DTC 5 for outbound materiel.)
J	(For classified cryptographic items) From CONUS inland point to overseas inland destination (Transportation is the same as DTC 4 for inbound materiel and DTC 7 for outbound materiel.)

**Mark-for code.** The mark-for code normally indicates the final destination in the customer's country. The FMS customer enters this code in the mark-for code line at the bottom of page 1 of the LOA. Occasionally, an LOA will contain items, which require multiple codes in a given block, such as numerous in-country (mark-for) destinations. These situations might arise for shipments of explosives, classified items, and items with different priorities. If more than one code is applicable, appropriate explanatory notes must be included in the LOA as additional terms and conditions clearly identifying which items to ship to which locations.

**Freight Forwarder Code.** The freight forwarder code designates which freight forwarder will receive the shipment. This code is obtained from the MAPAD. The customer enters this information on the freight forwarder code line on page 1 of the LOA.

**Offer/Release Code.** The offer/release code indicates when a shipment will be released. Code A indicates the shipping activity will automatically ship without any advance notice. Code Y is entered when the customer (usually the freight forwarder) wants advance notice of the shipment. Under Code Y, the shipper will send out a DD Form 1348-5, NOA, advising that shipment is planned to occur in fifteen days. The shipment will be released automatically at the end of fifteen days whether or not a response to the NOA has been received. (Offer/release option Y is used infrequently.) Code Z is entered when advanced notice is required before the release of shipment. If the shipping activity has not received instructions by the 15th day after the original NOA, it sends a follow-up NOA. If the second notice also fails to provide instructions, the shipper will take additional actions to obtain shipping instructions. Failure to respond to a Code Z NOA could result in the assessment of storage charges. NOAs are only applicable when the DTC is 4, 5, 8, B, C, E, or H and whenever the item being shipped is classified. An “X” is not an offer/release code. Rather it indicates that the NOA process is not applicable because the materiel is being moved overseas through the DTS.

**Accessorial Costs.** Estimated packaging costs for non-Defense Working Capital Fund (DWCF) items are entered in the packing, crating, and handling cost line (9), and transportation costs for non-DWCF items are shown on the transportation charge line (11) of the LOA. A dollar amount is entered. Percentage rates used to compute the dollar amount are not shown on the LOA. Chapter 12, “Financial Management,” provides information on how these costs are calculated.

### **Military Standard Requisitioning and Issue Procedures**

The second major element in the delivery of FMS materiel and related documentation is the MILSTRIP requisition. Once an FMS case has been established and funded, applicable transportation/supply codes are copied from the LOA into supply requisitions. For example, the offer/release code, DTC, mark-for code, and freight forwarder code are embedded in requisitions to describe shipping information. The MILSTRIP is described in Chapter 10, “Logistics Support of International Military Sales,” of this text.

### **Military Assistance Program Address Directory**

The MAPAD website contains the addresses required for shipment of materiel and distribution of related documentation under FMS and MAP/Grant Aid. It is considered one of the most important single elements in the security cooperation supply and transportation process. The MAPAD is available for use by DoD activities, the General Services Administration, commercial firms, foreign governments, and international organizations participating in FMS and MAP/Grant Aid Programs. The MAPAD is an internet-accessible database. DoD personnel with Common Access Cards (CAC) may register and access the MAPAD at <https://www.transactionservices.dla.mil/daashome/homepage.asp>. FMS customers, SCOs, contractors, and freight forwarders may access a read-only version of the MAPAD at <https://www.transactionservices.dla.mil/daasing/>.

The MAPAD contains addresses and corresponding address codes to identify where FMS materiel/documentation is to be shipped. It includes addresses of Security Cooperation Offices, freight forwarders, country representatives, and customer addresses within the country. Generally, the information is coded to provide the following:

- A shipping address for parcel post, small package shipments, and freight
- An address to receive NOAs

- An address to receive supply and shipment status
- Mark-for addresses for in-country destinations


The following are specific MAPAD policies:

- **Administration:** The MAPAD is administered by the DLA Logistics Management Standards Office, which coordinates all MAPAD entries with the MILSTRIP and DoD 4500.9-R, *Defense Transportation Regulation*, part II, “Cargo Movement.”
- **Custodian:** The DLA Transaction Services is responsible for hosting the MAPAD automated file and directory.
- **Post Office Addresses:** Military post office addresses (APO/DPO) will not be used for FMS shipments unless specified in the LOA. These addresses must also be approved by the applicable service prior to publication in the MAPAD.
- **International Mail Addressees:** International mail addresses and addresses of U.S. activities also require service approval and specification in the LOA.
- **Classified Shipment Addresses:** Some countries have freight forwarder and other addresses published in the MAPAD for the receipt of classified shipments. Once Defense Counterintelligence and Security Agency (DCSA) has cleared a facility/freight forwarder to handle classified materiel, DSS will send a letter of clearance to the Defense Logistics Management Standards Office that will enter the correct addresses into the MAPAD. Although the freight forwarder may be cleared to handle classified materiel, the NOA preceding the shipment must be sent to the foreign representative identified in the MAPAD special instructions, not the TAC 3 address. The foreign representative is typically at the customer’s embassy in Washington, DC, or a foreign government office located in the U.S.
- **Special Instructions:** Clear text special instructions are listed at the beginning of each country section. This is a means by which customer countries place their unique requirements in the MAPAD regarding shipments/documentation.
- **MAPAD Changes:** Revisions, additions, and deletions to the MAPAD are made when such requests are received by the ILCO case managers from SCOs or purchasing country representatives. Freight forwarders must inform their country representatives immediately of an expected change of address, so that a request for change may be sent to the ILCO country manager.

Figure 11-5 on the following page is an example of the online MAPAD.



**Figure 11-5**  
**Military Assistance Program Address Directory**



# DEFENSE LOGISTICS AGENCY

## Transaction Services

DAASC Inquiry System (DAASINQ)

[Contact Us](#) | [Help](#) | [Home](#)

**What is DAASINQ?**

[DoDAAC](#)

[MAPAC](#)

[NIIN](#)

[RIC](#)

**MAPAC Query for**

MAPAC: DBN002
2 / 7

**MAPAC Information**

TAC: 2	TAC SEQ:	FFLC: 0	EFF DATE: 01/17/2014
AFI: F	SII:	CHG NO: 4017	DEL DATE:
WPOD:	APOD:	CONUS/OCONUS: C	
<a href="#">Country Reps and/or Special Instructions</a>			Create Date: 12/20/2013

**Address Information**

- BANDARIAN FREIGHT FORWARDING CORP.
- WAREHOUSE DOCKS
- 1205 68<sup>TH</sup> STREET
- BALTIMORE, MD 21224-2548

City: BALTIMORE	ZIP: 21224	IPC ZIP:
State Name: Maryland	State A/N MD/ 24	
Country Name: UNITED STATES		
Country Codes: ISO 2- US   ISO 3 - USA   FMS -   MILS -   FIPS - US		
MAPAC Country:		

**MAPAC Query for**

MAPAC: DBN002
3 / 7

**MAPAC Information**

TAC: 3	TAC SEQ: 1	FFLC: 0	EFF DATE: 01/17/2014
AFI: F	SII:	CHG NO: 4018	DEL DATE:
WPOD:	APOD:	CONUS/OCONUS: C	
<a href="#">Country Reps and/or Special Instructions</a>			Create Date: 12/20/2013

**Address Information (FREE FORM SET)**

- BANDARIAN FREIGHT FORWARDING CORP.
- INTERNATIONAL PROCESSING DIV.
- 1205 68<sup>TH</sup> STREET
- BALTIMORE, MD 21224-2548
- TEL 301-555-1234 FAX 301-555-4321

City: BALTIMORE	ZIP: 21224	IPC ZIP:
State Name: Maryland	State A/N MD/ 24	
Country Name: UNITED STATES		
Country Codes: ISO 2- US   ISO 3 - USA   FMS -   MILS -   FIPS - US		
MAPAC Country: ISO 2-   ISO 3 -   FMS -   MILS -   FIPS -		

**MAPAC Query for**

MAPAC: DBNB00
5 / 7

**MAPAC Information**

TAC: M	TAC SEQ:	FFLC: 0	EFF DATE: 03/20/2013
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The column titles stand for the following:

- MAPAC – Military Assistance Program Address Code. A MAPAC correlates to an individual address record in the MAPAD.
- TAC – Type of Address Code. The TAC is determined by the shipper and identifies the action being taken by the shipper.
- TAC SEQ – TAC Sequence Code (TSC). When more than one MAPAC and TAC combination exists, the TSC is used to distinguish one location from another. Generally, shipments would be made to the nearest geographical location if more than one ship-to address and TAC exist.
- AFI – Address File Indicator. An F in this field indicates an FMS customer. A G in this field indicates security assistance provided through MAP or Grant Aid.
- SII – Special Instructions Indicator. An entry in the SII field reflects special instructions located on the country introduction page. Clicking on the weblink in the MAPAC information will open the special instructions page.
- WPOD – Water Port of Debarkation. A three-position code, located in DoD 4500.9-R, *Defense Transportation Regulation*, part II, “Cargo Movement,” Appendix MM, that states a specific water port is designated as the overseas port of discharge.
- APOD – Aerial Port of Debarkation. A three-position identifier in DoD 4500.9-R, *Transportation Regulation*, part II, “Cargo Movement,” Appendix CC, that designates a specific air terminal as the overseas port of discharge.
- FFLC – Freight Forwarder Location Code. When a MAPAC designates multiple locations consigning shipments and mailing documentation, i.e., east, west, and gulf locations, an FFLC will be assigned as follows: code 1 for an east coast location, code 2 for a west coast location, code 3 for a gulf coast location, and a code zero to indicate that the address is the only freight forwarder for the MAPAC.
- CHGNO – A change number is a tracking number assigned by DLA Transaction Services.
- EFF DATE – Date that the address becomes effective.
- DEL DATE – Date on which the MAPAC TAC 9 will be deleted.

### ***Military Assistance Program Address Code***

The key to using the MAPAD is the Military Assistance Program Address Code (MAPAC). The MAPAC appears as a six-position code in the MAPAD. It is constructed from selected codes located in various data fields of the MILSTRIP requisition. Specifically, MILSTRIP requisition record positions 31, 32, 33, 45, 46, and 47 provide all the information necessary to construct a MAPAC when the shipment is made through a freight forwarder.

A MAPAC does not exist as a discrete entity without a defining TAC. The TAC is a suffix to the MAPAC, which further defines the clear-text address to be used. TACs are discussed later in this section.

Figure 11-6 is an illustration of two FMS MAPACs constructed from applicable entries in a MILSTRIP requisition. This is necessary when a shipment is made through the FMS customer’s freight forwarder. The freight forwarder’s address is represented by the ship-to MAPAC, and the final

destination address is represented by the mark-for MAPAC. The numbers 30 through 50 indicate MILSTRIP record positions. The row of alphanumeric characters represents the applicable codes inserted in each record position by the originator of the requisition.

**Figure 11-6**  
**Relationship of the MAPAC to the MILSTRIP Requisition**  
**(Except Canada and Grant Aid) when using a Freight Forwarder**

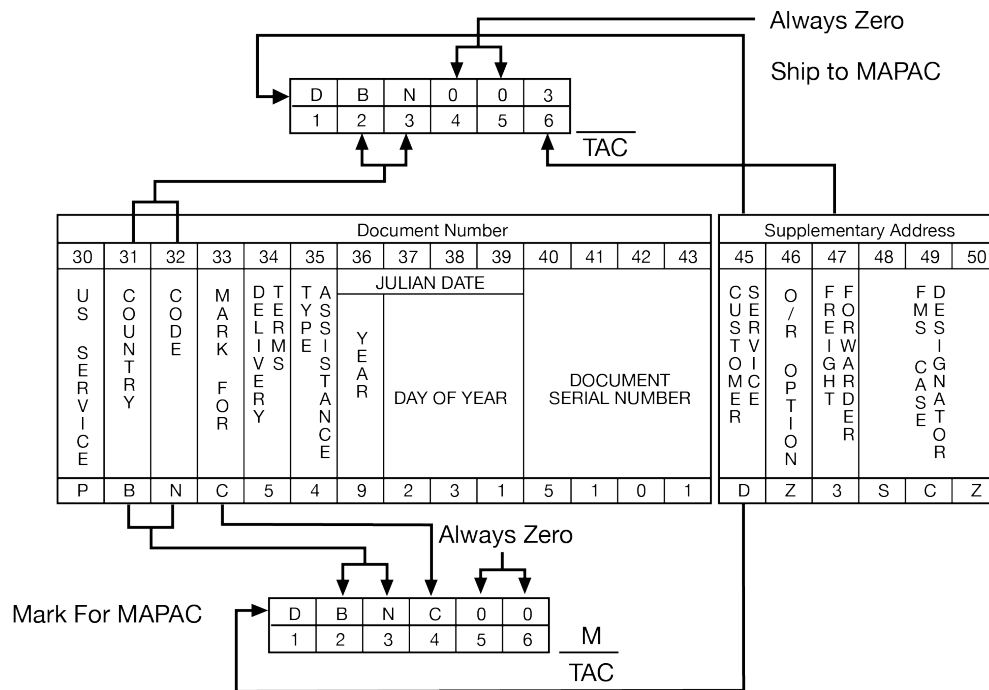
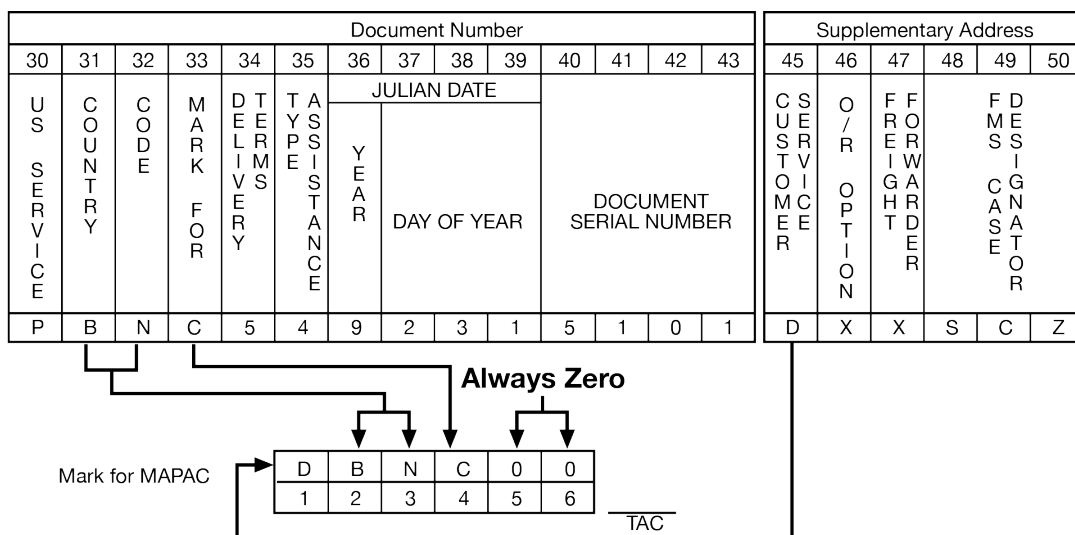
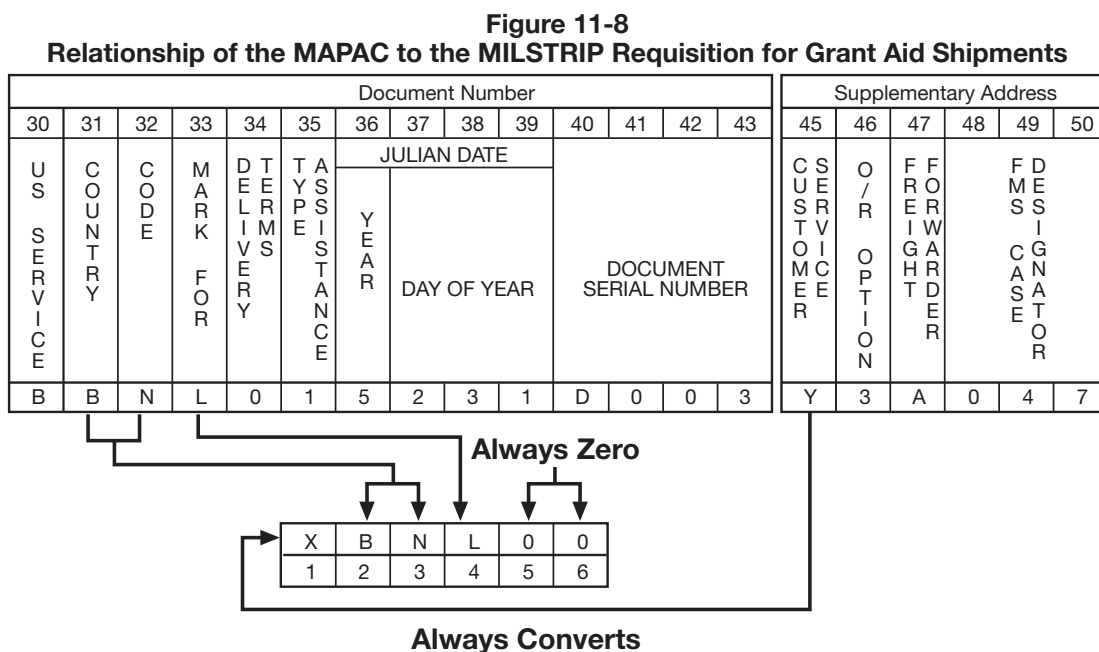


Figure 11-7 illustrates the MAPAC construction when shipment is made entirely through the DTS, so there is no NOA, and no freight forwarder. In this case, the offer/release option and freight forwarder code are replaced in the supplementary address fields by "XX." The mark-for address becomes the ship-to address.

**Figure 11-7**  
**Relationship of the MAPAC to the MILSTRIP Requisition for DTS Shipments**



Grant aid shipments have different MAPAC construction rules from those shown in Figures 11-6 and 11-7. Grant aid materiel is usually shipped through the DTS, but the materiel is not designated for any specific foreign military service, and there is no LOA. Consequently, the data in the supplementary address fields of a grant aid requisition are quite different from the data in an FMS requisition, as shown in Figure 11-8. In these shipments, the ship-to and mark-for MAPAC are usually the same.



Shipments to Canada do not follow the MAPAC construction rules described in Figures 11-6, 11-7, or 11-8. In these shipments, there is no mark-for MAPAC. For information on how to construct MAPACs for Canadian shipments, see the DTR, part II, Appendix E.

**Military Assistance Program Address Code Construction.** The first position of the MAPAC designates the country military service to which the address applies. Normally the code will be B (in-country Army), D (in-country Air Force), P (in-country Navy), K (in-country Marines), or T (in-country joint activity or nonspecific). This is illustrated in Figures 11-6 and 11-7. Grant aid shipments are not made to military services but, rather, to foreign governments in general. For this reason, the service identifier in position forty-five on the MILSTRIP document is Y. The Y is converted to X in the MAPAC as shown in Figure 11-8 because the DoD has designated the Y for other purposes in MILSTRIP coding for transportation.

The second and third positions of the MAPAC indicate the country or activity code. For example, BN indicates Bandaria. Country and program codes can be found in the SAMM, C4.T2.

For a ship-to MAPAC with shipment going to a freight forwarder, the fourth and fifth positions will usually contain zeros, and the sixth position will indicate the freight forwarder code.

For a mark-for MAPAC (an entry in MILSTRIP record position thirty-three indicates that a requisitioner also wants an in-country destination mark-for address included in the documentation and on the shipping label), positions one, two, and three remain the same, but position four will include the mark-for code and positions five and six will usually be zeros.

For a complete list of MAPACs from the MAPAD, one needs only to input the purchaser's service followed by the country or program code. This must be repeated for each military service applicable to the customer.

### *Type of Address Code*

Individual MAPACs may indicate numerous addresses. The question then is which address should be selected. The key to the selection of the correct address is the TAC, which appears in the second column of the country address page. Table 11-4 is a list of TACs that has been extracted from the MAPAD. It briefly defines the types of addresses available in the MAPAD and explains their use. The TAC represents the action being taken by the shipping activity. For example, if a supply depot is shipping an unclassified small package, the appropriate TAC would be 1. If the same MAPAC has multiple addresses, the shipping activity would ship to the TAC 1 address.

**Table 11-4**  
**Type of Address Code**

Type of Address Code (TAC)	Explanation
A	This address is used when materiel classified secret is moved by small parcel carrier. It must be shipped by a carrier that can provide evidence of shipment or proof of delivery in compliance with DoD 4500.9-R, <i>Defense Transportation Regulation</i> (DTR), Part II, Cargo Movement Procedures.
B	This address is used when materiel classified secret is moved by surface or air freight carrier. It must be shipped by a carrier that can provide evidence of shipment or proof of delivery in compliance with DTR procedures.
C	This address is used when materiel classified confidential is moved by small parcel carrier. It must be shipped by a carrier that can provide evidence of shipment or proof of delivery in compliance with DTR procedures.
D	This address is used when materiel classified confidential is moved by surface or air freight carrier. It must be shipped by a carrier that can provide evidence of shipment or proof of delivery in compliance with DTR procedures.
1	This address is used when surface or air parcel post is selected as the mode of transportation for shipment of unclassified materiel.
2	This address is used when surface or air freight is selected as the mode of transportation for shipment of unclassified materiel. More than one TAC 2 address may be reflected for the same MAPAC. In this case, the MAPAD will contain a special indicator which requires manual look-up in the introduction of the appropriate country address listing.
3	This address is used when the option code (Y or Z in record position 46 of the requisition) requires a notice of availability prior to shipment. For option code Z, follow-ups on notices of availability are also sent to this address.
4	This address is used for distribution of supply and shipment status documents. Distribution is accomplished by Communication Routing Identifier (COMMRI) electronic communications.
5	This address is used for mailing copies of release/receipt documents for parcel post shipments when the recipient has no electronic receipt capability. The TAC 5 address is only published when it is different from the TAC 1 address.

6	This address is used for mailing copies of release/receipt documents for automatic freight shipments when the recipient has no electronic receipt capability. The TAC 6 address is only published when it is different from the TAC 2 address.
7	This address identifies the activity responsible for payment of transportation charges for shipments made on collect commercial bills of lading or other types of collection delivery methods. This address is established only when TACs A, B, C, D, 1, and 2 addresses (ship-to) are not authorized to make such payments.
9	TAC 9 indicates that the addresses for this MAPAC have been deleted; however, the MAPAC will remain in the directory to provide a reference to another MAPAC, which will be used in processing documents that contain the deleted MAPAC, or provide a reference to special instructions for processing documents containing the deleted MAPAC. The deleted entry will remain in the MAPAD for a period of five years.
M	This address is used as a mark-for for freight shipments to freight forwarders and through the DTS. The fourth position of the MAPAC contains an alphanumeric code to designate an in-country destination. This code will be the same as the code in record position 33 of the MILSTRIP requisition.

The selection of the proper TAC is determined by the type of action being taken. For example, when a requisition is processed, the following sequence of events may take place:

- A need for an address to send supply status documents (TAC 4)
- Possibly a need for an address to send a notice of availability, indicating stock is on hand and ready for shipment (TAC 3)
- The need for an address to send parcel post, freight, or classified materiel (TAC A-D, 1, 2)
- The need for an address to send materiel release documents (TAC 5, 6)
- The need for an address to send shipment status documents (TAC 4)

A clear-text mailing or shipping address may be obtained from the MAPAD by constructing a MAPAC from the requisition data and determining the type of shipping action to be accomplished. The MAPAC and its corresponding clear-text address must appear on the materiel release document (DD 1348-1A, *Issue Release/Receipt Document* or the DD 250, *Materiel Inspection and Receiving Report*), and the shipping label, DD 1387. The TAC, however, never appears on any documentation.

For more information on the MAPAD, see the DSCU publication *FMS User's Guide to the Military Assistance Program Address Directory* (MAPAD), located at [www.dscu.mil](http://www.dscu.mil).

## **SHIPMENT OF BUILDING PARTNERSHIP CAPACITY LETTER OF OFFER AND ACCEPTANCE MATERIEL**

Materiel shipments made as part of Building Partner Capacity (BPC) LOAs follow different rules than materiel shipments made under an FMS LOA. For BPC LOAs, the standard terms and conditions do not apply because the purchaser on the LOA is a USG entity. The DoD retains title to the materiel until after it is received in country, and the USG representative transfers custody and responsibility to the recipient country. As a result, the DoD assumes all liability and responsibility for materiel movement until the title transfers. The designated USG representative will confirm and document delivery and receipt of the BPC LOA materiel to an authorized recipient country representative or agent of the receiving country. The USG representative will keep documentation showing when, where, and



to whom delivery was made and will provide a copy of this documentation to the implementing agency that issued the LOA.

All materiel transferred under a BPC LOA must move through the DTS. No freight forwarder is involved. DSCA publishes non-FMS program guidance annually as security cooperation programs receive congressional approval and funding. Materiel transfer rules are subject to change and may vary for different security cooperation programs. Chapter 15 of the SAMM addresses BPC LOAs. It is recommended that country/case managers consult with the DSCA to verify that the transfer procedures described in this chapter are still valid.

## **PRE-LOR TRANSPORTATION PLANNING**

Transportation of materiel to the customer is often the most difficult part of case execution. Because of the many rules, regulations, policies, and processes outlined in this chapter for moving materiel, planning for transportation must be done as early as possible. International purchasers and SCOs should address transportation capabilities and limitations in their letters of request or memorandums of request for FMS and BPC LOAs, respectively. The most difficult commodities to move are sensitive AA&E, classified items, COMSEC, cryptographic or other sensitive (nonexplosive) items, and oversized major items such as vehicles, aircraft, tanks, helicopters, boats, or heavy construction equipment. Some of these items can be moved by a commercial freight forwarder, but many must move through the DTS. FMS customers and SCOs should address the following concerns in pre-LOR discussions in order to plan for delivery of these commodities:

1. Does the FMS customer have the capability to pick up the materiel in CONUS and transport it to their country using their own carrier?
2. If the materiel will move by surface carrier overseas, does the FMS customer have the capability to accept the materiel at the POD and arrange for movement to the final destination? What if the POD is in a third country? The FMS customer will be responsible for clearing customs and arranging for transportation through any other country the materiel must transit.
3. Are there any unique documents, permits, or handling requirements for the shipment to clear customs?
4. What military or commercial air or water ports are available for delivering FMS materiel? What is the carrier capacity of each port? Does the port have secured storage space? If the answers to these questions are unknown, it may be necessary for SDDC to conduct a port site survey to identify the size and type of carriers that the port can accommodate and to assess the port's physical security.
5. Does the FMS customer have the ability to move the materiel securely from the POD to the final destination?

If the FMS customer is unable to arrange for onward movement from the POD to the final destination, the cost for having the USG move the materiel to the final destination can exceed the value of the shipment itself. This is especially true if the only option to move the materiel into country is to use a dedicated Special Assignment Airlift Mission (SAAM) or some other form of transportation that is not part of a regular schedule. To assist SCOs and case managers in evaluating transportation options, the USTRANSCOM has a FMS branch in J3-Sustainment at Scott AFB, IL. The mission of the FMS Branch is to provide pricing and routing options to enable implementing agencies to develop a course of action for the delivery of hard-to-move commodities to primarily low-volume or landlocked countries. SCOs and FMS case managers are encouraged to contact the TRANSCOM J3 at [transcom.scott.tcj3.mbx.fms@mail.mil](mailto:transcom.scott.tcj3.mbx.fms@mail.mil), to determine transportation options and limitations during the pre-LOR discussions.

## SUMMARY

This chapter has presented an overview of the DoD transportation policy for the movement of FMS materiel. The USG would like all purchasers to become self-sufficient in the delivery of their materiel. However, because of the nature of some articles and the lack of capability of some countries, there are occasions when the DTS must be utilized to deliver certain items. Title to all articles normally passes at the point of origin, and the purchaser pays all charges to its in-country destination. Some of these transportation costs are included in the stock fund price of the item, and others are charged by the freight forwarder or the USG. Offer release codes, DTCs, and other pertinent transportation data are negotiated during the preparation of the LOA, and resulting codes are included within a MILSTRIP requisition, enabling shippers to move articles to the proper in-country address.

The MAPAD is a website that contains addresses and corresponding address codes to identify where FMS materiel and documentation are to be sent. At first glance, the MAPAC, with its required construction of various codes for determination of proper addresses, appears complex. However, after some familiarization, the use of the MAPAD becomes quite simple. Purchasers are responsible for the accuracy of address information; if the addresses listed in the MAPAD are not current, shipments of materiel, documents, and reports will be delayed or misdirected.

Case developers, managers, and all applicable supply/shipping activities must be familiar with the MAPAD and comply with the marking and addressing of security cooperation shipments.

Certain categories of materiel require specific permits and coordination documents before movement can occur. FMS purchasers must obtain a CAA before moving explosive materiel. A transportation plan must document the transportation security procedures for classified and/or explosive materiel.

Export documents must be prepared for all types and modes of shipment. Each shipment must be reported through the Automated Export System by the freight forwarder when one is used by the FMS customer or by the DoD shipper when movement is entirely through the DTS.

Transportation discrepancies occur when there is loss or damage to an item that can be attributed to the transporter. Transportation discrepancies are normally handled by filing a claim with the carrier. All lost or damaged security assistance shipments, regardless of value or classification of the materiel, should be reported on a TDR when shipment is through the DTS. TDR procedures do not apply to FMS materiel shipped to non-DoD consignees within the CONUS (e.g., FMS freight forwarders, customer country embassies etc.) or carrier facilities identified in the notice of availability responses.

## REFERENCES

DSCU Publication. *FMS User's Guide to the Military Assistance Program Address Directory (MAPAD)*.

DSCU Publication. *Freight Forwarder Selection Guide*.

DSCU Publication. *Shipping Explosives: An FMS Customer Guide*.

DLM 4000.25-M, Volume 2, Chapter 17, *Supply Discrepancy Reporting*.

DoD Manual 5100.76-M. *Physical Security of Sensitive Conventional Arms, Ammunition and Explosives*.

DoD Manual 5200.01 *DoD Information Security Program*, Volume 3.

DoD Manual 5220.22-M. *National Industrial Security Program Operating Manual (NISPOM)*.

DoD Regulation 4500.9-R. *Defense Transportation Regulation (DTR)*, part II, "Cargo Movement."

DoD Regulation 7000.14-R. *Financial Management Regulation*, Volume 15, “Security Assistance Policy and Procedures.”

DSCA Manual 5105.38-M. *Security Assistance Management Manual* (SAMM). Chapters 7 and 15. <http://www.samm.dsca.mil/>.

MIL-STD-129P. *Department of Defense Standard Practice for Military Marking*.

MIL-STD-2073-1E. *Department of Defense Standard Practice for Military Packaging*.

NAVSUP Publication 526. *Customer Supply System Guide*.

USASAC Training/Orientation Booklet. *Transportation and Traffic Operations*.

U.S. Government. “Title 22, Code of Federal Regulations.” Parts 120-130, *International Traffic in Arms Regulations* (ITAR). U.S. Government. “Title 49, Code of Federal Regulations.” Parts 170-179. *Hazardous Material Regulation*.

## USEFUL WEBSITES

Air Mobility Command (AMC): [www.amc.af.mil](http://www.amc.af.mil)

Defense Logistics Agency (DLA): [www.dla.mil](http://www.dla.mil)

Defense Security Service (DSS): <http://www.dss.mil>

Military Sealift Command (MSC): [www.msc.navy.mil/](http://www.msc.navy.mil/)

National Customs Brokers and Forwarders Association of America (NCBFA): <http://www.ncbfaa.org>

*Security Assistance Management Manual* (SAMM): <http://www.samm.dsca.mil/>

Surface Deployment and Distribution Command (SDDC) Electronic Transportation Acquisition: <https://eta.sddc.army.mil/ETASSOPortal/Contact.aspx>

United States Customs and Border Protection (CBP): [www.dhs.gov](http://www.dhs.gov)

U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (PHMSA): <http://phmsa.dot.gov/hazmat>.

U.S. Transportation Command (USTRANSCOM): [www.transcom.mil/](http://www.transcom.mil/) Military Assistance Program Address Directory (MAPAD) System: <https://www.transactionservices.dla.mil/> DAASINQ (read-only) or <https://www.transactionservices.dla.mil/portal/> (with CAC)



## INTRODUCTION

The execution of U.S. Government (USG) security cooperation (SC) programs involves the management of substantial amounts of funds. The fact that Foreign Military Sales (FMS) operates under a legislatively mandated “no-loss” concept and an administratively mandated “no-gain” policy enforces the requirement for effective financial planning and accountability and has caused the creation of data collecting and reporting systems peculiar to FMS. The Building Partner Capacity (BPC) programs also require attentive financial management and planning due to their expiring and canceling funds legislative limitations. Financial management is far-reaching and must be considered by all functional disciplines in the SC community throughout the life cycle of cases and programs. This chapter will discuss processes and procedures of USG organizations that are based on established Department of Defense (DoD) fiduciary requirements. Management at all levels of the DoD must ensure these processes and procedures are adhered to upon implementation and execution of SC cases and programs. The primary financial management references highlighted and discussed in this chapter include the *DoD Financial Management Regulation* (FMR) 7000.14-R Volume 15 (Security Cooperation Policy), Defense Security Cooperation Agency (DSCA) *Security Assistance Management Manual* (SAMM) Manual 5105.38-M Chapter 9 (Financial Policies and Procedures), Chapter 16 (Case Reconciliation and Closure), and the SAMM Appendix 7 (Case Reconciliation and Closure Guide (RCG)).

## FINANCIAL MANAGEMENT RESPONSIBILITIES

### U.S. Congress and State Department (DoS)

The U.S. Congress and Department of State (DoS) are discussed in Chapter 3 of this textbook, “United States Government Organizations.” The U.S. Security Cooperation (SC) and Security Assistance (SA) financial management responsibilities include the congressional enactment of the required SA/SC legislative authorization and appropriation acts. The DoS and DoD coordinate and provide input to Congress in the development and establishment of that legislation. There is extensive financial management involvement and oversight by DoS in fulfillment of that organization’s responsibilities for continuous supervision and general direction of economic assistance, military assistance, military education and training, and sales and export programs.

### Under Secretary of Defense (Comptroller)

The DoD Under Secretary of Defense (Comptroller) (OUSD[C]) is the principal advisor to the Secretary of Defense on all budgetary and fiscal matters, including the development and execution of the Defense Department’s annual budget. As the DoD’s Chief Financial Officer, OUSD(C) also oversees the Department’s financial management systems, business modernization efforts, and financial policy. The DoD Financial Management Regulation (FMR) is issued by OUSD(C) under the authority of DoD Instruction 7000.14, “DoD Financial Management Policy and Procedures.” The DoD FMR applies to the Office of the Secretary of Defense, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the DoD, the Defense Agencies, the DoD Field Activities, and all other organizational entities

within the DoD (hereinafter referred to collectively as “DoD Components”). DoD FMR Volume 15 (Security Cooperation Policy) directs statutory and regulatory financial management requirements, systems, and functions for all appropriated and non-appropriated working capital, revolving, and trust fund activities.

### **Defense Finance and Accounting Service (DFAS)**

The Defense Finance and Accounting Service (DFAS) headquarters is located in Indianapolis, IN, and is the organization responsible for the implementation of all accounting and finance activities within the DoD.

### **Defense Finance and Accounting Service, Security Cooperation Accounting (DFAS SCA)**

Defense Finance and Accounting Service, Security Cooperation Accounting (DFAS SCA) is the DFAS organization that has the following financial responsibilities as they relate to the SC programs within the DoD:

- Account for the daily operations and funds transfers to and from the FMS trust fund
- Provide obligation and expenditure authority for the financial execution of security cooperation cases and programs
- Operate the Defense Integrated Financial System (DIFS) computer information system for centralized DoD-wide delivery reporting, collecting, forecasting, and billing for security cooperation cases and programs
- Perform continuing analysis to ensure sufficient customer cash is available to pay DoD, military departments (MILDEPs), and DoD procurement vendors
- Prepare, review, and dispatch all security cooperation billing and holding account statements
- Perform final accounting actions to close cases and render final accounting statements
- Provide assistance to, and interact with, the DoD and MILDEPs regarding security cooperation logistical and financial systems, projects, policies, and procedures
- Participate with the DoD and MILDEPs as required in security cooperation reviews within and outside the U.S.

### **Defense Security Cooperation Agency (DSCA)**

The primary functions of the Defense Security Cooperation Agency (DSCA) are described in DoD Directive 5105.65 and are also discussed in Chapter 3 of this textbook. The financial elements of those duties include the management of the FMS trust fund, Foreign Military Financing Program (FMFP), Security Cooperation Organization (SCO) program management, International Military Education and Training (IMET) program, FMS administrative fund, and numerous Building Partner Capacity (BPC) programs. In addition, DSCA schedules and chairs the Financial Management Reviews, supervises the financial implementation of FMS and BPC Letters of Offer and Acceptance (LOAs), and also has waiver authority for most of the FMS-related costs described in this chapter.

### ***Financial Management Review (FMR) Program***

The Financial Management Review (FMR) program constitutes a country-level review of an FMS customer’s total program (i.e., all the country’s FMS cases), taking into account current and projected requirements and anticipated resources, including FMFP grants, Military Assistance Program (MAP) grants, and budgeted purchaser funds. Each quarter, DSCA selects up to four FMS customer programs for review and requests selected financial data in the form of a case worksheet and tasking letter to



the applicable implementing agencies (IAs). Following consolidation and analysis of the data, DSCA meets or corresponds with IAs, as appropriate, to follow up on recommended actions prior to the FMR commencement. The FMR will then be held as scheduled, with representation and participation from DSCA, IAs, the applicable SCOs, and foreign purchaser countries. [SAMM C9.14.1]

### ***Case Writing Division***

The mission of DSCA's Case Writing Division (CWD) is to review all LOAs for consistent policy application. When developing payment schedules, the responsibility for providing accurate data in developing line prices and payment schedules on an LOA document is the responsibility of the IAs. The CWD has the responsibility of reviewing the price and payment schedule data for correct application of policy, waivers, and cost recovery rates in regard to the FMR and SAMM. [SAMM C5.T8]

### **Implementing Agencies and Military Departments**

A discussion of each IA and MILDEP organization for FMS is included in other chapters of this textbook. The following types of organizations have a financial role in security cooperation programs and cases:

- Service headquarters: Review LOAs (when required by IA policy) and provide service-wide policy and oversight (including financial waiver recommendations, case unique payment schedules, etc.).
- Systems, logistics [including the IA's International Logistics Control Organizations (ILCOs)], and training commands: Prepare the Price and Availability (P&A) and LOA data, coordinate as required to acquire and deliver the material and/or services and training on the implemented LOA, maintain detailed case logistics and financial records for accounting and reconciliation, and certify case for closure to the Defense Finance and Accounting Service (DFAS) Security Cooperation Accounting (SCA).

The Defense Security Assistance Management System (DSAMS) is used by the MILDEP Implementing Agencies (IAs) and the DSCA Case Writing Division (CWD) to compute LOA prices and payment schedules. The financial execution and reconciliation, however, is conducted by the MILDEPs and DoD agencies utilizing a variety of computer information systems that are discussed in Appendix 1 of this book, "Security Cooperation Automation."

### **Security Cooperation Organizations (SCOs)**

The Security Cooperation Organizations (SCOs) are discussed in Chapter 4, "Security Cooperation Organizations Overseas," in this textbook. The SCO financial management responsibilities include the following:

- Initial point of contact with FMS purchaser for issues and communications
- Support Reviews (i.e., financial, program, reconciliation)
- International Military Education and Training (IMET)—budgeting and execution
- Foreign Military Financing (FMF)—budgeting and execution
- Ensuring that the foreign government is aware of U.S. FMS credit financing policies. Any exceptions must be fully justified and submitted through the Chief of the U.S. Mission to DSCA for interagency coordination and approval or disapproval. [SAMM C9.7.2.7]

### **Foreign Purchaser**

The foreign purchaser also has important SC financial management responsibilities including the

following:

- Budget funds as required
- Timely payment of bills
- Requesting and coordinating with the USG on any required special financial plans (Interest Bearing Accounts (i.e., Commercial or Federal Reserve Bank), Standby Letter(s) of Credit (SBLC), Special Billing Arrangements (SBAs), unique case payment schedules, financial waivers, etc.)
- Support Reviews
- Financial Discrepancy Reporting

## **Industry**

Companies that provide Security Cooperation articles and services per their contract(s) with the USG have multiple responsibilities including the following:

- Coordinate with USG on development of P&A and LOA price estimates
- Negotiate and sign contracts for procurement of LOA materials and services
- Coordinate with USG Implementing Agencies, contracting officers (i.e., DCMA) and auditors (i.e., DCAA) on delivery of contract materials and/or services in support of the LOAs
- Timely and accurate billing to the USG for work and services performed

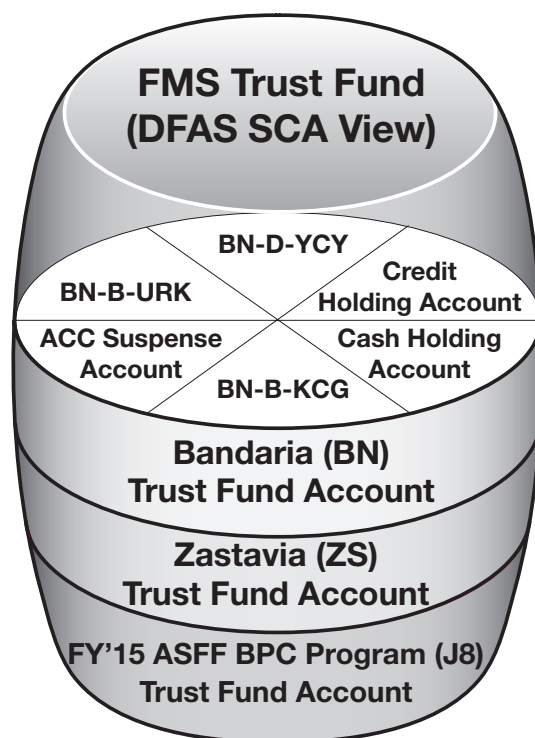
## **FUNDS MANAGEMENT**

### **Foreign Military Sales Trust Fund**

The FMS trust fund is a U.S. Treasury account [FMR Volume 15, Chapter 1, Section 010201] credited with receipts, earmarked by law, and held in a fiduciary capacity by the USG, to carry out specific SC purposes and programs. The complete fund cite, 97-11 X 8242, is required for consolidated financial statements and reports to the Department of the Treasury and the Office of Management and Budget. The FMS trust fund represents the aggregation of SC cash received from USG, purchasing countries, and international organizations. DSCA is responsible for management of the trust fund. DFAS SCA is responsible for trust fund accounting. See the Figure 12-1 for a notional view of the FMS Trust Fund.

Customer cash deposits for defense articles and services sold under the Arms Export Control Act (AECA), Sections 21 and 22 are made in advance of material delivery or service performance. These cash deposits also provide funds for progress payments to contractors. All cash deposits are identified and accounted for at the case and line levels. DFAS SCA exercises stringent controls over the FMS trust fund to ensure proper visibility and accountability are maintained for all payments made by a customer for every case. The integrity of customer country or USG program funds must be strictly observed, and certain established principles guide the management of the trust fund. All cash disbursements for a country or international organization are identified by case and should not exceed the customer's total cash deposits. A specific case may temporarily be in a deficit cash position with the deficit being funded by the customer's cash advances on other cases [FMR Volume 15, Chapter 4, Section 040307]. However, the cash deposited by one country will not be used to liquidate obligations incurred on behalf of another country. A reportable adverse financial condition exists when the country level cash summary accounts are in a deficit position. Ultimately, dollars placed in the FMS trust fund are subject to U.S. Treasury accounting system controls from the date of receipt to the date of expenditure or refund. [FMR Chapter 4 (Accounting Policy and Procedures) and SAMM C9.3.9 and C9.11.1]

**Figure 12-1**  
**Notional View of FMS Trust Fund**



### ***Holding Accounts***

DFAS SCA maintains purchaser holding accounts in the FMS trust fund. The holding accounts are sub-accounts of funds that are not identified to a specific case. These funds could be a result of excess funds left when an FMS case is closed, a quarterly payment by an FMS customer that does not identify to which case the payment should be applied, or as part of case cross leveling transactions. Normally, funds on deposit in a purchaser's holding account are not removed without the consent of the purchaser, but the FMS customer may request DFAS SCA to "draw upon" its holding accounts for transfers to specific cases as needed. The holding account balances are not included in the totals of the FMS Billing Statement, DD Form 645. Separate statement(s) (as attachment(s) to the quarterly DD Form 645) are provided to the country showing deposits and withdrawals to each holding account for that country.

Purchasers have at least one but may have numerous holding accounts for different purposes. The holding account identification information is documented in the Holding Account Statement section in the Billing portion of this chapter.

### **Flow of Funds**

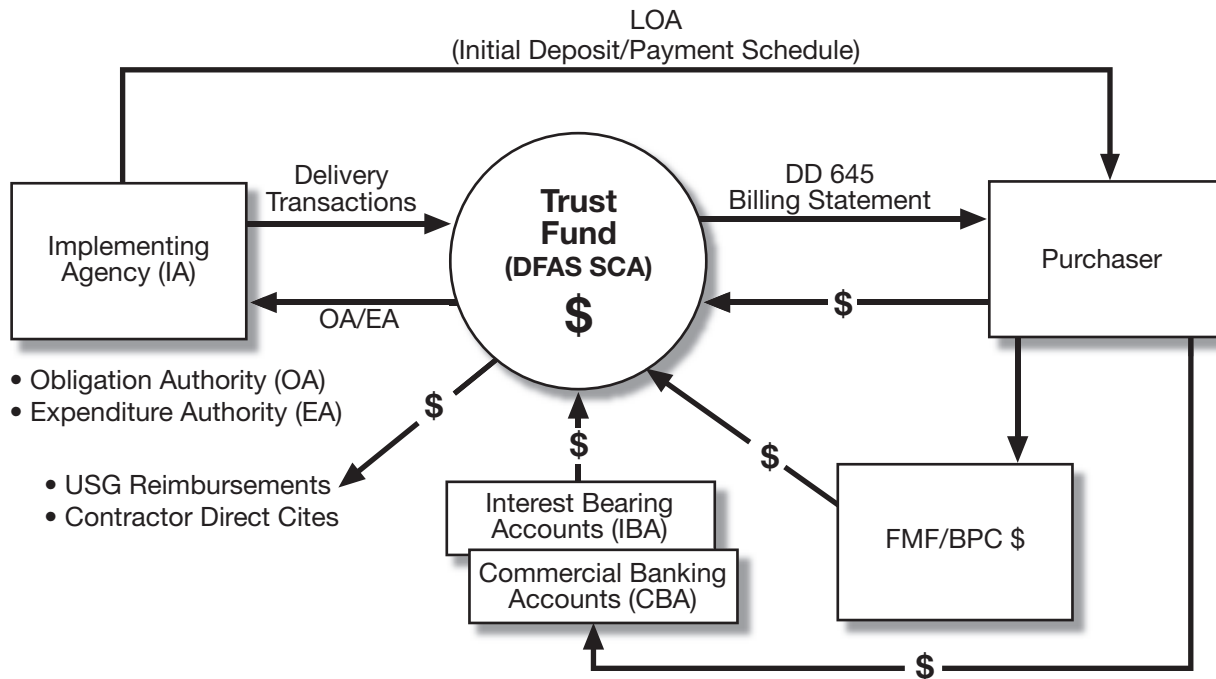
Figure 12-2 depicts the "big picture" relating to the flow of FMS funds in and out of the FMS trust fund. Details and interfaces are omitted to emphasize concepts. For BPC cases, there is a similar flow of funds with the "Purchaser" being the USG, and removal of the FMF and interest-bearing account (IBA)/commercial banking account (CBA) from the diagram. The following is a brief explanation of how to interpret the flow diagram.

### **Financial Requirements**

The funds' flow process starts with the USG placing financial requirements on the purchaser. These requirements are generally of one of two forms including the following:

1. The initial deposit requirement documented in the LOA
2. Quarterly payment requirements, which are documented in the estimated payment schedule of the LOA and subsequently incorporated in the quarterly DD Form 645, issued by DFAS SCA

**Figure 12-2**  
**Flow of Funds**



### Purchaser Sources of Funds

Based on USG financial requirements, the purchaser must respond by providing the funds requested. The purchaser normally has two sources of financing: cash and USG credit (i.e., grants or loans). From a USG perspective, cash payments by the purchaser means the absence of USG grants or loans. [SAMM C9.7] Purchasers may pay DFAS SCA directly by wire transfer or by check. Direct cash payments are mailed or wire transferred to DFAS SCA in accordance with instructions provided in the LOA and the quarterly billing statement.

### Interest Bearing Accounts (IBA)

In response to the initial deposit and quarterly billing requirements, a purchaser may also make payments (if authorized) to a separate interest-bearing account (IBA). DFAS SCA is authorized to then withdraw funds from the IBA for transfer into the FMS trust fund. The IBA may be either a Federal Reserve Bank (FRB) account or Commercial Banking Account (CBA) as described below.

### Federal Reserve Bank (FRB) Accounts

Some countries (if approved) may establish an account with the FRB of New York (FRBNY) for their FMS deposits. An agreement between the FMS purchaser's defense organization, the purchaser's central bank, FRBNY, and DSCA identifies the terms, conditions, and mechanics of the account's operation. Except as authorized by law and/or DSCA policy, FRB accounts do not include FMFP funds. [FMR Volume 15, Chapter 4, Section 020302.A and SAMM C9.11.2]

### ***Commercial Banking Account (CBA)***

Some countries may establish an account with a commercial bank for FMS deposits. Commercial banking accounts do not include FMFP funds. Two agreements are required:

1. An agreement between the FMS purchaser and the participating U.S. commercial bank
2. An agreement between the FMS purchaser and DSCA

These accounts operate in a very similar fashion to the FRB New York interest-bearing accounts. [FMR Volume 15, Chapter 4, Section 040306 and SAMM C9.11.3] The DSCA Policy Memorandum 04-02, “FMS Transformation Deliverable: Implementation of Commercial Banking Account (CBA),” documents the guidelines and criteria for countries to participate in CBA arrangements for the purpose of depositing certain funds associated with FMS cases.

### **DoD Financial Controls**

The following discussion concerns the creation of Budget Authority (BA), methods of funding, and the flow of Obligational Authority (OA) and Expenditure Authority (EA) to the DoD components. The LOA does not in itself create BA in either the FMS Trust Fund or in a DoD appropriation or fund account; however, it is required for establishing BA. [FMR Volume 15, Chapter 2, Section 020302.A]

### ***Budget Authority***

DoD’s budget authority (i.e., USG legal financial authority) is provided by law, and it allows the DoD to enter into obligations that will result in immediate or future outlays from federal government accounts. The most basic form of budget authority is appropriations. Security cooperation LOA budget authority is created through the IAs preparation and processing of five forms, as applicable:

1. LOAs
2. LOA modifications
3. LOA amendments
4. FMS Obligational Authority DD Form 2060 (or automated equivalent) [FMR Volume 15, Chapter 2, Section 020302.E]
5. FMS Planning Directive DD Form 2061 (or automated equivalent) [FMR Volume 15, Chapter 2, Section 020302.D]

Budgetary control of an FMS agreement begins after acceptance of the sales offer by the purchaser. After the purchaser has forwarded a signed copy of the accepted LOA (with any required initial deposit), IAs will create and submit an automated OA request through the Defense Integrated Financial System (DIFS). When DFAS SCA receives the OA Request, the FMS case level accounting records are reviewed to determine if: the case is valid; the FMS Trust Fund purchaser has deposited necessary cash, in advance, to implement the FMS case; and the requested OA does not exceed the dollar values established in the LOA. If the three requirements are met, DFAS SCA must create FMS Trust Fund BA and approve the OA Request. The IA must account for, control, and report all obligations and expenditures (disbursements) incurred against the authority received.

### ***Methods of Funding***

At the time the initial DD Forms 2060 and 2061 (or automated equivalents) are prepared, it is necessary to determine the planned funding source. The two funding authorities identified on DD Forms 2060 and 2061 (or automated equivalents) are direct cite and reimbursable.

### **Direct Cite**

Direct cite method involves entering and maintaining an FMS trust fund accounting citation on documents relating to SC transactions. For example, the trust fund accounting data is shown on a DoD contract and is the direct funding source for a USG paying office to make payment to a contractor. In accordance with the FMR, new procurement actions should be accomplished to the maximum extent feasible and appropriate through direct citation of the FMS Trust Fund (97-11 X 8242) on applicable contractual documents. [FMR Volume 15, Chapter 1, Section 010302]

### **Reimbursable**

Reimbursable method is used when the MILDEP or DoD agency cites its own performing appropriation as the funding source (e.g., the U.S. Army's missiles procurement appropriation). The DoD component's performing appropriation is subsequently reimbursed by DFAS SCA from case funds held in the FMS trust fund. [FMR Volume 15, Chapter 1, Section 010301]

### **Flow to Department of Defense Components**

The DoD component having implementation responsibility for a given LOA case will request OA and EA from DFAS SCA at the appropriate times in the life of a case.

### **Obligational Authority**

Obligational Authority (OA) is a financial authority, which allows legally binding financial obligations to be incurred in an amount not to exceed the value of the material and service requirements on a case. Once the purchaser has accepted an LOA and provided funds to DFAS SCA, and the IA has received OA, the case can then be implemented, and obligations can be recorded. The term "obligation" relates to orders placed, contracts awarded, requisitions submitted, services performed, and similar transactions during a given period that will require payments.

### **Expenditure Authority**

Expenditure Authority (EA) is unique to FMS accounting and was established in order to ensure compliance with the AECA requirement that DoD funds not be used to provide interim financing of FMS requirements. EA is an FMS country-level authority, which allows expenditures to be incurred against obligations previously recorded against a country's trust fund account. As a result, before expenditures can be made, the dollars must first be on deposit in the trust fund. In the most basic sense, the term "expenditure" may be thought of as a cash disbursement, such as a payment to a contractor or a reimbursement to an IA. Thus, EA may be requested and accounted for by one of two methods:

1. Reimbursement: Reimbursement transactions result in a disbursement for credit to the specific appropriation or fund account
2. Direct Cite: Direct Cite transactions result in a disbursement to other than a DoD organization (i.e., a contractor, other federal agency, or employee)

### **Foreign Military Financing Program (FMFP)**

FMFP facilitates the purchase of U.S. military equipment, spare parts, services, and training by many allies and friendly countries. The following discussion identifies the various terms used in financing programs and briefly discusses policies and procedures. [SAMM C9.7.2]

### **Department of State (DoS) Role**

The Department of State (DoS), in accordance with AECA Section 2, is responsible for the continuous supervision and general direction of sales and exports of defense articles and services. In fulfillment of



those responsibilities, the DoS determines which countries will receive grants/loans, unless Congress has enacted into law specific country/amount determinations (i.e., earmarks), prohibitions, or ceilings.

### ***Defense Security Cooperation Agency Role***

The President has delegated to the Secretary of Defense the authority to issue and guarantee loans to eligible recipients. The Secretary of Defense has delegated to the Director of DSCA the authority to administer the credit program while ensuring that such funds are used only to buy authorized materiel and services. As such, DoS must first approve the use of loans.

### ***General Policies and Procedures***

FMFP credit financing will normally be extended when it has been determined that purchases of defense items cannot be financed reasonably by other means, taking into account any U.S. military and economic assistance that such countries may be receiving, and indigenous financing. In addition to being evaluated for consistency with U.S. foreign policy interests (including human rights), proposed arms purchases by the country and the suitability of items being purchased will be taken into account. Of particular attention are the level of weapons sophistication and the capability of the country to maintain, support, and employ the items effectively. FMFP credit assistance will not be extended solely to consummate a sale.

Expenditure of FMF funds is subject to legal and policy restrictions. [SAMM C9.7.2.7] Security Cooperation Organizations (SCOs) must ensure that the foreign government is aware of U.S. policies for the use of FMF. SCOs should generally discourage partner nations from using FMF funding for those items identified in SAMM Table C9.T10. However, in certain circumstances, these items may be permitted to be purchased with FMF funds if the State Department determines that providing such items are critical to the mission, the bilateral relationship, or the defense articles or services are in direct support of coalition operations where U.S. forces are present. SCOs should initiate early discussion regarding requests to use FMF funds (with DSCA [Operations Directorate] and DoS [PM]). To facilitate review of these requests, SCOs should submit a detailed justification and rationale for purchasing each item with FMF funds rather than host-nation funds and any other relevant facts in support of the request. This guidance applies to FMF used for standard FMS cases and Direct Commercial Contracts (DCCs).

All items purchased with FMS credit must be transported by U.S. flag vessels when ocean transportation is used. FMS credit agreements may contain provisions for certain waivers that, if approved, permit shipment of up to 50 percent of FMS credit-funded cargo on vessels of the borrowing country, and, in certain instances, such cargo may be transported on vessels of a third country. Such waivers are discussed in SAMM C.9.7.2.7.5 (Transporting FMS Credit Funded Cargoes). FMS credit funds cannot be used to pay the cost of transportation provided by a vessel of non-U.S. registry. FMS credit may also only be used to pay air transportation costs only if U.S. flag aircraft are used. The Fly America Act (49 U.S.C. 40118) requires first preference for airlift or grant, credit, or guarantee-funded cargo be given to U.S. flag air carriers. Before using a foreign-flag carrier, a shipper or exporter must provide a written explanation to the IA as to why a U.S. carrier should not be used. If a U.S. carrier code-shares with a foreign carrier to deliver a shipment to an overseas airport, it is still considered carriage by a U.S. flagged carrier. [SAMM C7.9.2]

DSCA does not generally make approved loan or grant-agreement funds directly available to the borrowing country. Rather, the country must submit invoice documentation (i.e., an LOA requiring an initial deposit or a DD Form 645 requesting payment or a commercial invoice) to DFAS SCA, along with a request for advance of funds. Once DFAS SCA certifies/approves the request, funds are disbursed as appropriate. If a country is authorized to use FMFP for direct commercial sales (DCS), the borrowing country must submit to DSCA copies of contracts or purchase orders relating to the commercial purchase and a request for advance of funds.

## ***Foreign Military Financing Program for Direct Commercial Contracts***

Direct Commercial Contracts (DCCs) are contracts in which the purchaser enters into a contract directly with a vendor, and the USG is not a party to the contract, although FMF is paying for some portion of that contract. The AECA allows ten countries to use their FMF allocation to finance DCCs. The ten countries eligible are as follows: Israel, Egypt, Jordan, Morocco, Tunisia, Turkey, Portugal, Pakistan, Yemen, and Greece. [SAMM C9.7.3] DSCA approves DCCs to be financed with FMF on a case by case basis. To employ FMFP credit financing for purchases directly from U.S. commercial suppliers, the purchaser must make a formal request through DSCA. A copy of the proposed contract must accompany the request. Materiel and services purchased must be of U.S. origin and the contract must be between the purchaser and a U.S. firm incorporated and actively doing business in the U.S. Prior to disbursement of FMFP funds, the contractor must certify those items and/or services supplied are U.S. source products. DSCA policy precludes the use of FMFP funds for direct commercial purchases of less than \$100,000. For further details on the DCC process, contractor eligibility, types of items, and certifications required, see “Guidelines for Foreign Military Financing of Direct Commercial Contracts” on the DSCA website.

### **Terms of Sale and Type of Assistance Codes**

Terms of Sale [SAMM C9.8] indicate when payments are required and whether the sales agreement is financed with purchaser or USG funds (i.e., FMS Credit (repayable or non-repayable), MAP Merger, etc.). In addition to the Terms of Sale, the related LOA Type of Assistance (TA) codes (in field #5 of each LOA line) document the line’s funding source, indicate whether the sale of an article is from DoD stock or new procurement, and the applicable AECA statute authority. TA codes are listed and defined in the LOA information page. [SAMM C5.F5] The Term of Sale is documented on the first page of the LOA. If an LOA involves more than one term of sale, all of the applicable terms of sale will be cited. SAMM C9.T11 provides a list and definitions of the Terms of Sale for use on LOAs. This information is duplicated in Table 12-1 for reference.

**Table 12-1  
Terms of Sale**

<b>Term of Sale</b>	<b>Application</b>
Cash with Acceptance	Used when the initial cash deposit equals the amount in the “Estimated Total Costs” line of the LOA.  Used for FMSO I even though the initial deposit is less than “Estimated Total Costs” (it must equal the FMSO I Part A value).  Used if the purchaser is not authorized Dependable Undertaking, unless specific DSCA approval is obtained.
Cash Prior to Delivery	Used if the purchaser is authorized Dependable Undertaking and the USG authorizes purchaser cash payment in advance of delivery of defense articles and rendering of defense services and design and construction services from DoD resources. AECA, Sections 21(b) and 29 (22 U.S.C. 2761(b) and 2769) apply.

Dependable Undertaking	Used if the purchaser is authorized in accordance with AECA Section 22.
Risk Assessed Payment Schedule	Approved by the DSCA Chief Financial Officer on a case-by-case basis. Authorized in accordance with AECA section 22. (See SAMM C9.8.4. for more information.)
Payment on Delivery	The USG issues bills to the purchaser at the time of delivery of defense articles or rendering of defense services from DoD resources. The first sentence of AECA, Section 21(d) (22 U.S.C. 2761(d)) applies. The IA may use this term only pursuant to a written statutory determination by the Director, DSCA, who must find it in the national interest to do so. If AECA, Section 21(d) is applicable based on Director or Deputy Director, DSCA action, modify to read “Payment 60 days after Delivery.” If AECA, Section 21(d) is applicable based on Presidential action, modify to read “Payment 120 days after Delivery.”
FMS Credit	This term applies to an FMS case financed with repayable FMF funds, or partly repayable FMF funds, extended or guaranteed by the Department of Defense under AECA, Sections 23 (22 U.S.C. 2763) and 24 (22 U.S.C. 2764), or under other legislation.
MAP Merger	Applies to FMS cases financed with Military Assistance Program (MAP) Merger funds (FAA, Section 503 (22 U.S.C. 2311)).
FMS Credit (Non-Repayable)	Applies to FMS cases financed with non-repayable FMF funds. If the case is financed wholly with these non-repayable funds, the LOA qualifies for pricing benefits (i.e., exclusion of military salaries and NC of research, development, and production of MDE) as provided in FAA, Section 503(a) (3) (22 U.S.C. 2311(a)(3)) and AECA, Section 21(e) (22 U.S.C. 2761(e))
EDA Grant	Applies to Excess Defense Article—non-reimbursable grant transfers as provided in FAA Section 516 (22 U.S.C. 2312j).

## Financial Forecasting

LOA payment schedules (when applicable per SAMM Table C9.T14 Initial Deposit Requirements) provide forecasted financial requirements for an FMS case and project the timing and/or amounts of purchaser deposits needed to meet the requirements. Payment schedules for LOA documents are prepared by the DSCA Case Writing Division (CWD) during the case development process based upon inputs (i.e., source of supply, lead time, delivery schedules, period of performance, progress payment schedules) provided by the IA. Implementing DoD components are expected to continually monitor case-level cash advances and validate the accuracy of payment schedules. The estimated payment schedule normally includes specific dates when each payment is due and consists of two financial categories:

1. An initial deposit
2. Estimated quarterly payments

Typically, the payment schedule projects quarterly payments due by the 15th day of March, June, September, and December per SAMM Table C9.T13, which is depicted below. Exceptions to these dates must be approved by the DSCA Directorate of Business Operations (DBO).

**Table 12-2**  
**Payment Schedule Dates**

<b>Offer Expiration/Acceptance Dates of LOAs</b>	<b>Earliest Payment Date on the Payment Schedule</b>	<b>For Period Covering</b>
11 Sep–10 Dec	15 Mar	Apr–Jun
11 Dec–10 Mar	15 Jun	Jul–Sep
11 Mar–10 Jun	15 Sep	Oct–Dec
11 Jun–10 Sep	15 Dec	Jan–Mar

### **Payment Schedule Content**

Payment schedules, to include initial deposits, are built upon IA assumptions and DSAMS inputs such as source of supply, lead time, delivery schedules, period of performance, progress payment schedules, etc. Payment schedules are built, using DSAMS, at the line level (or sub-line or delivery-set level), and rolled-up, to a case-level schedule. Payment schedules are prepared using IA pricing estimates and estimated dates for the following: LOA acceptance, LOA implementation, requisition initiation, contract awards, contractor payments, physical deliveries, and incurrence of personnel costs. Other information required to prepare the payment schedule include contractor termination schedules (used in the termination liability worksheet), lead times and/or availability, periods of performance, and disbursement histories for like-item cases or lines already implemented. Each deposit amount covers all costs estimated to be incurred on the purchaser's behalf during the payment period, plus a reserve to cover Termination Liability (for sales from procurement). Costs may include such items as anticipated deliveries of services and stock items, and progress payments on contracts. This information is needed at the line level and must be provided by the IA to the DSCA CWD for payment schedule preparation.

In the event of an amendment or modification to the basic LOA, the previous payment schedule assumptions must be revalidated, and customer collections to trust fund disbursements should be compared. If necessary, the payment schedule must then be adjusted as appropriate in the amendment or modification. Amendments use the term “Due with Amendment Acceptance” vice Initial Deposit. [SAMM C9.9.1.5.1]

### ***Initial Deposit***

The initial deposit is a financial requirement collected from the customer at the time they accept the LOA. The initial deposit relates to the costs anticipated to be incurred from case acceptance (assumed for LOA calculation estimation purposes to be the LOA offer expiration date-OED) through the initial deposit period that the USG will be delivering/performing materials and/or services per the applicable LOA. SAMM C9.T13 (also shown in Table 12-2) defines the initial deposit time frame based on offer expiration/acceptance dates of LOAs. Determining the initial deposit period and the earliest quarterly payment date is based on the LOA's offer expiration date (OED)/expected implementation date [SAMM C9.T13]. For example, if the LOA OED is within the 11 September through 10 December date range, the LOA initial deposit should cover the forecast of expenditures from the LOA OED through 31 March of the next year. Any quarterly payments thereafter (i.e., subsequent to the initial deposit) should be sufficient to cover all costs and contingencies anticipated to be incurred by the IA on the FMS purchaser's behalf during the quarter immediately following the payment due date. For example, a purchaser's payment due on 15 March should provide funds for costs expected to be incurred for the period 1 April through 30 June. [FMR Volume 15, Chapter 4, Section 040402 and SAMM C9.9.1]

The list below describes types of costs that can make up the initial deposit and any subsequent estimated quarterly payments:

- Anticipated materiel deliveries/services from procurement
- Anticipated materiel deliveries/services from stock
- Progress payments to defense contractors
- Authorized surcharges including the administrative surcharge {Note that in cases where the calculated administrative surcharge is greater than \$30,000, one half of the administrative surcharge is recouped as part of the initial deposit. The remaining half is recouped based on the dollar value of items or services delivered in each quarter. For cases where the calculated administrative surcharge is \$30,000 or less, the entire administrative surcharge value, as well as any Small Case Management Line value (if applicable), is recouped as part of the initial deposit.}
- Termination liability (TL) reserve
- Contractor holdback

Some of the terms used above deserve special comment:

- Progress payments are made to contractors or DoD industrial fund activities as work progresses under a contract or work order, based on costs incurred or percentage of completion, or a particular stage of completion, accomplished prior to actual delivery and acceptance of contract items or services.
- Contractor holdback is the amount earned by contractors or suppliers during the period but held back by the USG to ensure future performance of the contractor.
- Termination Liability (TL) is the potential cost that the USG would be liable for if a particular FMS case is terminated prior to completion. It applies to any FMS case that has procurement contracts. TL reserve is the amount collected from a purchaser and held in escrow in anticipation of any liability that would accrue to the USG should a purchaser terminate a particular case or program prior to the normal completion of the contract. The reserve is not a constant amount and must be adjusted regularly as contracts are awarded, work progresses, payments are received, and deliveries are made. When a standby letter of credit applies (as described in the next paragraph), the payment schedule will be developed without TL.

### **Standby Letter of Credit**

A Standby Letter of Credit (SBLC) may be used instead of Termination Liability (TL) to guarantee termination payments. FMF programs are not eligible to participate. The purchaser may request participation in the SBLC program. The purchaser's request(s) must be sent to DSCA in writing and signed by an official authorized to accept the SBLC documents on behalf of the purchaser's government and/or organization. The purchaser must specify the bank(s) it wishes to use. The purchaser is responsible for paying all fees associated with the SBLC to the issuing bank. No fees can be capitalized or included in the dollar amount specified in the SBLC documents. The purchaser must sign the agreement specifying the terms and conditions in order for the associated SBLC to be implemented. The purchaser must notify DSCA DBO in writing if it wishes to terminate the agreement with the bank(s).

DSCA is the beneficiary stated on the SBLC. It is also the focal point for SBLC issues and engages the DSCA Office of the General Counsel, USD(C), DFAS SCA, and the IAs, as appropriate, to ensure



effective SBLC execution.

DSCA notifies the IA and the DSCA CWD when and if a country's SBLC is implemented. The notification includes a list of cases (or indicates that it applies to all cases) governed by the SBLC. DSCA's CWD and the IA ensure the TL is not included in the payment schedules for any of those applicable cases. If an SBLC is terminated, the payment schedule is revised to include TL. DSCA also notifies DFAS SCA and the purchaser.

A drawdown (sight draft) from the SBLC is a demand for payment from the SBLC bank. A sight draft may be completed by DSCA (after coordination and approval by the Director or Deputy Director, DSCA), and sent to the appropriate bank for any of the following reasons:

- The FMS purchaser notifies the USG, in writing, that it is terminating all or a portion of an FMS case.
- The USG notifies the FMS purchaser, in writing, that it is terminating a FMS case(s) or contract(s) relating to an FMS case.
- The USG is aware the SBLC is being either terminated or not extended beyond its expiration date and there are applicable unpaid termination charges.
- A contractor presents a bill to the USG for termination charges associated with a FMS case(s).
- The issuing and/or confirming bank falls below DSCA's acceptable eligibility thresholds.

The payment is remitted to the account specified on the sight draft. Upon receipt, DFAS SCA ensures the payment is credited to the FMS case(s) as directed on the wire transfer. DFAS SCA notifies DSCA of the deposit date, and the FMS case(s) is credited within three business days of demand payment receipt.

### **Annual Case Reviews**

FMR Volume 15, Chapter 4, Section 040203.B, and SAMM C16.2.3.1 require that all FMS cases be reviewed at least once annually (i.e., once per calendar year) per the following:

- Anniversary of basic case implementation
- Preparation for a formal review with the FMS customer
- Case value adjusts by 10 percent or more

DSCA's Case Reconciliation and Closure Guide (RCG-SAMM Appendix 7) provides the minimum review items that are required of a case and identifies at which point in the case life cycle each item must be reviewed. RCG Figure A7.C2.F5 provides the minimum review items that, taken together, constitute the required annual review of each case. The RCG matrix also identifies how long in the case life cycle each item must be reviewed. RCG Figures A7.C2.F6 and A7.C2.F7 are the guidelines and checklist derived from the matrix that documents that the review was performed. The case manager must sign and date a checklist documenting that he/she performed the review, and this checklist shall become an official document within the applicable case file. Automation, to the extent possible, and electronic filing is both allowable and preferred whenever practical. Automated replacement for the annual case review process and documentation requirements must be approved by DSCA Financial Policy and Analysis Division (FPA).

### **Tri-annual Reviews**

Tri-annual reviews are an internal DoD control practice used to assess whether commitments and



obligations recorded are bona fide needs of the appropriations charged. Tri-annual reviews apply to all DoD funding sources to include, but not limited to, FMS case funds. Funds holders, with assistance from supporting accounting offices, shall review dormant commitments, unliquidated obligations (ULO), accounts payable, and accounts receivable transactions for timeliness, accuracy, and completeness during each of the four-month periods of each fiscal year. The tri-annual review process is a very effective tool in supporting the case manager's case management and reconciliation responsibilities. Refer to DoD FMR, Volume 3, Chapter 8, and SAMM C16.2.3.2 for additional policy information on the tri-annual reviews.

### **Payment Schedule Reviews and Revisions**

Payment schedule updates are necessary to reflect revisions to delivery schedules, scope changes, pricing updates, actual contract award dates, contractor payment milestone revisions, etc. To determine whether an update is needed, payment schedule reviews occur at least annually as part of the case review and reconciliation process. Payment schedules must be evaluated for possible changes when a modification or amendment is processed. If the contract award date slips, the payment schedule must be adjusted by a modification within thirty days of contract award. A new payment schedule should be furnished whenever there is a substantive change in payment requirements. [SAMM C9.9.3]

### **Anti-Deficiency Act Violations and Adverse Financial Conditions Reports**

For purposes of the Anti-Deficiency Act, appropriated funds are not limited to those funds specifically appropriated by the Congress to federal agencies from the general fund of the U.S. Treasury. Funds available to agencies are considered appropriated, regardless of their source, if made available for collection and expenditure pursuant to specific statutory authority. In applying the Anti-Deficiency Act, the FMS Trust Fund is considered to be, and is to be treated as, appropriated funds. Therefore, the Anti-Deficiency Act applies to transactions involving the FMS Trust Fund. [FMR Volume 15, Chapter 3, Section 0312]

Potential violations can occur under the FMS trust fund when any of the following is done:

- Issuing OA and/or awarding an FMS contract without a signed LOA
- Obligating or expending FMS case funds for an unauthorized purpose, including purposes not provided for by law
- Other violations may occur related to apportionments or indemnity clauses {Note: Additional information on potential violations of the Anti-Deficiency Act is in FMR Volume 14, Chapter 2}.

### ***Identifying and Reporting Violations on the Anti-Deficiency Act***

Detailed guidance for identifying and reporting violations under the Anti-Deficiency Act is contained in FMR Volume 14 (Administrative Control of Funds and Anti-Deficiency Act Violations). Due to the complexities of provisions in the AECA, it is important to consult with appropriate legal counsel and comptroller officials on potential violations of the Anti-Deficiency Act for FMS.

### **Time Limits of Security Cooperation Funds**

The three major legal provisions that concern funds execution are the: Anti-Deficiency Act, Misappropriation Act, and the Bona Fide Need Rule (also known as the "time statute"). Bona Fide Need rule (law) requires appropriated funds be used only for goods and services for which a need arises during the period of that appropriation's availability for obligation.

An unexpired (or current) account is one where the appropriation balance is available for incurring obligations. An expired account is one where the appropriation balance is no longer available to incur

new obligations. A closed/canceled account is one where, by law, the appropriation balance is canceled and not available for obligation or expenditure for any purpose.

If the funds on a case are provided by the customer country or organization for purchase of LOA articles and/or services, there is typically no time limit on use of those funds unless stipulated by the purchaser. USG provided case funds, however, will typically have time limits on when they are authorized to be used. The balance of a fixed-term appropriation is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made and obligated within that period. Foreign Military Financing (FMF) grant money, for example, has a nine-year period to be deposited in the FMS Trust Fund account to be used on an implemented LOA. Once the FMF grant money is deposited into the FMS Trust Fund account (97-11X8242), those funds are considered expended. Other USG SC funds (i.e., 333, 2282, ASFF, ITEF) typically have specific legal limits on when those funds can be obligated and expended. Refer to SAMM C15.T2 (BPC Programs and Authorities) for a complete listing of available BPC programs with their corresponding codes and authorities, including obligation and expenditure requirements.

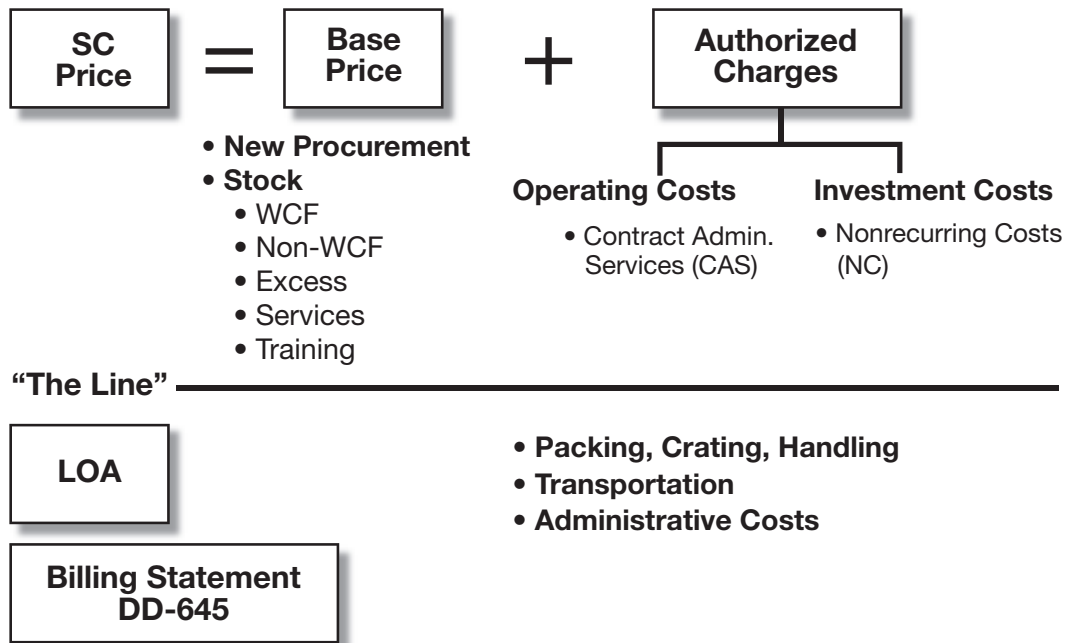
## **PRICING**

The prices entered on a P&A document or LOA are estimates of the expected costs of articles and/or services to be delivered sometime in the future. The objective of these estimates, developed using cost-analysis techniques, is to provide the purchaser with the USG's best effort prediction of a future cost. Prices entered into the billing system eventually document the prices of the article at the time it is delivered/performed from a contractor or DoD stock inventory. In the case of articles or services coming from new procurement, the initial prices reported will typically be those incurred for progress payments made to defense contractors on behalf of the purchaser. However, the exact final cost of major procurements may not be determined until all the contracts for all systems obtained under such procurements are complete. Consequently, estimates can be entered into the billing system to be replaced by the actual costs when they are determined. That is also often the case with DoD-provided services due to the IA challenges in reconciling the applicable logistics and financial transactions in their computer execution systems. The important point is that the components and policies to determine an LOA material and/or service price should be the same whether entered on an LOA or entered into the billing system. The price on the LOA is an estimate of what the USG believes its cost will be. The price reported in the billing system will eventually document the actual cost incurred once that cost is known and documented.

### **Pricing Elements**

Figure 12-3 illustrates the basic pricing concept used to structure and compute the price of an LOA material and/or service. The elements of the LOA material and/or service price can be combined into two major component categories: base price and authorized charges. The base price generally refers to the cost of the item or service (e.g., contract price, inventory price, services cost, training price). The authorized charges, on the other hand, relate to the application of a cost (often on a percentage or pro rata basis that is dependent to some degree on the value of a base price(s) or other pricing combinations) that the USG charges to recover total costs for the applicable services performed. In the following discussion, both of these categories will be addressed.

**Figure 12-3  
Price Formula**



## Base Price Computation

### *New Procurement*

Defense articles and/or services procured for cash sales to an eligible foreign government or international agency, pursuant to AECA, Section 22, for delivery must be priced to recover the full contract cost to DoD. Costs may be revised for increases in labor and materials, or for other changes in production and procurement costs. The purchaser is obligated to pay any damages or costs that may accrue from the purchaser’s cancellation of the contract (termination liability). [FMR Volume 15, Chapter 7, Section 0716 and Figure 7-9]. The IA will price defense articles and services for “pseudo” LOA documents in accordance with the DoD Financial Management Regulation (FMR) and SAMM C15.3.3.

### *Stock Materiel Funded by the Defense Working Capital Fund (DWCF)*

The DoD purchases most secondary items in DoD inventories through a revolving cost account categorized as a Defense Working Capital Fund (DWCF). Each MILDEP operates its own DWCF account, and the Defense Logistics Agency (DLA) operates a DoD-wide DWCF. [FMR Volume 11B, Chapter 1, Section 010101] Continuing operations are funded by reimbursements received. The goal for those DWCF accounts is to recoup the full retail costs of obtaining an item and maintaining it in the DoD inventory. The base selling price of DWCF articles to FMS purchasers must be determined at the time the article is dropped from inventory. [FMR Volume 15, Chapter 7, Section 071502.B] Packing, Crating, and Handling (PC&H) costs and inland CONUS transportation costs (typically in FMS to the continental U.S. pickup points of the FMS customer’s freight forwarder) are already included in the prices of DWCF item deliveries. [FMR Volume 15, Chapter 7, Section 071502.B]

A small percentage (typically MILDEP-managed) of DoD-managed secondary items are not typically acquired from the DWCF accounts. Examples of those typically non-DWCF managed items include ammunition, CADs/PADs (cartridge/propellant activated devices), TRAP (tanks, racks, adapters, and pylons), classified items, COMSEC/crypto, publications, and maps/charts.

### ***Non-DWCF DoD Stock Inventory***

The base pricing and treatment of reimbursements for non-DWCF stock articles sold are dependent upon whether the item(s) being sold requires replacement. [FMR Volume 15, Chapter 7, Section 071502.C]

#### **Not Replaced**

When a determination is made that the item will not be replaced, the price of the item must be the most recent actual procurement cost of the series and model being sold, plus the cost of any modifications or improvements incorporated after production, and the applicable non-recurring (NC) recoupment charge. Reductions to the sale price may be made when there is an actual difference in utility or desirability among units of issue of an item due to age or condition. The cost of the last major overhaul or outfitting accomplished before the sale date is added to the calculated price and is not reduced for age or condition. The overhaul costs will be prorated over the interval between the last actual overhaul and the next scheduled overhaul. Examples for price computations are in FMR Volume 15, Chapter 7, Figures 7-1, 7-2, and 7-3.

#### **Replaced**

When an item is sold from the stocks of DoD and the item is intended to be replaced, the replacement may be either with an end item, which is of identical type, model, and series designation (replacement-in-kind, e.g., sale of a C-130B and a purchase of a C-130B), a later series or modified version of the same basic model being sold (e.g., sale of C-130B and the purchase of a C-130E), or an acceptable substitute item that provides at least the same capability or readiness as the item being sold (e.g., sale of an M-48 tank and purchase of an M-60 tank). The price of the item to be replaced must be the best estimated cost of the replacement item available at the time the item is dropped from inventory, plus the nonrecurring recoupment charge of the item being sold, adjusted for the remaining service life of the item being sold. The final bill will utilize the best pricing information available if actual replacement procurement cost is not known. This must be the final cost to the purchaser regardless of the actual cost of final replacement procurement. [FMR Volume 15, Chapter 7, Section 071502.C.2]

#### ***Excess Defense Articles (EDA)***

Excess defense articles (EDA) are items in excess to the approved force acquisition level and approved force retention stock requirements of all DoD components. A determination of “excess” is made by the DoD based on recommendation by the applicable DoD system or item manager. Any EDA transfers from DoD inventories are in an “as is, where is” condition, which is defined in Chapter 10 of this textbook. The cost of excess items is determined by computing, and then using, the highest of market, scrap, or fair value plus any applicable non-recurring (NC) and applicable overhaul charges. Military articles are not sold for less than scrap value. If the item is repaired, rehabilitated, or modified for transfer, this extra cost will also be applied to indicate the final price of the item. Fair value is based on the applicable Federal Condition Code as shown in Figure 12-4. The fair value is computed using the fair value rates associated with the Federal Condition Code of the asset multiplied by the established inventory price. [FMR Volume 15, Chapter 7, Section 071503] If the IA proposes the price of materiel to be less than the 5 percent minimum threshold indicated in FMR Table 7-1, or if they propose to waive the overhaul costs, a detailed justification must be sent to DSCA. If DSCA endorses the IA proposal, it will forward that package to OUSD(C) for final approval.

**Figure 12-4  
Federal Condition Codes for EDA**

To calculate EDA fair value, determine the applicable percentage at the intersection of the EDA Supply Condition and Disposal Condition Codes and then multiply percentage by the established inventory price.													
				A	B	C	D	E	F	G	H	S	
				SERVICEABLE				UNSERVICEABLE					
				Issuable without qualification	Issuable with qualification	Priority Issue	Test/Modification	Limited Restoration	Repairable	Incomplete	Condemned	Scrap	
Disposal Condition Codes	1	Unused	Good	50%	30%	30%	30%						
	2		Fair	30%	20%	20%	20%						
	3		Poor	10%	10%	10%	10%						
	4	Used	Good	40%	30%	30%	30%						
	5		Fair	30%	20%	20%	20%						
	6		Poor	10%	10%	10%							
	7	Repairs Required	Good				20%	20%	20%	20%	10%		
	8		Fair				5%		10%		5%		
	9		Poor				5%		5%		5%		
	X	Salvage							5%	5%	5%		
	S	Scrap											

### ***Personnel Services***

Many FMS and BPC LOAs contain personnel support costs such as engineering services, configuration data management services, technical services, training team members, etc. These services must be priced to recover all USG costs and will be included as separate, well-defined lines on the LOAs. This section excludes personnel performing DoD training services, as that will be discussed in the next section (Training Pricing). DoD personnel services LOA lines must be priced to recover not only the appropriate wages, but also all appropriate applicable entitlements. The base pricing for both civilians and military personnel performing these services include wages, acceleration factors, temporary duty/permanent change of station costs, and personnel support costs. When determining the pricing for personnel services, every attempt should be made to use actual costs. If actual cost data is not available, estimated pricing is acceptable. The costs must be substantiated by a reliable audit trail. [FMR Volume 15, Chapter 7, Section 0720]

SAMM C9.T2 (Case-Related Manpower Functions and Funding Source Manpower Matrix) indicates which activities should be included as line items on the case (direct charges) and which activities are covered under the FMS Administrative Surcharge (indirect charges). For LOAs or case line items “accepted” after 1 August 2006, any program management services will be included on well-defined, services line items on the case.

Services performed by DoD civilian personnel must be priced at rates in effect at the time the services are performed. Civilian personnel salary tables are available at the Office of Personnel Management (OPM) website (<http://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/>). There are several components to civilian personnel pricing—including base salary, leave and holidays acceleration, civilian personnel fringe benefit rate, and the unfunded civilian retirement (UCR) factor. Base salary rates must be accelerated as discussed in the FMR Volume 15, Chapter 7, Section 072001. The applicable Civilian Personnel Fringe Benefits are posted at the OSD Comptroller (<http://comptroller.defense.gov/>) website, and can be accessed via the “DoD Reimbursable Rates” link on that



page. The notes within that link's table identify which percentages should be used for Building Partner Capacity (BPC) and those that should be applied for FMS LOAs. The DSCA Policy Memo 13-29 was issued to clarify the appropriate pricing of civilian personnel costs applicable to both FMS and BPC cases as priced in DSAMS. The pricing principles apply regardless if the civilian pay is a stand-alone line or whether it is embedded into a unit cost.

Military personnel services must be priced using the composite standard pay rates current at the time services are performed. Current reimbursable rate tables are available at the OSD Comptroller website (<http://comptroller.defense.gov/>) and can be accessed via the "DoD Reimbursable Rates" link on that page. Rates applicable to FMS are computed using the "Annual Rate Billable to Other Federal Agencies" plus the Medicare-Eligible Retiree Health Care (MERHC) accrual. Travel, per diem, living allowance payments, and other entitlements to DoD personnel working on FMS cases must be identical to the payments and entitlements of DoD personnel working on direct DoD mission assignments at similar locations. [FMR Volume 15, Chapter 7, Section 072004B] The FAA, Section 503(a)(3) permits the exclusion of salaries of members of the Armed Forces (other than Coast Guard) if the sales case for defense articles, services (including training), or for design and construction services is totally financed by MAP Merger or by non-repayable FMF. [FMR Volume 15, Chapter 7, Section 071305]

### ***Training Pricing***

DoD tuition rates for training must be based on the costs of providing the training. There are several factors that impact the tuition rate for which an international student is eligible. The source of financing is one determinant (e.g., whether a country uses its national funds to purchase training or whether U.S. appropriated funds are used to purchase the training). Other factors include whether a country is a high-income country, whether it has signed a reciprocal training agreement with the U.S., and/or whether the country is concurrently in receipt of IMET. A general guide for pricing training is also addressed in FMR Volume 15, Chapter 7, Table 7-2 and SAMM C10.14. Detailed instructions to be followed in developing the tuition rates are included in FMR Volume 15, Chapter 7, Section 0723.

DoD tuition rates must be computed annually by the Military Departments and published in the Training Military Articles and Services List (T-MASL), which is accessible via the DoD Security Assistance Network (SAN). Approved rates typically remain constant for the year. Adjustments must be made only to correct significant errors in computation, change in syllabus, or major unanticipated increases or decreases in the cost of such items (e.g., fuel and salaries). The foreign country or purchaser must be billed for the actual time the student is in training. International students who audit a course must be charged the same price as enrolled students. Certain costs associated with support of international students and/or their dependents are considered to be a responsibility of the foreign government and are not included in the tuition rate for a training course(s). [FMR Volume 15, Chapter 7, Section 072208]

The FAA and AECA prescribe a multi-tier tuition pricing structure for training provided under the USG SC programs. The present pricing structure for SC training provides for five separate tuition rates (A, B, C, D, and E) as noted in FMR Volume 15, Table 7-2, "Tuition Rate Pricing Structure," which is summarized in Table 12-3.

Dedicated training programs (e.g., Euro-NATO Joint Jet Pilot Training Program, Euro-NATO Helicopter Pilot Training Program, PEACE CARVIN, PEACE FENGHUANG) must be priced in accordance with the terms and conditions established via a formal agreement between the IA and the recipient country/countries. While each program is different, generally accepted full-cost pricing principles must be applied taking into consideration appropriate legislative authority and terms of the formal agreement. [FMR Volume 15, Chapter 7, Section 0724]

When a special course is conducted by a Security Cooperation Team (SCT) or Security Assistance Team (SAT) away from the normal training institution, the services of the team must be treated as a



service and priced in accordance with the FMR. All salary, travel, per diem, and allowances paid to members of the team established to conduct in-country training must be considered incremental costs. Exclude military pay and allowances as well as civilian unfunded retirement from the costs established for teams conducting in-country training fully financed by MAP Merger, FMF, IMET program, or BPC cases and programs funded with USG appropriations. [FMR Volume 15, Chapter 7, Section 071305]

**Table 12-3**  
**FMS Training Tuition Rates**

<b>RATE</b>	<b>DESCRIPTION</b>
A	Countries and organizations purchasing training via an FMS case and not eligible for one of the FMS pricing categories listed below are charged Rate A.
B	Countries with a ratified reciprocal pricing agreement with the USG that are purchasing training via an FMS case are charged Rate B. SAMM Table C10.T15 and C10.T16 lists the countries and effective dates of the reciprocal agreements. Note that some of these countries are also eligible for Rate C and/or Rate D.
C	Countries currently in receipt of IMET or designated as a high-income foreign country, in accordance with the FAA, Section 546(b) (Austria, Finland, the Republic of Korea, Singapore and Spain) and purchasing training via an FMS case using their own national funds, are eligible for Rate C. DSCA (Business Operations Directorate) maintains the DSCA IMET Allocation Database System (DIADS) that identifies countries currently receiving IMET. Refer questions on a country's IMET status to DSCA (Business Operations Directorate).
D	Training on a case financed with U.S.-appropriated funds receives Rate D. Training in this category is on cases financed with FMS Credit (non-repayable) or Building Partners Capacity programs. This rate is identical to Rate E except that the FMS administrative surcharge will be applied to it.
E	Training financed by the IMET appropriation is priced at Rate E.

Because of the shortage of available training quotas and the difficulty experienced by the MILDEPs in adjusting to changes in student input, DoD has instituted a penalty charge for no-shows and for late-notice cancellations. For certain dedicated (all international) and contract courses, a 100 percent penalty is charged for cancellation unless filled by another student. For all other courses, if the country requests cancellation or rescheduling less than sixty days prior to the course start date, the country's IMET program (or other grant program) or FMS case is charged 50 percent unless filled by another student. Policy exceptions to the preceding are documented in the SAMM reference. [FMR Volume 15, Chapter 7, Section 072207 and SAMM C10.15]

### **Authorized Charges**

#### ***Nonrecurring Costs (NC)***

Non-USG purchasers must pay for the value of DoD nonrecurring (NC) investment in the development and production of Major Defense Equipment (MDE), as required by law, unless an NC recoupment charge waiver has been approved by the Director, DSCA, who has been delegated the authority to waive NC costs on FMS sales. The decision on any waiver requires the concurrence of OUSD(C) and OUSD (AT&L). If an issue concerning the waiver request cannot be resolved, the Director, DSCA, must submit an official waiver request to the Deputy Secretary of Defense for final determination.

For FMS, an NC recoupment charge is applicable to all Major Defense Equipment (MDE). MDE is any item of Significant Military Equipment (SME) listed on the U.S. Munitions List having a DoD nonrecurring RDT&E cost accumulation of \$50 million or a total DoD production cost of more than \$200 million. The DoD-approved listing of MDE with associated NC charges can be found in the SAMM, Appendix 1 (Nonrecurring Cost Recoupment Charges for Major Defense Equipment). MILDEPS and defense agencies are required per the FMR and the DODD 2140.02 (Recoupment of Nonrecurring Costs [NCs] on Sales of U.S. Items) to review approved NC recoupment charges on a biennial basis to determine if there has been a change in factors or assumptions used to compute an NC recoupment charge. When a recoupment charge is revised, the previous value is retained in the SAMM, Appendix 1. Subsequent revisions to the pro rata charge must be applied to new LOAs and must not be retroactive. In instances where the initial rate has not yet been approved, DoD Components must provide for an estimated rate based on the most accurate information available to the DoD Component. The LOA must be modified to specify the subsequently approved rate, and only that approved rate is to be billed.

When NC recoupment is applicable, the unit price on an LOA must include the specific recoupment charge. NC LOA charges may also include special recoupment costs incurred under FMS, paid by a foreign customer to develop a special feature or unique or joint requirement. Recoupment of these costs is required on all cash sales unless a specific waiver has been authorized. Per the AECA and Foreign Assistance Act (FAA), LOAs fully financed by the Military Assistance Program (MAP) Merger or non-repayable FMF are not assessed a NC charge. The requirement for the USG to recover NC on direct commercial sales (DCS) was eliminated. NC does not apply to BPC cases. [SAMM C9.T4, C9.6.3, and DoD FMR, Volume 15, Chapter 7, Section 071505]

### ***Contract Administration Services (CAS)***

Contract administration services (CAS) charges are collected and charged by DoD to reimburse FMS and BPC costs incurred by DoD-contracting organizations in accomplishing contract administration, quality control, and contract audit efforts on DoD procurement contracts. The CAS surcharge is added to the LOA blocks (4)(a) and (4)(b) unit and extended costs for all articles and services from procurement. DFAS SCA recovers the cost of CAS by applying a percentage surcharge to the delivery transactions reflecting disbursements to contractors for FMS and BPC procurements on which applicable CAS charges have not been waived. For pricing the LOA, the surcharge is based on the estimated contract cost; at billing, the surcharge will be applied to the actual contract cost. For the United States Army Corps of Engineers (USACE), quality assurance and inspections and some (e.g., post-contract award actions) of the contract administrative services costs are included in its supervision and administration costs charged to the case line, so separate additional CAS quality assurance and inspection and contract management do not apply to USACE cases or lines, but CAS contract audit still applies. PROS and the U.S. Coast Guard (USCG) case procurement lines also have exceptions to normal CAS case and line charges. The contract administration surcharge is subject to waiver, in whole or in part, if reciprocal agreements exist. [SAMM C9.T4, C9.6.2, C9.T5, C9.T6, C9.T7 and FMR Volume 15, Chapter 7, Section 071603]

The CAS rate has changed, and the rate that is applicable for a case depends upon when the basic LOA was implemented for that case. The CAS charges (unless waived) for cases where the basic LOA was implemented on or after 1 February 2020 are listed in Table 12-4. The complete listing of all applicable CAS rates (unless waived) are listed in SAMM C9.T4.

**Table 12-4**  
**FMS Contract Administration Services (CAS) Charges**

<b>FMS CAS Component</b>	<b>Applicable Percentage LOAs Implemented On or After February 1, 2020</b>
Contract Administration Management	0.45%
Quality Assurance and Inspection	0.45%
Contract Audit	0.10%
Outside the CONUS (OCONUS)	0.20%

### ***Accessorial Costs***

Accessorial costs represent potential applicable USG expenses incident to issues, sales, and transfers of materiel that are not included in the standard price or contract cost of materiel. Two primary accessorial costs are packing, crating and handling (PC&H), and transportation.

### **Packing, Crating, and Handling (PC&H)**

PC&H costs are those DoD costs incurred for labor, materiel, or services in preparing non-Defense Working Capital Fund (DWCF) materiel for shipment from the storage or distribution point. PC&H costs do not apply to sales from procurement unless the item is processed through a DoD depot/distribution center. A PC&H rate of 3.5 percent of the unit price will be added to the selling price of materiel with a unit price of \$50,000 or less. An additional charge will be added equal to 1 percent of that portion of the selling price of materiel over \$50,000. For pricing blanket order lines on LOAs, PC&H (with exception of excess items) is calculated as 3.5 percent on the line value. For excess items (i.e., EDA), PC&H is computed on the original acquisition value and not the reduced value of the excess materiel. The use of actual costs, when known, is highly encouraged. The LOA PC&H charges are typically (with EDA sometimes being the exception) shown on the LOA's block #9 in the Estimated Cost Summary. When provided as a unique service (e.g., EDA), these charges may be included as a separate line on the LOA. [SAMM C9.T4 and FMR Volume 15, Chapter 7, Section 070502]

### **Transportation**

The LOA transportation charges document the estimated cost to the USG of transporting FMS and BPC purchaser materiel using the Defense Transportation System (DTS) including Government Bill of Ladings (GBLs). Those LOA transportation costs include costs for labor, materiel, or services at ports of embarkation or debarkation). DWCF standard pricing includes transportation costs (for the first leg of transportation) within CONUS. If the first destination transportation is accomplished through GBLs, it must contain the DWCF funds cite. Shipping activities must clearly identify materiel as DWCF or non-DWCF to ensure the appropriate fund cite is issued for inland CONUS transportation. [SAMM C9.T4, SAMM Appendix 2, and FMR Volume 15, Chapter 7, Section 070402] Price transportation on LOAs as follows:

### **Above-the-Line Transportation Services:**

- When LOA customers use the Defense Transportation System (DTS), an estimated amount is placed above the line to pay for transportation services that are not appropriate to be funded with below-the-line estimates. Examples of these transportation services include premium transportation such as Special Assignment Airlift Mission (SAAM) flights, securing a vessel for a one-time only shipment, staging cost for consolidating shipments, Radio-Frequency Identification tagging and tracking devices, special security (guards hired to escort the shipment), and other unique requirements.
- When a SAAM or some other form of dedicated premium transportation must be used

to move the material purchased under an LOA, a separate transportation service line is included in the LOA. When expenditures are made for actual transportation, this line is adjusted to meet the full cost of this special transportation and a transportation account code needs to be supplied to the DoD service contract. [SAMM C7.12]

- Effective 1 June 2010 (per DSCA Policy Memorandum 10-32), all defense articles delivered by air transportation on or after this date for the Afghanistan program (FMS and FMS-like cases) will be charged as an “above-the-line” direct charge.
- If a LOA line item’s vendor/contractor is providing transportation services per the contract, the transportation costs may be included in the applicable LOA line item’s unit and total price.
- When shipments require containerization, storage in-transit, escorts, or have any other special transportation accessorial requirements, these special transportation accessorial costs are not included in the standard transportation percentages nor in the cost provided in the transportation cost look-up table. These charges are to be placed above the line and adjusted as needed to capture actual cost.

**Below-the-Line Transportation Services:**

- The Transportation Cost Look-Up Tables posted in the SAMM, Appendix 2, contain estimated actual transportation costs for items normally shipped via the Defense Transportation System (DTS). The data in the tables are applicable when customers use the DTS to transport item(s) that match the specific listed National/NATO Stock Numbers (NSN), and the plan is for the USG DTS to be responsible for transporting those item(s) to either Delivery Term Code 8 or 9. These “estimated actual” costs have been determined over time by the MILDEPs based on historical costs of shipping the identified items to DTC 8 and DTC 9 locations. Figure 12-5 provides a sample of the cost look-up table that is posted in the SAMM, Appendix 2.

**Figure 12-5  
Transportation Cost Look-Up Table Example**

NSN		ITEM	CODE 8 ESTIMATED ACTUAL TOTAL	CODE 9 ESTIMATED ACTUAL TOTAL
<b>APACHE</b>				
1615-01-252-6376		TRANSMISSION	\$1,018	\$18,903
1615-01-306-6948		HEAD, ROTARY WING	\$1,104	\$27,955
1615-01-310-4978		BLADE, ROTARY WING	\$1,027	\$10,447
1615-01-273-7608		SERVOCYLINDER	\$834	\$1,731
2835-01-172-6200		ENGINE, GAS TURBINE	\$970	\$4,587
<b>ATACMS</b>				
1427-01-274-3904		GUIDED MSL AND LAUNCH POD ASSEMBLY, M39	\$1,410	\$48,567
1427-01-445-3758		GUIDED MSL AND LAUNCH POD ASSEMBLY	\$1,417	\$51,499
1427-01-494-1457		GUIDED MSL AND LAUNCH POD ASSEMBLY, M39A1	\$1,410	\$46,849

- When customers use the DTS and either an above-the-line charge or the Transportation Cost Look-Up Tables are not applicable, a Delivery Term Code (DTC) percentage is applied to the line to compute an estimated amount for transportation costs on the LOA. DTC percentages (refer to Figure 12-6) are based on the mode of transportation provided (e.g., port-to-port and depot-to-in-country destination) and the rate area where articles are being delivered.
  - ◊ For defined order lines, the applicable DTC percent is charged on the LOA for the first \$10,000 in unit cost, and then 25 percent of the DTC percent for the portion of the unit

cost that exceeds \$10,000.

- ◇ For blanket order lines, the applicable DTC percent is charged on the LOA for the total line value.

**Figure 12-6**  
**Defense Transportation System DTC and TBC Percentage Rates**

Rate Area	DTC 4 Point of Origin (TBC D)	DTC 2 Staging (TBC A, B, E)	DTC 5 Port of Embarkation (TBC A, B, E)	DTC 8 DoD CONUS Aboard Vessel/Aircraft (TBC H, U)	DTC 9 Point of Debarkation (TBC C, V)	DTC 7 Inland Destination (TBC G, Y)
1	0.00%	0.00%/2.75%	0.00%/2.75%	2.50%/5.25%	7.25%/10.00%	10.25%/13.00%
2	0.00%	0.00%/2.75%	0.00%/2.75%	2.50%/5.25%	9.00%/11.75%	12.00%/14.75%

Notes:

3. Rates documented in SAMM C9.T4a (Delivery Term Codes (DTC) and Percentages).
  4. Rate Area 1 includes Europe, Hawaii, Latin America (Central America and Caribbean Basin), and Mediterranean Ports.
  5. Rate Area 2 includes Newfoundland, Labrador, Thule, Iceland, South America (East and West Coasts), Far East, African Ports (other than Mediterranean), and Near East.
  6. For DTCs with multiple percentages, the first percentage listed applies to DWCF material while the second percentage applies to non-DWCF material.
  7. Refer to DSCU Red Book Appendix H-J and FMR Volume 15, Chapter 8, for additional Transportation Bill Code (TBC) definitions and information.
  8. Alphabetic DTCs (not documented here) are used for "round-trip" material returns (e.g. material repairs) and defined in the DSCU Green Book, Chapter 11, and Red Book, Appendix F.
- Delivery Term Codes (DTCs) for return of repaired materiel are documented in Chapter 11 of this textbook, "Security Cooperation Transportation Policy." When appropriate, the return of repaired materiel can be reported using Transportation Bill Code (TBC) "L" per FMR Volume 15, Chapter 8, Section 080901.A.3.b.
  - A Transportation Bill Code (TBC), if used, overrides the DTC for both blanket and defined order line entries. TBCs are used to bill FMS purchasers for "below-the-line" transportation costs and can be used for multiple purposes including, if the actual method of transportation is different than that identified by the DTC. The list of TBCs is documented in the FMR Volume 15, Chapter 8, Table 8-3, and in the *DSCU Security Cooperation Billing Handbook*, (often referred to as the Red Book), Appendix H.
  - The TBC pricing percentages to be used for "Transportation Charges Based on Transportation Bill Codes for Inventory Items Shipped by DWCF" are documented in the FMR Volume 15, Chapter 8, Table 8-1, and the DSCU Red Book, Appendix I.
  - The TBC pricing percentages to be used for "Transportation Charges Based on Transportation Bill Codes for Inventory Items Not Shipped by DWCF" are documented in the FMR Volume 15, Chapter 8, Table 8-2, and the DSCU Red Book, Appendix J.
  - For excess items, transportation costs are computed on the original acquisition value and not the excess materiel's reduced value. The use of actual costs, when known, is highly encouraged.
  - The transportation below-the-line costs are shown on the LOA's block eleven (11) in the Estimated Cost Summary section.



## ***Administrative Charges***

The Administrative surcharge is collected to cover the USG costs of administering FMS and “FMS-like” (i.e., BPC) programs, as defined by the Case-Related Manpower Functions and Funding Source Manpower Matrix (SAMM C9.T2). It is included as a percentage of applicable line items as a below-the-line charge on the LOA and the quarterly bill. It is applied to the selling price with the exception of program management lines, Small Case Management Lines (SCML), and approved waivers (as discussed in the Training section of this chapter and the following waiver paragraphs). The administrative surcharge percentage is subject to change without prior approval of the purchaser. The administrative surcharge applicable to each line on the LOA is to be specified as a note to each LOA document. For cost increases within the scope of the LOA, modifications retain the administrative rates associated with the lines modified. When an amendment adds a new line to an existing case, the administrative surcharge rate in effect at that time is applied. For any case that is closed, the USG will retain funds to pay for estimated administrative costs associated with the case, even if no articles or services have been delivered (\$0 delivered value). The “Administrative Charge” below-the line costs are shown on the LOA’s block ten (10) in the Estimated Cost Summary.

Costs associated with administering the FMS program must always be paid and/or collected AECA, Section 21(e)(2). If a waiver of the FMS Administrative Surcharge for the purchaser is approved in one of the circumstances described below, it must still be recouped from another funding source.

### ***Waiver by the Implementing Agency***

FMR Volume 15, Chapter 7, and AECA, Section 21(e)(2), allow the IA to waive or reduce FMS Administrative Surcharges that should be assessed to the purchaser on the LOA as long as the IA obligates its own operation and maintenance appropriations to pay the FMS Administrative Surcharge Account the waived and/or reduced amount. The specific procedures are documented in the SAMM. [SAMM C9.6.1.1] [FMR Volume 15, Chapter 7, Section 070504]

### ***Waiver of Administrative Surcharges for NATO Support Agency (NSPA) FMS Programs***

AECA, Section 21(e)(3), allows the waiver of FMS Administrative Surcharges for NSPA (formerly known as NAMSA) programs under very specific circumstances. Waiver of FMS Administrative Surcharges on these cases is not retroactive; only LOAs implemented after 1 October 1988 are eligible for consideration. The waiver value includes the calculated FMS Administrative Surcharge amount and any SCML value included on the LOA. Only NSPA LOAs in support of weapon system partnership agreements or NATO Supreme Headquarters Allied Powers, Europe (SHAPE) projects (i.e., common-funded projects supported by allocated credits from NATO bodies or by host nations with NATO infrastructure funds) qualify for FMS Administrative Surcharge waivers. FMS Administrative Surcharges waived under this program must be reimbursed to the FMS Administrative Surcharge Account from Major Force Program (MFP) 10 funds controlled by the U.S. mission to NATO. The specific procedures are documented in the SAMM. [SAMM C9.6.1.2]

### ***Percentage Rates***

The following is a list of the Administrative Surcharge rates that are included as a percentage of the applicable LOA line items as a below-the-line charge on the LOA [SAMM C9.T4].

- 3.2 percent for both standard and nonstandard articles/services for LOA lines accepted on or after 1 June 2018
- 3.5 percent for both standard and nonstandard articles/services for LOA lines accepted on or after 1 November 2012, and before 1 June 2018
- 3.8 percent for both standard and nonstandard articles/services for LOA lines accepted on



or after 1 August 2006, and before 1 November 2012

- 2.5 percent for standard articles/services for LOA lines implemented on or after 1 June 1999 and before 1 August 2006
- 3.0 percent for standard articles/services for LOA lines implemented on or after 1 October 1977, and before 1 June 1999
- 2.0 percent for cases signed prior to 1 October 1977
- 5 percent for non-standard articles/services for LOA lines for non-standard items implemented before 1 August 2006
- 5 percent for Foreign Military Sales Order (FMSO) I cases

### ***Other Cost Recovery Charges***

In addition to the above direct (i.e., above-the-line) and indirect (i.e., below-the-line) charges, the following are other authorized charges that can be included on LOAs and bills to recover the full cost of the USG providing articles and/or services [SAMM C9.T4]:

### **Royalty**

Incremental payments for the use of intellectual property that is subject to contractor proprietary rights restrictions and are included in the pricing of the item. Prior to 1 January 1998, charges for Technical Data Package (TDP) usage were included as a separate line item on the LOA but were discontinued for cases implemented on or after 1 January 1998 for U.S.-owned TDPs that are not subject to contractor proprietary rights restrictions. For BPC cases, apply royalties only to the extent that the cost is included in the contract. [SAMM C9.T4]

### **Staging**

Costs for the staging of materiel in CONUS DoD (non-DWCF owned/operated) facilities are additional to Defense Transportation System costs, and a 3-percent staging charge is applicable, if DSCA has authorized below-the-line recoupment of staging. DWCF activities must bill actual costs incurred as an above-the-line service. Normally, the actual costs of staging must be recovered as part of an above-the-line service charge. Such charges must not be duplicative of any other accessorial cost. When non-excess materiel is supplied from DoD storage points located OCONUS, the applicable rates must be charged as a prepositioning cost. [FMR Volume 15, Chapter 7, Section 070404]

### **Prepositioning**

Supply distribution costs incurred by locations outside the U.S. in anticipation of support to other authorized purchasers are included as a separate line item on the LOA. These costs are applicable when shipments are made from overseas storage and distribution points. No positioning costs shall be assessed on “long supply stocks.” [SAMM C9.T4]

### **Foreign Military Sales Order (FMSO) Storage**

Cost of storing on-hand Cooperative Logistics Supply Support Agreement (CLSSA) inventory, when applicable, is included in the line item value on the FMSO I LOA. The charged rate is 1.5 percent annually on value of stored assets, unless a separate fee is negotiated with the storage facility or 0.125 percent monthly on value of stored assets, unless a separate fee is negotiated with the storage facility. There is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard (stabilized) price recoups all costs. For non-DWCF items, storage fees must be charged based on the on-hand portion of the FMSO I. The annual storage fee is 1.5 percent. For cases

not remaining open a full year, a fee of 0.125 percent a month must be charged. [FMR Volume 15, Chapter 7, Section 070804, and SAMM C9.T4]

### **Storage (Other)**

Costs applicable to storage of purchaser-owned articles include the functions of receiving, care and preservation, set assembly and related activities, and overhead operations (such as re-warehousing, maintenance of operating equipment, physical inventories, and cleaning areas). Storage charges are applicable to the non-DWCF on-hand portion of FMSO I cases, to cases on which DoD is ready to deliver applicable items but has been requested by the purchaser to delay delivery, and to cases on which DoD cannot deliver due to legal or policy restrictions. Charges commence 15 days following the date of availability (there is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard [stabilized] price recoups all costs). A uniform DoD annual rate of 1.5 percent or 0.125 percent monthly of the average monthly value of purchaser-owned materiel will be charged to applicable FMS cases to recover an activity's storage cost unless a separate charge is negotiated with the storage facility. A separate line on the LOA(s) should capture the storage-related costs. If this line did not previously exist, it can be added via an LOA modification. [FMR Volume 15, Chapter 7, Section 070901, SAMM C9.T4]

### **Logistic Support Charge (LSC)**

Effective 1 October 2007, the 3.1 percent logistic support charge (LSC) was eliminated. This includes both application to a new LOA and items delivery reported after that date even if they were originally priced to include the charge. [SAMM C9.T4]

### **Title 10 Building Partner Capacity Interim Solution**

Based upon recent guidance from the Office of the Under Secretary of Defense, Comptroller (OUSD-C) and DoD Office of General Counsel (DoD OGC) Fiscal, DSCA determined that BPC case funds transferred to the FMS Trust Fund for indirect charges (i.e. FMS Administrative surcharges, Contract Administration Services (CAS) surcharges, transportation, and Packing Crating and Handling (PC&H) costs) do not conform to U.S. Government (USG) accounting and appropriation fiscal requirements. The current process allows appropriated Title 10 (T10) BPC funds to be treated as "no-year" funds (i.e. funds that are available for obligation indefinitely). To remedy this audit and fiscal concern, DSCA developed an interim and long-term solution. The interim solution, implemented in FY2021, is a stop-gap measure to satisfy accounting compliance concerns while not jeopardizing the ability of the Department to execute BPC programs in the near-term. The long-term solution will decouple T10 BPC accounting from the FMS process in order to ensure that T10 BPC funds retain the fiscal year identity of the appropriation during the course of execution. T10 BPC programs will no longer be assessed an administrative charge for deposits in the FMS Trust Fund and thus, DSCA will not provide FMS Administrative funds to cover costs associated with execution of T10 BPC programs. [DSCA Policy Memorandum 20-47, SAMM C15.3.1.1.]

## **BILLING**

Payments into the FMS Trust Fund, other than initial deposits, are based on bills (Billing Statement, DD Form 645, or Special Billing Arrangement [SBA]). DFAS SCA sends the DD Form 645 to the purchaser quarterly. Under DSCA's oversight, DFAS SCA ensures that sufficient cash is available from the purchaser to cover accrued expenditures, costs to be incurred during the remainder of the current quarter, and costs to be incurred during the next quarter (e.g., contractor progress payments, contractor holdbacks, potential termination charges, and deliveries from DoD inventories). DD Form 645-based billings are the amount shown on the current case payment schedule or the quarterly forecast of the financial requirements accompanying the DD Form 645, bill, whichever is greater. The billing, not

the payment schedule, contains the required payment amount. IAs should refer billing problems and questions to DFAS SCA. If a purchaser has an SBA, total expenditures for the forthcoming billing period are subtracted from total available cash resources to determine the billing amount. SBAs override Column 14 (Amount Due and Payable) of the DD Form 645. SBAs are issued by either the DSCA or DFAS SCA and are managed at the country level unless an exception has been granted by the DSCA. [SAMM C9.10.2]

The AECA Sections 21 and 22 provide the legal basis for FMS billing policies and procedures. LOA case billing involves many actions but can be viewed as one of two processes. First, the agency provides a commodity or service, from either DoD stock or contractual sources, and then bills the customer's or program's trust fund account managed by DFAS SCA via a delivery/performance report transaction. Second, DFAS SCA sends the purchaser the DD Form 645 Billing Statement.

### **Delivery/Performance Transaction Reports**

The DoD components report deliveries of materiel and services, contractor progress payments, and other related costs to DFAS SCA to obtain reimbursement or to report performance under an allotment of FMS Trust Fund budget authority. IAs shall report accrued expenditures (work in process [WIP]) and physical deliveries to DFAS SCA within thirty days of occurrence (date of shipment or performance) through the billing and reporting procedures prescribed in the FMR 080203 and via a delivery transaction. [FMR Volume 15, Chapter 8, Section 080203B and 080501] The delivery transaction prompts liquidation of customer funds collected in advance and maintained in the FMS Trust Fund. Some of the significant delivery transaction information includes the following:

- Routing Identifier Codes (RICs)
- Price Code (e.g., “E” for estimated, “A” for actual costs, etc.)
- Stock or Part Number or Supply Discrepancy Report (SDR) Response
- Quantity Delivered
- Document Number introduced in Chapter 10 of this text book
- Case Designator
- Mode of Shipment
- Delivery Source Code (DSC)
- Reimbursement Code
- Transportation Bill Code (TBC)
- Date Shipped/Services Performed
- Amount Delivered/Extended Value
- LOA line item to which the report is applicable

The delivery transactions are submitted by the IAs and are received by DFAS SCA. Most of those reports are automatically provided to DFAS SCA by the applicable DoD and IA logistics and financial systems. Other transactions (especially services, major end items, and training) may require manual inputs by the IAs in their applicable execution computer information systems. The delivery transaction provides data enabling DFAS SCA, via the Defense Integrated Financial System (DIFS), to compute and bill customers for accrued expenditures including the application of various charges, such as administration, contract administration, PC&H, transportation, etc.

The delivery reporting transaction identifies accrued MILDEP/IA LOA expenditures for work in process and physical deliveries of inventory/new procurement articles and services. Based on the data contained in the delivery transaction, DFAS SCA will compute applicable surcharges and report the transactions to the purchaser through the delivery listing attachment to the DD Form 645 Billing Statement. There is a significant correlation between the codes and data that are entered in the Military Standard Requisition (per the MILSTRIP procedures) and the subsequent delivery reporting transaction. A Delivery Reporting Transaction example is shown in Figure 12-7. The following paragraphs highlight some of the significant delivery reporting codes.

Accurate and timely performance reporting is essential to LOA financial management. For example, the Transaction Code (record position #2) identifies the type of transaction (e.g., delivery of articles or services, work in progress). The Monitor Code (record position #3), Routing Identifier Code (record positions #4-6), and Reimbursement Code (record position #58) identify the activity to which the case is assigned for action, shipping depot, or activity performing the service and the activity, which is to be reimbursed. An “E” in transaction Price Code (record position #7) advises the customer that delivery is at an estimated price, and “A,” actual costs, will be reported at a later date.

The delivery term code (DTC) (record position #34) indicates the responsibility, the DoD or purchaser, for transportation of the articles. For example, DTC 8 advises the purchaser that the DoD planned to transport the article(s) to a continental U.S. (CONUS) port of embarkation (POE) and provide loading, handling, and storage aboard a vessel at the POE. Transaction position 35, type of assistance identifies the supply source, type of sale or type of assistance, such as sale of DoD inventory or services, a cash sale from procurement, or a shipment from a customer’s supply support arrangement.

**Figure 12-7**  
**Delivery Reporting Transaction Example**

CARD CODE	TRANSACTION CODE	MONITOR CODE	ROUTING IDENTIFIER CODES	PRICE CODE	STOCK NUMBER / PART NUMBER or SDR RESPONSE																		UNIT OF ISSUE	QUANTITY DELIVERED										IA CODE	COUNTRY/PROGRAM CODE	MARK FOR CODE	DEL TERM CODE	TYPE OF ASSISTANCE	REQUISITION JULIAN DATE	SERIAL NUMBER
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41
N	A	M	B	1	4	E	4	9	3	0	0	0	9	2	6	1	2	3	4	0	0	E	A	0	0	0	1	0	B	B	N	C	4	4	3	1	0	0	9	0

SERIAL NUMBER		SUFFIX CODE		SUPPLEMENTAL ADDRESS						MODE OF SHIPMENT		ADJUSTMENT REPLY CODE		PROGRAM YEAR		DELIVERY SOURCE CODE		PORT OF EMBARKATION CODE		REIMBURSEMENT CODE		TRANSPORTATION BILL CODE		RESERVED FOR FUTURE USE		DATE SHIPPED / SERVICES PERFORMED										AMOUNT DELIVERED / EXTENDED VALUE										LOA LINE ITEM NUMBER				ROUNDED VALUE INDICATOR		RESERVED FOR FUTURE USE	
42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80															
0	1	N	B	Z	2	U	R	K	F			9	A	B	A	R	G		1	4	0	1	2	9	0	1	2	0	5	5	0	0	0	0	0	0	2																

The Delivery Source Code (DSC) (record positions #55 and 56) provides an audit trail between performance and the pricing of the LOA. The DSC is also used by DFAS SCA to recognize DoD earnings for:

- Administration
- PC&H
- Contract administration services (CAS)
- Certain transportation charges

For example, a DSC beginning with alpha “A” indicates delivery of materiel from DoD inventory, and a DSC beginning with alpha “D” indicates work in process on FMS customer procurements and deliveries from procurement.

The complete listing and definitions of the authorized Delivery Source Codes are documented in the DSCU *Security Cooperation Billing Handbook* Red Book, Appendix Q, and are reprinted in this book as Attachment 12-1 to this chapter.

The financial actions that DFAS SCA will take is based on the IA reported Delivery Source Code (DSC) for each delivery transaction that is reported. The complete Surcharge Matrix for each of the authorized Delivery Source Codes (DSCs) is documented in the DSCU *Security Cooperation Billing Handbook* Red Book, Appendix Q, and is reprinted in this book as Attachment 12-2 to this chapter.

The transportation bill code (TBC) (record position #59), as discussed previously in the Transportation Pricing section of this book, is a very important code. It is used by DFAS SCA to recognize DoD earnings for transportation of materiel. If this position is left blank, DFAS SCA will compute transportation costs using the DTC previously discussed.

The transaction Amount Delivered/Extended Value (record positions #67-75) represents the total dollar value of the delivery transaction report. DFAS SCA will divide this value by the quantity shown in transaction positions 25-29 to determine the unit price as reported in the delivery listing to the purchaser.

Errors in the delivery reporting transactions codes can, and do, occur. Those errors cause serious difficulties in the proper billing of purchasers and reimbursement of costs. Delays in submission of delivery transaction reports by the MILDEPs/IAs can also cause multiple issues including: late reporting of transactions to purchasers, the erroneous appearance of excessively large purchaser trust fund balances, and other related problems.

The delivery transaction reports are the source documents for the detailed entries, which appear in the Delivery Listing that accompanies each DD Form 645 Billing Statement.

### ***DFAS SCA Delivery/Performance Reporting Feedback to Implementing Agencies***

As discussed in the previous Delivery Transactions section, IAs shall report the cost of DoD services, inventory items, and new procurement to DFAS SCA using delivery reports, or automated equivalents, through the FMS Integrated Control System (FICS) delivery transaction. DFAS SCA shall pay earned reimbursements included in such reports within twenty working days from the date of receipt. If a cash flow problem precludes payment, DFAS SCA shall issue immediate notification to the Director, DSCA, and to OUSD(C). The Director, DSCA, shall notify IAs to suspend further deliveries of DoD stocks or performance of DoD services unless a determination has been made that it is in the national interest for billings to be dated and issued upon delivery or performance, with payment due in sixty days. DFAS SCA provides several products to the IAs to assist in reconciling



their accounts. The following is a list of selected DFAS SCA products and some of the data provided by each product. DFAS SCA normally provides these products on electronic media to the IAs. [FMR Volume 15, Chapter 8, Section 080901]

**FMS Command Pay List:** DFAS SCA provides reporting activities with a monthly FMS Command Pay List that identifies the total amount of WIP or deliveries charged to FMS cases in the current reporting period, excluding accounts payable. The amount includes the delivery transactions submitted by the reporting activity, less accounts payable and rejected items, and additional charges mechanically computed by DFAS SCA. The last line of the Command Pay List, “Total Reimbursable to This Payee,” should equal the amount received by the payee.

**FMS Detail Delivery Feedback List:** The FMS Detail Delivery Feedback List is attached to the Command Pay List and identifies the delivery transactions submitted by reporting activities and processed by DFAS SCA for reimbursement or reporting to the FMS purchaser.

**FMS Implementing Agency Performance Report Transaction Register:** DFAS SCA provides this five-part report for IAs to use in reconciling their reported deliveries to the deliveries processed by DFAS SCA. The register also contains transactions submitted by the IA that could not be processed by DFAS SCA because of invalid data and/or suspected problem areas, information on transactions input by DFAS SCA on the IA’s behalf, transactions modified by DFAS SCA, and transactions deleted by DFAS SCA.

**Foreign Military Sales Accounts Payable List:** This report indicates transactions delivery reported by the IAs, but not paid to the reporting activity because the purchaser’s funds were frozen, the purchaser did not have enough cash available, or the amount of credit deliveries outweighed the debits. The list also contains a total of all transactions that are reimbursable and non-reimbursable to the reporting activity.

### **Foreign Military Sales Billing Cycle**

DFAS SCA issues a FMS Billing Statement, DD Form 645 (with applicable attachments) to customers for LOA costs related to defense articles, services, and training. After the customer accepts the offer and provides DFAS SCA with signed copies of the LOA and the applicable initial deposit, DFAS SCA updates DIFS with applicable LOA data. The case is implemented in DIFS and is then prepared to receive IA delivery transactions. The initial deposit accompanying most FMS cases provides sufficient cash to cover disbursements from the time the case is implemented until availability of funds from the first billing payment due date.

Billing statements are prepared and forwarded to the purchaser on a quarterly basis (i.e., for quarters ending 31 December, 31 March, 30 June, and 30 September). [SAMM C9.T22] This FMS billing timeline cycle (depicted in Figure 12-8) must be taken into consideration during the computation of the initial deposit period and any quarterly payments thereafter.

The payment dates shown on the payment schedules must be compatible with the billing cycle.



**Figure 12-8  
FMS Billing Timeline**

<b>Completed Work Period/ Quarter</b>	<b>Projected Mailing Date</b>	<b>Payment Due to DFAS SCA</b>	<b>Planned Future Work Period/ Quarter</b>
01 Oct - 31 Dec	15 January	15 March	01 Apr - 30 Jun
01 Jan - 31 Mar	15 April	15 June	01 Jul - 30 Sep
01 Apr - 30 Jun	15 July	15 September	01 Oct - 31 Dec
01 Jul - 30 Sep	15 October	15 December	01 Jan - 31 Mar

### ***Foreign Military Sales Billing Statement***

The FMS Billing Statement, DD Form 645 (see example in Figure 12-10 ) is prepared by DFAS–SCA. In the absence of a special billing arrangement, the FMS Billing Statement represents the USG’s official claim for payment to the purchaser for the articles and/or services agreed to on the LOA. It also furnishes an accounting to the purchaser for LOA costs incurred to date. In addition to identifying deliveries or performance of services made on the purchaser’s case, the DD Form 645 also reflects the forecasted costs, which relate to the next quarter’s financial requirements on that same case. These forecasted costs may include anticipated progress payments, contractor holdback, TL reserve, accrued and future deliveries, and associated costs (e.g., NC, CAS, administrative/accessorial, etc.). For example, the DD Form 645 for the period ending 31 December would contain delivery transaction data provided to DFAS SCA in October, November, and December and a forecasted financial requirement for April, May, and June. The 15 March payment due date, shown in the Figure 12-9, DD Form, 645 example would also be the same payment date as contained in the estimated payment schedule of the applicable implemented LOA version. [FMR Volume 15, Chapter 8, Section 080301, and the DSCU Red Book Chapter 3]

### **DD Form 645 Supporting Documentation**

In addition to the DD Form 645, the purchaser is provided certain attachments, as applicable, which contain more detailed information. The DD Form 645 supporting attachments include: (1) FMS Delivery Listing, (2) FMS Reply Listing to Customer Requests for Adjustments, (3) FMS financial forecast, (4) holding account statement, and the (5) accelerated case closure suspense account statement. Each of these documents is explained in greater detail in the following paragraphs.

### ***Foreign Military Sales Delivery Listing***

A delivery listing (see example in Figure 12-10) is prepared in support of entries to the DD Form 645 column 9, “Current Period Delivery Costs.” The delivery listing is an itemized listing of all items physically delivered and services performed during the reporting period. It is cross referenced to specific document numbers and allows purchasers to validate receipt of the materiel or services. The delivery listing is sorted by country case, line, Delivery Source Code (DSC), and then the accounting date. The meanings of the DD Form 645 entries are documented in the DSCU Red Book, Chapter 4.

**Figure 12-9**  
**FMS Billing Statement, DD Form 645 Example**

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/AIR FORCE					
1. TO: BANDARIA ARMY		2. THIS IS A BILLING STATEMENT BASED ON CASH REQUIREMENTS. PAYMENT IS DUE BY 15 SEP 15		3. STATEMENT NUMBER: 15-06DB		4. FOR PERIOD ENDED: 15 JUN 30		5. DATE PREPARED: 15 JUL 15	
CASE IDENTIFICATION AND DELIVERY STATUS				FINANCIAL STATUS					
6. CASE & ITEM NBR	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE	
001	78,683,170.00	0.00	0.00	0.00					
002	HUMDINGER MISSILES 619,300.00	0.00	0.00	0.00					
003	LAUNCHERS 2,017,000.00	0.00	0.00	0.00					
004	SPARE PARTS 488,840.00	0.00	0.00	0.00					
005	TRAINING MISSILES 181,800.00	181,800.00	0.00	181,800.00					
006	TECHNICAL DATA PKG 3,017,692.00	0.00	0.00	0.00					
007	CONTAINERS 1,563,480.00	143,319.00	78,173.00	221,492.00					
008	SUPPORT EQUIPMENT 2,163,402.00	198,311.85	108,170.10	306,481.95					
009	CONTRACTOR SPT 2,021,000.00	185,258.33	101,050.00	286,308.33					
010	PARTS/SPT EQUIP 12,372.00	1,790.68	976.74	2,767.42					
011	AF TECH ORDERS 1,536,316.00	0.00	0.00	0.00					
012	AIRLIFT, AMC 1,008,500.00	92,445.83	50,425.00	142,870.83					
013	R+R OTHER 631,250.00	57,864.58	31,562.50	89,427.08					
014	R-R MISSILES 2,694,188.00	0.00	0.00	0.00					
700	WARRANTY 657,000.00	54,750.00	32,850.00	87,600.00					
701	TECH ASSISTANCE 73,338.00	61,115.00	12,223.00	73,338.00					
702	SITE SURVEYS 2,514,403.00	209,533.58	125,720.15	335,253.73					
989	OTHER SERVICES 260,000.00	59,583.33	32,500.00	92,083.33					
L6A	TRAINING 3,508,507.00	43,602.03	20,077.77	63,679.79					
L00	ADMINISTRATIVE FEE 235,182.00	21,558.35	11,759.10	33,317.45					
	ACCESSORIAL COSTS								
WIP	WORK IN PROCESS			23,786,978.07					
CASE TOTAL	103,966,740.00	1,310,932.58	605,487.35	25,703,398.00	10,277,127.00	35,980,525.00	25,703,398.00	10,277,127.00	

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE (O)

**Figure 12-10**  
**FMS Delivery Listing Example**

PCN: UH028A150														
COUNTRY: BANDARIA														
SERVICE: ARMY														
ARTICLE/SERVICES TRANSACTIONS														
DOC ID	PRC CD	STOCK NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT NUMBER	DOC SFX	SUPL ADRS	M S	ARC BZ	ACTG DATE	TBC	DSC	DATE SHIP	UNIT PRICE
FKB	FGZ	A	530601455712300	EA	30	DBNA5442925003	BA2YCY	B	BZ	1504	H	AB	5011	66.77
FKA	FGZ	A	6000120DF075683	EA	17	DBNA5443205132	BA2YCY	B		1505	H	AB	5139	2,222.39
ITM NBR/DSC SUBTOTAL:														35,777.45
FKA	FGZ	A	CONTRACT ADMIN	XX	1	DBN00000005127	YCY			1505		BD	5132	357.33
ITM NBR/DSC SUBTOTAL:														357.33
FKA	FGZ	E	1377010542912ES	EA	114	DBNA5450295130	BA2YCY	B		1504	H	DC	5115	343.11
FKA	FGZ	E	1377010542911ES	EA	16	DBNA5451255128	BA2YCY	B		1505	H	DC	5132	182.73
ITM NBR/DSC SUBTOTAL:														2,923.68
ADMINISTRATIVE/ACCESSORIAL TRANSACTIONS														42,038.22
DOC ID	GENERIC CODE	COST DESCRIPTION	DOCUMENT NUMBER	ACTG DATE	ARC	TYPE OF COST	PERCENT FACTOR	TOTAL VALUE APPLIED	ADMIN/ACSRL COST					
FKD	L6A	ADMIN COSTS	DBN	1504		COMPUTED	3.50	2,003.18	CR					
FKC	L6A	ADMIN COSTS	DBN	1505		COMPUTED	3.50	37,780.63						
FKC	L6A	ADMIN COSTS	DBN	1505		COMPUTED	3.50	357.33						
FKC	L6A	ADMIN COSTS	DBN	1504		COMPUTED	3.50	39,114.54						
FKC	L6A	ADMIN COSTS	DBN	1505	CX	COMPUTED	3.50	2,923.68						
FKE	L2B	AIR TRANS	DBN	1505		COMPUTED	2.50	37,780.63						
FKE	L2B	AIR TRANS	DBN	1504		COMPUTED	6.25	39,114.54						
FKE	L2B	AIR TRANS	DBN	1505		COMPUTED	6.25	2,923.68						
TOTAL COSTS														70.11
														CR
														1,322.32
														12.51
														1,369.01
														102.33
														944.52
														2,444.56
														182.73

PAGE: 1

FOR PERIOD ENDED: 15 JUN 30  
DATE PREPARED: 15 JUL 15

U.S. DEPT/AGENCY: AIR FORCE

STATEMENT NUMBER: 15-06DB  
CASE: YCY ITM NBR: 007

**FMS DELIVERY LISTING**

PAGE: 2

**FMS DELIVERY LISTING**

FOR PERIOD: 15 JUN 30  
DATE PREPARED: 15 JUL 15

STATEMENT NUMBER: 15-06DB  
CASE: YCY ITM NBR: 007

U.S. DEPT/AGENCY: AIR FORCE

COUNTRY: BANDARIA  
SERVICE: ARMY  
SUMMARY OF DELIVERY COSTS

NET TOTAL OF DELIVERY COSTS		TOTAL COSTS	
FKA ARTICLES/SERVICE COSTS	80,176.18		
FKB ARTICLES/SERVICE COSTS	2,003.18	CR	
	78,173.00		
NET TOTAL OF ARTICLES/SERVICES COSTS		COMPUTED COSTS	
FKC ADMINISTRATIVE COSTS	2,806.17		
FKD ADMINISTRATIVE COSTS	70.11	CR	
	2,736.06		
NET TOTAL OF ADMINISTRATIVE COSTS		ACTUAL COSTS	
FKE ACCESSORIAL COSTS	0.00		
L2B CONUS PORT HANDLING	0.00		
	0.00		
NET TOTAL OF ACCESSORIAL COSTS		3571.90	
	3,571.90		
TOTAL DELIVERY COSTS		84,480.96	

## ***Foreign Military Sales (FMS) Reply Listing to Customer Requests for Adjustments***

DFAS SCA provides a consolidated listing of the actions taken in response to Supply Discrepancy Reports (SDRs), entitled “FMS Reply Listing to Purchaser Requests for Adjustments” (see example in Figure 12-11). All responses to SDRs shall be listed separately for each country and case. The Reply Listing is prepared in the same basic sequence as the billing statement and FMS delivery listing. The Adjustment Reply Code (ARC) documents the USG decision/action for the purchaser submitted SDR. The meaning of those codes is listed in the DSCU Red Book, Appendix P.

**Figure 12-11**  
**FMS Reply Listing to Customer Requests for Adjustments Example**

FMS REPLY LISTING TO PURCHASER REQUESTS FOR ADJUSTMENTS															
FOR PERIOD ENDED: 10 DEC 31															
DATE PREPARED: 11 JAN 05															
COUNTRY: BANDARIA															
SERVICE: ARMY					STATEMENT NUMBER: 10-12NA					U.S. DEPT/AGENCY: ARMY					
DOC ID	PRC RIC	ROID CD	SERIAL NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT NUMBER	DOC SFX	SUPL ADRS	M S	ARC	ACCT DATE	TBC	DSC	UNIT PRICE	EXTENDED VALUE
CASE: XIL RSN:001															
FKG	BY7	A	WZ001500Y616586	EA	4CR	BBDK443361A426		BZ2XIL		CB	1012	D	AB	70.43	281.72CR
CASE: XIU RSN:002															
FKG	591	A	534001016767100	EA	800CR	BBDK443361B158		BZ2XIU		CB	1010	D	AB	1.50	1200.00CR

## ***Foreign Military Sales Financial Forecast***

The financial forecast reflects forecasted amounts of payments due, by quarter, for up to nineteen quarters of an FMS case. It essentially portrays the same information as the LOA estimated payment schedule. [DSCU Red Book Chapter 5]

## ***Holding Account Statement***

Discussed earlier in this chapter, DFAS SCA maintains holding account(s). The FMS customer may request DFAS SCA to draw upon its country holding account(s) for transfers to specific cases as a need arises. The holding account balances are not included in the totals of the DD Form 645. Separate holding account statements (see example in Figure 12-12) are provided to the country showing deposits and withdrawals to the holding account(s) and is considered an off-line billing statement. The FMS customer must advise DFAS SCA of its desires relative to the controls over holding account transactions. For example, DFAS SCA needs to know if the customer desires automatic refunds, or if the customer wants to request refunds on a case-by-case basis. [DSCU Red Book Chapter 7]



**Figure 12-12**  
**Holding Account Statement Example**

<b>BANDARIA</b> <b>HOLDING ACCOUNT: BN-B-1BB</b> <b>FOR QUARTER ENDING: DECEMBER 31, 2008</b> <b>CASH ACCOUNT FOR SALES TO BANDARIA ARMY</b>				
<b>DATE</b>	<b>DETAIL</b>	<b>DEPOSITS</b>	<b>WITHDRAWALS</b>	<b>BALANCE</b>
30-Sep-08	BALANCE BROUGHT FORWARD			\$3,000.00
25-Oct-08	Funds transferred to BN-B-1BD Holding Account		\$200.00	
14-Nov-08	Excess funds from closed case P-JAC	\$90.00		
29-Dec-08	Cross-leveling transactions per letter, Embassy of Bandaria, 15 SEP 06 from cases: B-KAA D-KAB	\$50.00 \$75.00		
29-Dec-08	Cross-leveling transactions per letter, Embassy of Bandaria, 15 SEP 06 to cases: D-KBU D-KAW		\$100.00 \$25.00	
31-Dec-08	ENDING BALANCE			\$2,890.00

Holding account identification is a three-digit alpha-numeric code. The first digit, a numeric code, describes the type of funds in the holding account as follows:

**Table 12-5**  
**Holding Account Codes**

<b>Numeric Code</b>	<b>Type of Funds</b>
0	Interest-bearing account
1	Regular FMS payments by purchaser
2	MAP funds (nonrefundable to FMS customer)
3	Third-country recoupments
4	Buybacks
5	FMS credit funds (nonrefundable to FMS customer)
6	Worldwide Warehouse Redistribution Services (WWRS)
7	Unliquidated obligation (ULO) accelerated case closure procedures (ACCP) participants
8	Supply Discrepancy Report (SDR) transportation reimbursement

The second digit, an alpha code, identifies the U.S. implementing agency, and the third digit, also an alpha code, identifies the purchaser's in-country service. For example, a holding account for regular FMS payments for U.S. Army-managed cases with the Bandarian Army would be coded as 1BB. In some instances, the alpha codes could be labeled with the letter "Q," indicating that the customer has decided to consolidate all holding account funds at the country level.

## Accelerated Case Closure Suspense Account Statement

For those countries participating in accelerated case closure procedures, DFAS SCA must record the case's estimated Unliquidated Obligation (ULO) value in a summary account entitled "Case Closure Suspense Account" (CCSA). A statement of the country's CCSA (see example in Figure 12-13), will be provided with each quarterly bill. This account statement is similar to the holding account statement in that it summarizes activity, by case, for the current quarter. The statement also shows the previous and current quarter balances for the account. [DSCU 'Red' Book Chapter 8]

**Figure 12-13**  
**Accelerated Case Closure Suspense Account Example**

DEFENSE FINANCE & ACCOUNTING SERVICE - INDIANAPOLIS DEPUTATE FOR SECURITY ASSISTANCE (DFAS-IN/JAX)									
ACCELERATED CASE CLOSURE SUSPENSE ACCOUNT FOR QUARTER ENDING DEC 2008									
DATE: 01/15/2009 PAGE: 1									
CLSR TYPE	CC	IA	CASE	STATUS CHG	DT-CLSR DT-FNLZ	ORIG ULO VALUE COL A	CUM PREV ACTIVITY COL B	CUR QTR ACTIVITY COL C	CUR QTR BAL COL A-B-C
CC - BN									
ICS - B									
2	BN	B	IAF		03142	75,241.84	2,567.45	0.00	72,674.39
2	BN	B	UWF		08016	61,733.24	-2,929.15	-4.64	64,667.03
2	BN	B	UWY		05171	23,970.18	0.00	0.00	23,970.18
SUBTOTAL BY TYPE						160,945.26	-361.70	-4.64	161,311.60
SUBTOTAL BY ICS						160,945.26	-361.70	-4.64	161,311.60
** TOTAL RECORDS IN THE CATEGORY (ICS - B) = 3									
ICS - D									
2	BN	D	GZW		06219	137.12	0.00	0.00	137.12
2	BN	D	KBG		04257	80.00	0.00	0.00	80.00
2	BN	D	RBC		03323	38.09	-1.21	0.00	39.30
SUBTOTAL BY TYPE						255.21	-1.21	0.00	256.42
SUBTOTAL BY ICS						255.21	-1.21	0.00	256.42
** TOTAL RECORDS IN THE CATEGORY (ICS - D) = 3									
ICS - P									
2	BN	P	GMS		04034	55,589.00	0.00	0.00	55,589.00
SUBTOTAL BY TYPE						55,589.00	0.00	0.00	55,589.00
SUBTOTAL BY ICS						55,589.00	0.00	0.00	55,589.00
SUBTOTAL BY CC						216,789.47			
** TOTAL RECORDS IN THE CATEGORY (ICS - D) = 3									
** TOTAL RECORDS IN THE CATEGORY (CC - BN) = 7									
NOTE: ASTERISK (*) IN STATUS CHANGE COLUMN MEANS THE CASE CLOSED THIS QUARTER OR CHANGED CLOSURE TYPE.									
NOTE: FOR THE CURRENT QUARTER, POSITIVE AMOUNTS REPRESENT RESERVE FOR FUTURE DISBURSEMENTS; NEGATIVE AMOUNTS REPRESENT UNDERESTIMATED ULO FOR THIS CASE.									

## Cross-Leveling

Cross-leveling is an accounting technique by which DFAS SCA transfers funds from one FMS case to another for the same country. This transfer permits the FMS purchaser to minimize payments due on a billing by fully utilizing all funds previously paid on FMS cases. There are two methods through which cross-leveling may be accomplished. In the first method, the customer conducts a cash analysis and, in a letter (usually with a payment), requests DFAS SCA make specific cash transfers among designated FMS cases. The second method authorizes automatic cross-leveling between cases based upon case needs. In this method, there must be detailed written agreement between DFAS SCA and the FMS customer to document the transaction authorization(s). In order to provide the FMS customer with a complete record of cross-leveling transactions, the transfer of excess cash is processed



to the country holding account and then withdrawn from the holding account to be applied to a case requiring payment. Examples of “Cross-Leveling” transactions can be seen in the previously presented holding account statement example (Figure 12-12).

### **Special Billing Arrangement**

A Special Billing Arrangement (SBA) is an alternative to the FMS Billing Statement DD Form 645 that otherwise serves as an official USG claim for payment to the FMS purchaser. In much the same manner as cross-leveling, customers may be able to minimize cash flow using collections for all (or some as desired by the purchasing country) cases and average cash flows on a country (vice case) basis via a process known as special billing. Since requirements and procedures are unique to each country, they are normally established in an agreement between the customer country, DSCA, and the appropriate banking institutions in the U.S. and the purchaser’s country. If a purchaser has an SBA, total expenditures for the forthcoming billing period are subtracted from total available cash resources to determine the billing amount. SBAs override Column 14 (Amount Due and Payable) of the DD Form 645. SBAs are issued by either DSCA or DFAS SCA and are managed at the country level unless an exception has been granted by DSCA. As noted in the SAMM, since each agreement is unique, DSCA should be contacted if additional information is desired. [SAMM C9.10.2]

## **CASE RECONCILIATION**

Reconciliation refers to the financial and logistical actions that ensure proper accounting, accuracy and thoroughness of data, currency of schedules, and timeliness and completeness of reporting. In turn, successful reconciliation throughout the life of a case expedites case closure. Case reconciliation is not a single action; rather, it is a series of actions (beginning with case implementation) identifying and resolving discrepancies among logistics and financial transactions throughout the life of a case. Reconciliation commences with the implementation of a case and does not end until the case is “final” closed. Reconciliation for closure involves extensive communication between various logistics, financial, and contract organizations to ensure associated closure transactions are completed. It is imperative that case and line reconciliation be initiated upon implementation of the LOA to make the closure process described herein timely and easier. By reconciling during case execution, case closure becomes an event instead of a process. DSCA consolidated the case reconciliation and closure policies in SAMM Chapter 16. The policies in that chapter apply to both FMS and BPC cases. Unique closure requirements for BPC cases are provided in SAMM Chapter 15, Section C15.6 (Case Closure). Information contained in SAMM Chapter 16 complements the DoD FMR. SAMM Chapter 16 also identifies all policies in order to facilitate actions and simplify efforts to research the associated business rules and processes provided in the DSCA Case Reconciliation and Closure Guide (RCG), which is provided in SAMM, Appendix 7.

### **Active Case Reconciliation**

Active case review and reconciliation, extending from LOA implementation until the case is Supply/Service Complete (SSC), are critical components of effective case management. It is mandatory that each case manager performs an annual case and payment schedule review and/or reconciliation on each case, which includes comparing data between systems, comparing LOA data to performance, comparing LOAs to underlying contracts and comparing systemic data to hardcopy or electronic supporting documentation. Case managers are responsible for the timely reconciliation and closure certification of cases, regardless of how these activities are delegated within the responsible IA. Case managers should not wait until a case is ready to be closed to reconcile the case. Case managers should reconcile and close lines of accounting, requisitions, funding documents, and other program documents as material is delivered and services are performed. Several important reconciliation actions facilitate case closure. These include:

- Continuous, periodic reconciliation of essential financial data to allow for error detection, correction, and future actions at the earliest possible point in the case life cycle
- Establishing a comprehensive file of all transactions pertaining to the case. For some cases, this file could be quite large, filling several rooms if the files are maintained in their original form. However, large files may be reduced by the use of electronic media. The data files must also be filed and accessible to case managers and those responsible for final case reconciliation
- Recording case data with objective evidence. This simply means that every financial transaction, every cost, must be recorded. The recording of financial data in source documents will provide an audit trail, which can ensure the safeguarding of customer and USG funds
- Ensuring case identifiers are recorded in all financial transactions. When the DoD accepts a case, it also accepts a fiduciary responsibility, which is completed once final reconciliation is accomplished. Those cases where reconciliation cannot be achieved should be referred to the DSCA case closure Executive Committee (EXCOM) [SAMM C16.3]

### ***Supply/Service Complete (SSC)***

Eventually, an active line or case transitions into Supply/Service Complete (SSC) status. A process exists (refer to SAMM, Appendix 7, RCG Figures A7.C2.F15 and A7.C2.F16) for deciding that a case or line is SSC. The reconciliation condition of data (other than that which is preventing item delivery or actual completion of services), the allocation of resources (funding and/or manpower), or the distribution/transfer of workload are not factors in determining when SSC occurs. The IA declares a case or line is SSC when the following events occur by updating the status in the IA system (to include SSC Date) and informing the purchaser: [SAMM C16.2.12.1]

- Verification that all items are delivered; title has transferred
- Verification that all services have been performed
  - ◊ Training: Verification that all courses, Mobile Training Teams (MTT) and Extended Training Service Specialist/Language Training Detachments are completed, all Temporary Duties (TDYs) are finished, and all case-funded salary positions have expired.
  - ◊ Period of performance for all other services has elapsed
  - ◊ Program Management Line (PML): The end point may vary, but may be no later than 12 months after final delivery and/or performance of last non-PML service for the related case(s). Like any other service, the duration of PML must be linked to the period of performance
- All warranty periods have elapsed
- No items are in storage
- If the country is under suspensions and/or sanctions, there are no deliveries pending, and no future deliveries shall occur once sanctions are lifted

## **Post-SSC Reconciliation**

Once the conditions for SSC are reached, lines and/or cases shall be coded by the IA with this status and the actual date of SSC within five business days in the appropriate security cooperation information management systems. This coding shall not be delayed under any circumstance. The management of blanket order case/line items is generally conducted based on their value. Therefore, the application of SSC status on blanket order cases and/or lines may be accomplished based on the amount of unused value, when appropriate, rather than the absence of open orders. The reconciliation condition of data (other than that which is preventing item delivery or actual completion of services), the allocation of resources (funding and/or manpower), or the distribution/transfer of workload has no application in determining when supply/services completion occurs. To the extent possible, the SSC status of lines and sub-lines should be coded in the Defense Security Assistance Management System (DSAMS) as either completed (CMPLTD) or shipped (SHPD). [SAMM C16.2.12.2]

If the purchaser indicates the intent to execute the residual value of the FMS case, the IA will include it on the “To Be Kept Open” list upon written notification from the LOA signatory organization until requirements are identified to use the residual case value. At that time, the IA will remove the SSC status on the FMS case and remove it from the “To Be Kept Open” list. Until the case is removed from the “To Be Kept Open” list, the IA should follow-up every sixty days with the purchaser and provide DSCA the current status through the quarterly case closure reporting process. If disposition of the residual case value has not occurred after 180 days, the case should be removed from the “To Be Kept Open” list and a modification to the LOA prepared to return the residual case value. This policy is intended to allow the residual value to be used and is not a blanket endorsement for the addition of funds to the case that will extend the execution phase, which could prolong the reconciliation and closure of the case beyond set standards. [SAMM C16.2.13.2]

## **CASE CLOSURE**

Once a case is SSC, and the requisite verification steps for SSC reconciliation are complete, the case is eligible to be submitted for closure. Case closure is the final phase of the LOA life cycle and is extremely important to the USG and purchaser. A case is submitted for closure once it is reconciled according to procedures for the appropriate closure method. Two broad categories of closure exist including: (1) Accelerated Case Closure Procedures (ACCP) and (2) Non-ACCP.

### **Accelerated Case Closure Procedures (ACCP)**

This type of closure allows an FMS case to be closed after SSC, even if there are Unliquidated Obligations (ULOs) on the case. The required purchaser funds to pay the ULOs are placed in a Case Closure Suspense Account (CCSA) pending final resolution of the ULOs. This program is voluntary, except for those countries that have FMF-funded cases, which requires mandatory participation in ACCP for all FMS cases regardless of the funding source. Most countries/international organizations participate or are automatically included in the ACCP process. DSCA maintains the master list of countries and international organizations that participate in ACCP. A list of ACCP participants is provided in the RCG, Chapter 3. A case shall be direct final closed (i.e., not interim closed) if the ULO equals zero, even if supporting contracts remain open. The USG and purchaser both prefer that direct final closures are utilized to the fullest extent possible without impacting case closure standards. [SAMM C16.4.1.1.2] For purchasers participating in ACCP, the USG goal is to close cases within twenty-four months of achieving SSC. [SAMM C16.4.1.1.3] The following additional policies [SAMM C16.4.1.1.1] apply for an FMS case to be eligible for ACCP closure:

- Cases are SSC for at least 12 months. The 12 months allows for final reconciliation actions and considers the purchaser’s right to submit an SDR associated with the final delivery. This time period can be reduced, however, if the purchaser confirms in writing (e-mail or meeting minutes are acceptable) that the submission of SDRs is not anticipated. This

statement does not waive the FMS purchaser's right to submit an SDR as indicated in the LOA Standard Terms and Conditions 5.4.

- No outstanding SDRs exist when the case is submitted for closure.
- A case can close under ACCP for which a litigation judgment was issued, even if the settlement has not been paid.
- All accrued costs and the amount of estimated ULO to be expended after interim closure are determined.
- Unused Obligational Authority (OA) is reduced to zero in the IA accounting system and the correct OA/Obligations (R4/RE transactions) balances are reflected in DIFS, unless an exception is granted by DSCA.
- The case is paid in full, i.e., collections equal the expected case closure value. If the case is not yet paid in full, the IA shall continue processing the case for closure and shall forward the closure certificate (and associated "C1" transaction) to DFAS SCA.
- Performance reports, submitted to DFAS SCA to report all delivered articles and services, have been processed. All estimated billings have been converted to actual billings.
- Costs of articles and services have been reimbursed from FMS Trust Funds to DoD appropriations or USG equity accounts.

#### **Non-Accelerated Case Closure Procedures (Non-ACCP)**

Non-ACCP procedures are used to accommodate those countries that have not elected to participate in the ACCP process and whose FMS programs are completely financed with national funds (vice with FMF). While ACCP case closure usually has a higher priority (unless case is designated as DSCA priority or is a BPC), non-ACCP cases with no supporting contracts should be closed as quickly as possible. BPC program cases are also closed under non-ACCP procedures. Non-ACCP closure eligibility requires [SAMM C16.4.1.2.1] the following:

- No outstanding SDRs exist when the case is submitted for closure.
- No ULOs exist on underlying contract ACRNs (Accounting Classification Reference Numbers).
- All costs are determined, final charged and collected.
- All applicable IA systems are fully reconciled with DIFS.
- Unused OA is reduced to zero in the IA accounting system, and the correct OA/Obligations (R4/RE transactions) balances are reflected in DIFS, unless an exception is granted by DSCA.
- Performance reports, submitted to DFAS SCA to report all delivered articles and services, have been processed. All estimated billings have been converted to actual billings.
- Costs of articles and services have been reimbursed from FMS Trust Funds to DoD appropriations or USG equity accounts.

## **Other Closure Information**

### ***Case Closure Priorities***

The order of priority for case reconciliation and closure is: (1) DSCA focus/priority cases (i.e., identified by DSCA Directorate of Business Operations, Financial Policy and Analysis Division that requires priority reconciliation and closure action), (2) BPC cases, (3) ACCP closure candidates, and (4) Non-ACCP closure candidates. Only DSCA DBO, Financial Policy and Analysis Division) can authorize deviations to prioritizing closure for specific cases, countries, or closure categories. [SAMM C16.4.2]

### ***Estimated Case Closure Dates***

On all LOAs except Foreign Military Sales Order (FMSO) I LOAs, IAs must include a note identifying an estimated case closure date. See SAMM, Appendix 6, for exact LOA note wording. Cases with long-running contracts may experience closure challenges, but for ACCP cases, the estimated closure date is twenty-four months after the date of projected final delivery or service performance. For non-ACC program cases, the estimated closure date is estimated to be thirty-six months after closure of the longest underlying contract (if applicable). If no contracts apply, the closure date should be within thirty-six months after final delivery or service performance.

### ***Closure Inhibitors***

Multiple sets of closure inhibitors exist that identify conditions preventing the certification and closure of cases. DSCA prescribes a standard set of pre-certification inhibitors that are used to identify conditions that prevent the certification of cases for closure. These inhibitors are outlined in the SAMM, RCG Table A7.C3.T5. To varying degrees, the IAs' automated management systems have corresponding inhibitors. In addition, a set of post-certification inhibitors exists that is used to identify conditions that prevent the closure of the case. See SAMM C16.4.9.1 and the Closure Transactions section below for further information on this set of inhibitors.

### ***Case Closure Certificates***

The IA ensures the case closure certificate and any other necessary supporting documentation (e.g., ULO closure information for ACCP interim closures) are completed in accordance with established procedures. See SAMM, RCG Figure A7.C4.F5, for additional details. All case closure certificates are sent via email by the designated IA POCs to DFAS SCA (dfas-in-sca-ccci@dfas.mil). [SAMM C16.4.8]

### ***Closure Transactions***

Simultaneously, with the submission of the closure certificate to DFAS SCA, the IA must process the "C1" closure transaction for transmission to DIFS. The "C1" transaction signifies IA completion of its actions necessary for DFAS SCA to close the case. This transaction is required for all closure submissions. Upon successful interface of the C1 transaction, closure data is loaded in the DIFS Case Closure Certificate Inventory (CCCI), and applicable closure status/inhibitor codes are assigned. DIFS closure status/inhibitor codes and their definitions are contained in the SAMM, RCG Table A7.C4.T5. Other related closure transactions include the "C3," "C4," and, "C5." The "C3" transaction indicates a case is closed. It is generated by DIFS and sent to the IA. The "C4" transaction removes the case from the CCCI. The "C5" transaction reopens a non-ACCP case or moves an ACCP case from Final to Interim closed status. Both the "C4" and "C5" transactions are initiated by the IA and sent to DIFS. [SAMM C16.4.9]



## ***Case Closure in DIFS***

DFAS SCA reviews the case closure certificate and takes actions to close the case in DIFS. If DFAS SCA has questions about the closure certificate, DFAS SCA contacts the IA representative listed on the certificate. IAs check the DIFS case closure inventory as needed to determine which cases have been closed. DFAS SCA should close all cases that do not have any outstanding or unresolved issues within thirty days of closure certificate and acceptance of a “C1” closure transaction. [SAMM C16.4.9.3]

## **SUMMARY**

Proper security cooperation funds management requires the FMS and BPC managers to acquire an understanding of a myriad of financial policies and procedures. Each LOA must document the financial requirements to deliver the requested materials and/or services. This is accomplished using multiple LOA data entries, including terms of sale, prices, payment schedules, notes, etc. For a case to be implemented, IAs must request the OA, and the OA must be passed from DFAS SCA to the applicable IA. The OA allows the IA to prepare and process funding documents on behalf of the purchaser. Expenditure authority must be requested by the IA from DFAS SCA in order to pay bills as a result of material delivered and services rendered.

The methodology employed in determining LOA prices depends on whether the price is to be developed before the fact as an estimate on the LOA or after the fact as the reporting of a cost in the billing system. In either case, DoD personnel responsible for pricing and reporting costs must refer to current regulations and policies. The basic method involves the determination of a base cost (e.g., stock, inventory, procurement) plus other authorized applicable charges (e.g., administrative charge, accessorial charges) for the USG to recover total cost. Although the pricing methodology is relatively simple, estimating the cost elements for allocation to a security cooperation case price can be difficult.

FMS billing provides a mechanism for complying with the requirements of the AECA in that FMS is to be conducted in a “no loss” manner to the USG, and payments are to be made in advance of USG expenditures on the purchasers’ behalf. IAs report the cost of DoD services, inventory, and new procurement sales to DFAS SCA using the “Delivery Transaction.” The basic FMS billing document is the DD Form 645, which is prepared at the end of each calendar quarter. This form serves as both a billing document and a statement of account. Numerous attachments, as applicable, accompany the DD Form 645 to include the “FMS Delivery Listing,” “FMS Reply Listing to Customer Request for Adjustments,” “Holding Account Statement,” “FMS Financial Forecast,” and the “Accelerated Case Closure Suspense Account Statement.”

## **REFERENCES**

DoD 7000.14R, *Financial Management Regulation (FMR), Volume 15* (Security Cooperation Policy).  
DSCA Manual 5105.38-M, *Security Assistance Management Manual (SAMM)*. Chapters 5, 6, 9, 10, 15, 16, and Appendices 1, 2 and 7.



**Attachment 12-1**  
**Delivery Source Codes (DSC)**

This field is a two alpha code. Codes in the field provide an audit trail between performance and the pricing requirements. The code is used by DFAS SCA to recognize earnings for authorized performance charges; therefore, it is imperative that the correct codes be used. An incorrect code could result in the FMS purchaser being over or undercharged. The full list of all the current authorized (per the FMR) Delivery Source Codes (DSC) are listed on the following pages for reference.

**Delivery Source Code: Sale of Articles Under AECA Section 21**

<b><u>DSC</u></b>	<b><u>Description</u></b>
AA	DWCF, non-excess items, including technical data package (TDP) and publications, from inventory for a matured FMSO.
AB	DWCF, non-excess items, including TDP and publications, from inventory for other than a matured FMSO
AC	DWCF non-excess items diverted from procurement initiated to maintain stock inventory for a matured FMSO
AD	DWCF non-excess items diverted from procurement initiated to maintain stock inventory for other than a matured FMSO
AE	Procurement funded item, including TDP and publications from inventory, which requires replacement
AG	Procurement funded item, including TDPs and publications from inventory, which does not require replacement
AH	Excess DWCF for a matured FMSO
AJ	Excess DWCF for other than a matured FMSO
AK	Excess Procurement Funded Item from Inventory (applicable PC&H computed on original acquisition cost of item and included in price of item)
AL	Use of this code eliminated beginning FY 2001. Items (other than DWCF item) sold from inventory that are not subject to normal PC&H charge. This code must only be used when the case has a transportation line, a PC&H line, or a pricing exception granted by OUSD(C)

**Delivery Source Code: Performance of DoD Services Under AECA Section 21 or 22**

<b><u>DSC</u></b>	<b><u>Description</u></b>
BA	DoD provided training course
BB	Contractor provided training course
BC	Repair or replace FMS purchaser equipment. IAs must include actual PC&H and transportation for materiel consumed in overhaul in reported cost.
BD	Other DoD services. Does not include "above-the-line" transportation or "above-the-line" packing, crating, handling and transportation (PCH&T) associated with repair or modification of consumer owned equipment that is included in repair cost report using code "BC".
BE	Storage charge (for other than FMSO cases)
BF	Depreciation associated with leases
BG	LOA sales of articles and services in connection with lease, prior to, during, or after lease period (includes transportation PC&H refurbishment)
BH	Actual PC&H charge. This report must accompany delivery transactions for items sold from inventory with DSC "AK" and "AL"
BK	DWCF activity services

BT	“Above-the-line” transportation to FMS purchasers that is included in the case. This code includes “high-flight” or special airlift. It does not include the “above-the-line” transportation cost that is included in the selling price of an item or service
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#### Delivery Source Code: Unique FMSO Charges

<b>DSC</b>	<b>Description</b>
CA	FMSO I materiel used to support a system obsolete to DoD use (buy out of unique repair parts to support obsolete end items).
CB	Annual inventory maintenance and storage cost. Charge annually on current FMSO II cases. The FMSO I case manager must input the FMS detail delivery transaction. There is no annual charge for cooperative logistics supply support arrangements (CLSSAs) on DWCF items since the DWCF standard (stabilized) price recoups all costs.
CC	Normal inventory loss on procurement appropriation funded secondary items (physical inventory gain or loss, expiring shelf life, and damage of stored parts). Charge assessed annually on current FMSO II cases. The FMSO I case manager must input the delivery transactions. There is no annual charge for CLSSAs on DWCF items since the DWCF standard (stabilized) price recoups all costs.
CD	Cash advances for on-hand portion of FMSO I cases.

#### Delivery Source Code: Procurement for FMS Purchasers Under AECA Section 22

<b>DSC</b>	<b>Description</b>
DA	Contractor services (other than training).
DB	DWCF item, TDP, or publications from contractor.
DC	Procurement appropriation funded secondary item from contractor.
DD	Procurement funded principal or major item from contractor.
DE <sup>1</sup>	Progress payment to contractor.
DF <sup>1</sup>	DoD services in support of procurement. This code was previously applied to actual CAS hours prior to establishment of the charge. It now applies to other than CAS services.
DG <sup>1</sup>	Nonrecurring Cost (NC) Recoupment Charges (Research and Development and Production). Identifies amount of NC financed by the FMS purchaser and may be used in calculating the Special NC.
DJ <sup>1</sup>	GFM shipped from inventory.
DK <sup>1</sup>	GFM shipped from another contractor.
DL <sup>1</sup>	PCH&T applicable to procurement appropriation funded GFM.
DX	Contractor efforts in overseas locations that are supported by FMS management lines rather than through normal CAS effort.

#### NOTE:

<sup>1</sup>DSCs DE through DL represent WIP transactions. The breakdown of these charges assures audit trail visibility for pricing purposes. DFAS SCA must treat them as progress payments and report them as such to the FMS purchaser. These charges must be liquidated by one of the contract delivery codes “DA” through “DD” in combination with reimbursement code “N.”

**Delivery Source Code: Miscellaneous Charges**

<b><u>DSC</u></b>	<b><u>Description</u></b>
EE	Royalty charge - USG TDP.
EF	Other Federal agency shipment from stock.
EG	Other Federal agency shipment from contractor.
EH	North Atlantic Treaty Organization Petroleum, Oil, and Lubricants.
EJ	Redistribute Military Assistance Program property.
EK	Collection of special nonrecurring production charge or license fee for a third country.
EL	Prepositioning costs.
EM	Interest on arrearage computed in accordance with Volume 15, Chapter 5. This code is restricted to use by DFAS SCA.
EN	NC recoupment charge for sales from procurement or inventory.

**Delivery Source Code: Special Defense Acquisition Fund**

<b><u>DSC</u></b>	<b><u>Description</u></b>
SA	SDAF sales of items originally purchased from DWCF inventories.
SB	SDAF sales of items originally purchased from DoD inventories other than DWCF.
SD	SDAF sales of items procured from contractors for the fund.

**Attachment 12-2**  
**Delivery Source Code (DSC) Surcharge Matrix**

<b>(DSC)</b>	<b>Contract Administration<sup>1</sup></b>	<b>(PC&amp;H)<sup>2</sup></b>	<b>Admin<sup>3</sup></b>	<b>Transportation<sup>4,5,6</sup> Parcel Post</b>
AA	N	N	Y	A
AB	N	N	Y	A
AC	N	N	Y	A
AD	N	N	Y	A
AE	N	Y	Y	B
AG	N	Y	Y	B
AH	N	N	Y	A
AJ	N	N	Y	A
AK	N	N	Y	B
AL	N	N	Y	B
BA	N	N	Y	N
BB	Y	N	Y	N
BC	N	N <sup>7</sup>	Y	N <sup>7</sup>
BD	N	N	Y	N
BE	N	N	Y	N
BF	N	N	N	N
BG	N	N	Y	N
BH	N	N	Y	N
BK	N	N	Y	N
BT	N	N	Y	N
CA	N	N	N	N
CB	N	N	Y	N
CC	N	N	Y	N
CD	N	N	N	N
DA	N	N	Y	N
DB	N	N	Y	A
DC	N	N	Y	B
DD	N	N	Y	N
DE	Y	N	Y	N
DF	N	N	Y	N
DG	N	N	Y	N
DJ	N	N	Y	N
DK	Y	N	Y	N
DL	N	N	Y	N
DX	N	N	Y	N
EE	N	N	Y	N
EF	N	Y <sup>8</sup>	Y	B <sup>9</sup>
EG	N	N	Y	B <sup>9</sup>
EH	N	N	Y	N

**Attachment 12-2 (Continued)**  
**Delivery Source Code (DSC) Surcharge Matrix**

EJ	N	Y	Y	Y
EK	N	N	Y	N
EL	N	N	N	N
EM	N	N	N	N
EN	N	N	Y	N
SA	N	N	Y	A
SB	N	Y	Y	B
SD	N	Y	Y	B
SE	N	N	Y	B

**Notes:**

1. DFAS SCA will compute CAS if price code is "N and reimbursement code is other than "N" unless statutory waiver of contract administration has been made.
2. PC&H does not apply to DWCF items with ship dates after 30 September 1990.
3. Administrative costs will be computed unless administrative costs have been waived pursuant to statute.
4. The Inland CONUS transportation charge of 2.75 percent does not apply to DWCF shipments with shipping dates after 30 September 1990. Computation for generic codes L1D and L1E for DWCF items was discontinued on items with shipping dates after 30 September 1991.
5. In this column, "A" refers to items furnished from DWCF. "B" refers to inventory items that are not shipped from DWCF. Transportation for inventory items furnished from DWCF to freight forwarders or Canada (except Newfoundland and Labrador) is included in the price.
6. Transportation costs are computed using the TBC of the transaction. However, if this position is blank, transportation costs are computed using the DTC. If a DTC is not on the DTC Table, reject the transaction.
7. Included in actual or estimated actual repair cost.
8. Computed standard PC&H except if RIC begins with "G." RIC that begins with "G" will not have PC&H computed.
9. For DSC "EF" and "EG," when transportation is by GSA (RIC begins with "G") and the TBC is not blank or where the TBC is blank and the DTC is other than "4", the CONUS transportation add-on (generic codes L1A, L1D, and L1E) is not computed. GSA includes CONUS transportation in the price of the item.





## Chapter

# 13

# SYSTEMS ACQUISITION AND INTERNATIONAL ARMAMENTS COOPERATION

## INTRODUCTION

This chapter introduces another term in the lexicon of international defense interactions—International Armaments Cooperation (IAC). IAC is defined as cooperative research, development, test, and evaluation of defense technologies, systems, or equipment; joint production and follow-on support of defense articles or equipment and procurement of foreign technology, equipment, systems or logistics support.

Within the Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD [A&S]), the Office of the Executive Director for International Cooperation (IC) (<https://www.acq.osd.mil/ic/>) serves as the focal point for defense-related international research, development, production, and support activities involving cooperation between the U.S. Government (USG) and governments or industries of allied and friendly nations.

As discussed earlier in Chapter 1, the term security assistance (SA) refers primarily to a group of twelve major programs authorized by the Foreign Assistance Act (FAA) and the Arms Export Control Act (AECA). SA itself may be viewed as a portion of a broader area of Department of Defense (DoD) international interaction referred to as security cooperation (SC). IAC is not a SA program but is a parallel area of international defense engagement under the SC umbrella. While the FMS program predominately involves the sale of various defense systems that the DoD has already developed and deployed to its own forces, IAC predominantly focuses on interfacing with international partners during the research, development, test, and evaluation (RDT&E) and production phases of the U.S. systems acquisition process.

Like SA, IAC seeks to enhance U.S. national security but does so through different methods. It is important that SA personnel have some familiarity with IAC, because IAC activities often are concurrently underway with foreign partners in addition to SA activities. From the foreign partner's perspective, both areas involve a defense relationship with the U.S. The foreign partner may not recognize the different management structure the U.S. applies to IAC programs versus the management structure for SA programs.

The purpose of this chapter is to introduce IAC to the SC professional in order to promote awareness and enable individuals to be familiar with the fundamental principles of IAC in the event that a foreign partner raises IAC-related issues within the SA arena. Due to IAC's intertwined relationship with the U.S. systems acquisition process, this chapter first discusses the DoD systems acquisition process and foreign partner's potential involvement. Several key documents developed during the systems acquisition process are described due to their role in international program security. The balance of this chapter summarizes the different types of IAC programs and the key IAC organizations within the DoD.

This chapter provides a very abbreviated overview of the systems acquisition process with a focus on the international aspects of the process. For more in-depth DoD systems acquisition information,

visit the Defense Acquisition University website at <https://www.dau.edu/> to review the many online resources, references, and acquisition courses (both resident and online) available.

## UNITED STATES SYSTEMS ACQUISITION PROCESS

Before considering how DoD conducts IAC, one must briefly review the way DoD creates military systems for itself. An additional reason to look at DoD's system development process is to recognize that technology transfer and system security factors must be evaluated prior to engaging in any future technology transfer and disclosures. These technology-transfer and system-security factors should be considered within the system development process itself. The DoD should not wait until an FMS letter of request (LOR) is submitted to begin evaluating the various technology-transfer, exportability, and releasability issues. DoD's system acquisition policy requires these issues to be examined concurrently with new system development. DoDI 5000.02, Adaptive Acquisition Framework requires Program Managers to consider acquisition strategies that leverage international acquisition and supportability planning to improve economies of scale, strengthen the defense industrial base, and enhance coalition partner capabilities to prepare for joint operations.

### Capability Requirements Determination

Prior to entering the systems acquisition process, the DoD must determine what capabilities it requires to accomplish national security goals in the future. The DoD's process for identifying, assessing, validating, and prioritizing its future capability requirements is called the Joint Capabilities Integration and Development System (JCIDS). In fact, it is common to refer to JCIDS as the requirements process. JCIDS plays a key role in identifying the capabilities required to support the National Security Strategy, the National Defense Strategy, and the National Military Strategy. The JCIDS process supports the acquisition process by identifying and assessing capability needs and desired system-performance criteria that will be used as the basis for the acquisition. In other words, JCIDS defines the capability requirement. The systems acquisition process then undertakes to identify or create the technology and then engineer this technology into an integrated system that delivers the required capabilities to the operational users. The JCIDS policy and process is described in CJCSI 5123.01H, *Charter of the Joint Requirements Oversight Council (JROC) and the Implementation of the Joint Capabilities Integration and Development System (JCIDS)*.

### System Acquisition Policy

Validated capability requirements from the JCIDS process that require a materiel solution are managed to resolution through the Defense Acquisition System. The Defense Acquisition System is the management framework the DoD uses to develop, produce, and sustain weapon systems. The key system acquisition policy documents are:

- DoD Directive 5000.01, *The Defense Acquisition System*
- DoD Instruction 5000.02, *Operation of The Adaptive Acquisition Framework*

Both of these policy documents are publicly accessible. There have been significant recent additions to DoD Acquisition instructions that are transforming Acquisition Policies. DoDI 5000.02 outlines the six pathways of the Adaptive Acquisition Framework. DoDI 5000.02T was published in conjunction with DoD 5000.02 to cover functional policies that have not been released yet. There will be DoD Instructions for each Functional Area (e.g., Engineering, Test & Evaluation, etc.). DoDI 5000.02T will have enclosures canceled as functional policies are released. There will also be DoD Instructions for each Acquisition Pathway (e.g., Urgent Capability Acquisition, Middle Tier Acquisition, Major Capability Acquisition, Interim Software Acquisition, Defense Business Systems, and Acquisition of Services). All military departments (MILDEPs) and other DoD organizational entities are required to use the processes specified in these documents when applicable.

## **Defense Acquisition Oversight Structure**

The acquisition oversight structure primarily depends on the scope and costs of the program. Each acquisition program will be assigned an acquisition category (ACAT). The ACAT specifies the corresponding management level for program review and decision that must be accomplished for the program to progress through the various acquisition milestones and decision points. The Defense Acquisition System divides acquisition programs into three (3) Acquisition Categories (ACAT): ACAT I, ACAT II, and ACAT III. The difference between each categories is dependent on the location of a program in the Acquisition Process, funding amount for Research, Development, Test and Evaluation (RDT&E), total procurement cost, Milestone Decision Authority (MDA) special interest and decision authority. See the DAU Acquisition Note at the following website for additional ACAT details and references: <https://acqnotes.com/acqnote/acquisitions/acquisition-category>.

The most complex and expensive acquisition programs must be reviewed and have decisions rendered by the Defense Acquisition Executive (DAE). The DAE is the Under Secretary of Defense for Acquisition and Sustainment [USD (A&S)]. The next tier of programs (ACAT II) is reviewed by the Component Acquisition Executive (CAE), which is the senior acquisition individual within each military service. The final tier of programs (ACAT III) will have decisions made by an individual designated by the CAE. This individual is often the Program Executive Officer (PEO). In the acquisition management structure, PEOs are individuals that typically have responsibility for overseeing one or more acquisition programs and report to the CAE.

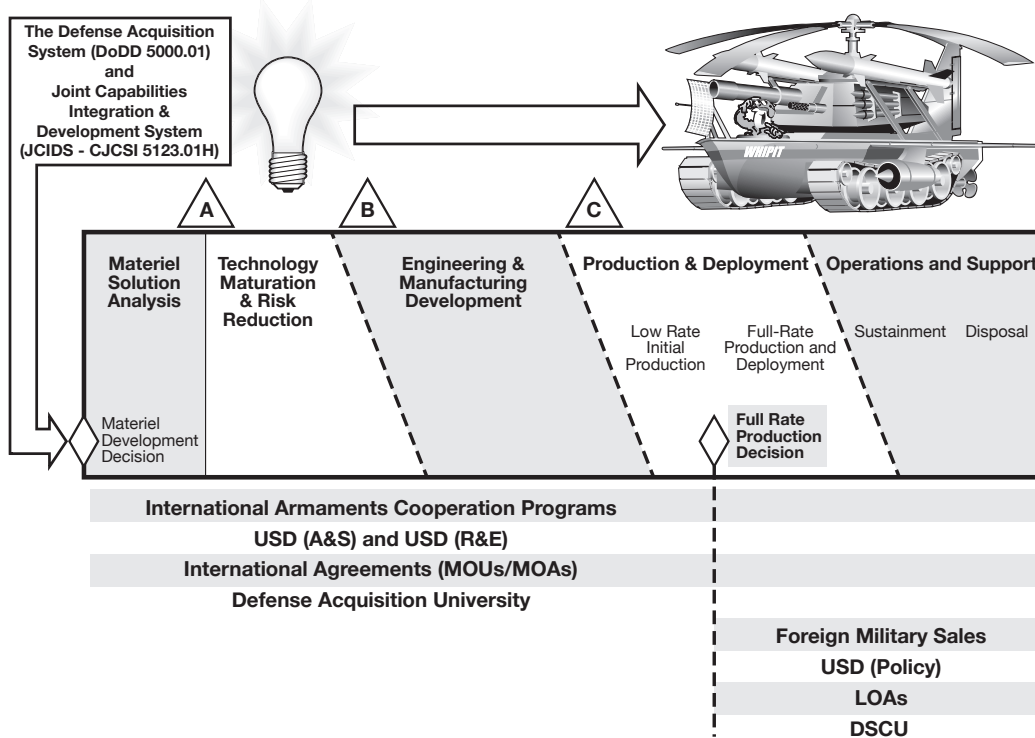
An acquisition program manager (PM) is responsible for leading a multidisciplinary team to manage all aspects of an individual acquisition program and for guiding the program toward meeting all cost, schedule, and system performance goals. An acquisition program management team typically includes functional experts from program management, systems engineering, testing, finance, contracting, logistics, information technology, and manufacturing. Individual program managers report on program performance through the acquisition management structure applicable to the program's ACAT. This may include reporting to the PEO, CAE, and DAE.

## **Defense Adaptive Acquisition Framework**

The tents of the Defense Acquisition Framework are to: (1) Simplify Acquisition Policy, (2) Tailor Acquisition Approaches, (3) Empower Program Managers, (4) Conduct Data Driven Analysis, (5) Actively Manage Risk, and (6) Emphasize Sustainment. Program Managers will develop an acquisition strategy for the Milestone Decision Authority (MDA) approval that matches the acquisition pathway (e.g., Urgent Capability Acquisition, Middle Tier of Acquisition, Major Capability Acquisition, Software Acquisition, Defense Business Systems, Acquisition of Services) processes, reviews, documents, and metrics to the character and risk of the capability being developed.

For the Major Capability Acquisition pathway (as depicted in Figure 13-1 below), FMS programs are typically generated during the last two phases (Production & Deployment, and Operations and Support) of the system-acquisition life cycle. Generally, the USG will only agree to sell those type of Major Capability systems through FMS that have completed operational test and evaluation (OT&E) and are approved for Full Rate Production. Therefore, the key acquisition event from an FMS perspective is OT&E completion, which precedes the Full Rate Production decision. If a foreign customer requests a letter of offer and acceptance (LOA) for a system that has not yet completed OT&E, a policy waiver is required. In this situation, the Defense Security Cooperation Agency (DSCA) will coordinate with the USD (A&S) before offering an LOA for the system. [SAMM C5.1.8.3]

**Figure 13-1**  
**Major Capability Acquisition Pathway**



The reason for this policy concerns future supportability and interoperability issues. Prior to completion of OT&E and a Full Rate Production decision, there is the risk that the U.S. may decide not to produce the system. This would present an undesirable situation if the U.S. has committed under an LOA to deliver a system to an FMS customer but decided not to deliver this same system to U.S. forces. The FMS customer would encounter a nonstandard support environment to sustain the system and might lack interoperability with U.S. forces. If the waiver is approved, the LOA for the FMS program must include a special note identifying the risk that the USG may not place this system into production. This waiver policy is often referred to as an operational test and evaluation incomplete waiver. It is also known within the acquisition community as a “Yockey” waiver, named after a former Under Secretary of Defense for Acquisition.

The program manager is responsible for formulating the acquisition strategy and executing approved acquisition plans. The program manager typically performs these functions with the assistance of a multidisciplinary support team. Collectively, the program manager, with the respective support team, constitute the program office. Table 13-1 identifies some of the typical areas of functional expertise within a program office.

**Table 13-1**  
**Program Office Functional Areas**

Program Management	Logistics
Engineering	Financial Management
Test and Evaluation	Production/Manufacturing
Contracting	Information Technology

With the support of the system program management office team, the program manager is responsible for leading the program through the remaining phases, decision reviews, and acquisition milestones of the defense acquisition system process. In addition, the program management office remains in place to manage all the technical and life-cycle sustainment aspects of the system after the system is delivered to U.S. forces. The program management office will also be responsible for acquiring any additional quantities for the DoD as well as potentially developing improved or modified configurations.

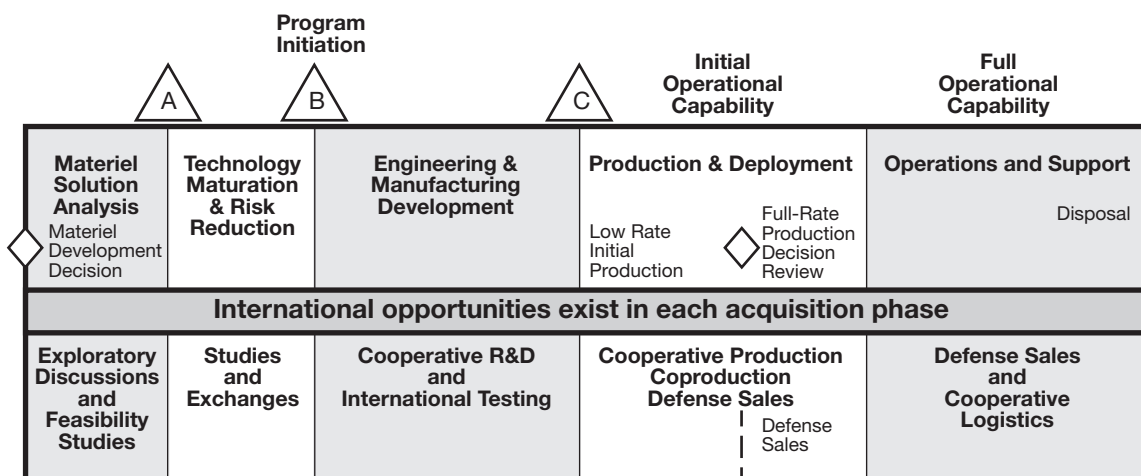
If the U.S. agrees to sell the system through FMS, the FMS acquisition will be accomplished with support by the same program management office that is managing the system for the DoD. The system program management office may acquire the FMS requirements either as separate individual procurements or by consolidating the FMS requirements with DoD requirements on the same U.S. contract. More information on the contracting process for FMS is in Chapter 9 of this textbook.

The end of the acquisition life cycle concerns disposal. An integral part of the system development effort is to plan for eventual demilitarization and disposal. For the FMS customer, the DoD decision to curtail or end operations of a given system can impact sustainment support. The components of the system may transition from being standard to nonstandard items. The DoD policy (SAMM C4.4.3) is to take reasonable steps to support all systems sold through FMS for as long as the FMS customer chooses to operate the system. Many examples exist where the DoD currently supports systems operated by FMS customers that the DoD no longer actively retains in its inventory. More information on non-standard support is in Chapter 10 of this textbook.

## INTERNATIONAL ARMAMENTS COOPERATION

The term International Armaments Cooperation (IAC) covers a multi-faceted area in which the U.S. cooperates with other countries and international organizations to research, develop, acquire, and sustain military systems. The U.S. may work with friends and allies across the entire system acquisition life cycle. Figure 13-1 (Major Capability Acquisition Pathway) illustrates that FMS normally (unless a policy exception is approved) occurs later in the life cycle after the system has already been fully developed and placed into production. IAC primarily represents opportunities to cooperatively work with other countries in the earlier developmental phases of a system's life cycle. Figure 13-2 illustrates the various types of IAC activities that may occur across the Major Capability Acquisition Pathway life cycle.

**Figure 13-2**  
**IAC In Major Capability Acquisition Pathway Life Cycle**





IAC is generally conducted with nations that have solid political and economic ties with the U.S., similar military requirements, and a reasonably robust defense, science and technology base. Although some countries may be quite important from a political, economic, or military standpoint, if they have different military requirements or lack a substantial defense industrial base, there may be little potential for successful IAC activity.

### **International Armaments Cooperation Objectives**

*The core objectives of International Armaments Cooperation (IAC) typically include:*

- Operational: increase military effectiveness through interoperability and partnership with allies and coalition partners
- Economic: reduce weapons acquisition cost by sharing costs, economies of scale and avoiding duplication of development efforts with our allies and friends
- Technical: access the best defense technology worldwide and help minimize the capabilities gap with allies and coalition partners
- Political: strengthen alliances and relationships with other friendly countries
- Industrial: bolster domestic and allied defense industrial bases

### **International Armaments Cooperation Programs**

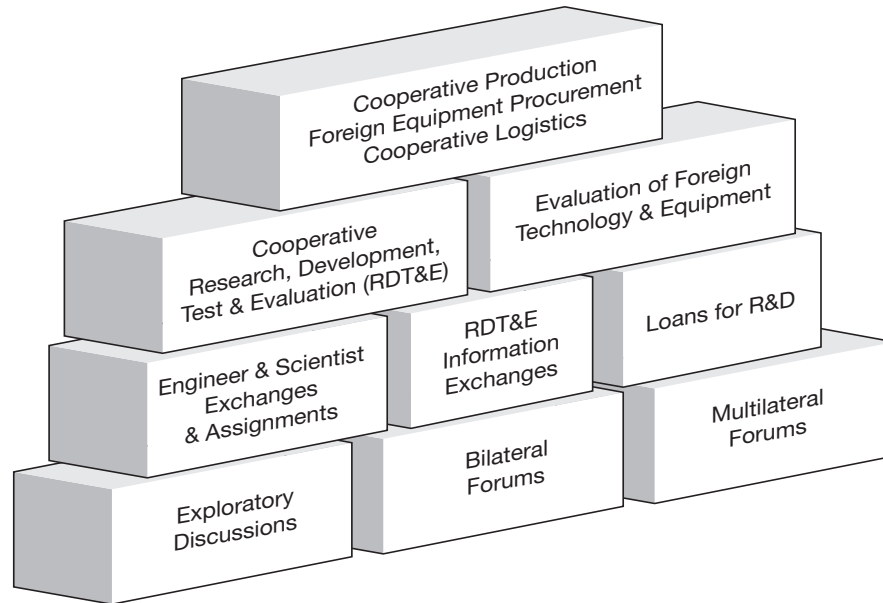
Per SAMM C2.1.7.2, the major individual programs and cooperation areas that comprise the overarching term IAC are listed below. Each of these programs will be presented in more detail later in this chapter:

- Information Exchange Program (IEP)
- Engineer and Scientist Exchange Program (ESEP)
- Test and Evaluation Program (TEP)
- Foreign Comparative Testing (FCT) Program
- Cooperative Research, Development, and Acquisition Programs
- Defense Trade
- Cooperative Logistics

Although these are separate IAC activities, there often is an evolutionary relationship between these activities. For example, basic discussions originating from one of the IAC meeting forums may lead to an initial basic cooperative program, which may eventually, in turn, lead to a future, more advanced, level of cooperation. This building-block relationship between IAC programs is illustrated in Figure 13-3.



**Figure 13-3**  
**Building Blocks of International Armaments Cooperation**



### **International Armaments Cooperation Legislative Authority**

Over the years, Congress has enacted a number of laws encouraging and enabling IC with U.S. allies in the acquisition of defense equipment. Most are codified in Title 10, *United States Code* (U.S.C.), Armed Forces, and Title 22, *Foreign Relations and Intercourse*. The laws, regulations, and policies that apply to armaments cooperation activities are complex. These IAC laws, regulations, and policies in most instances apply in addition to, not instead of, applicable domestic DoD acquisition laws and policies. Given this complexity, assistance in interpreting and applying IAC laws, regulations, and policies should be obtained from one of the DoD's IC organizations.

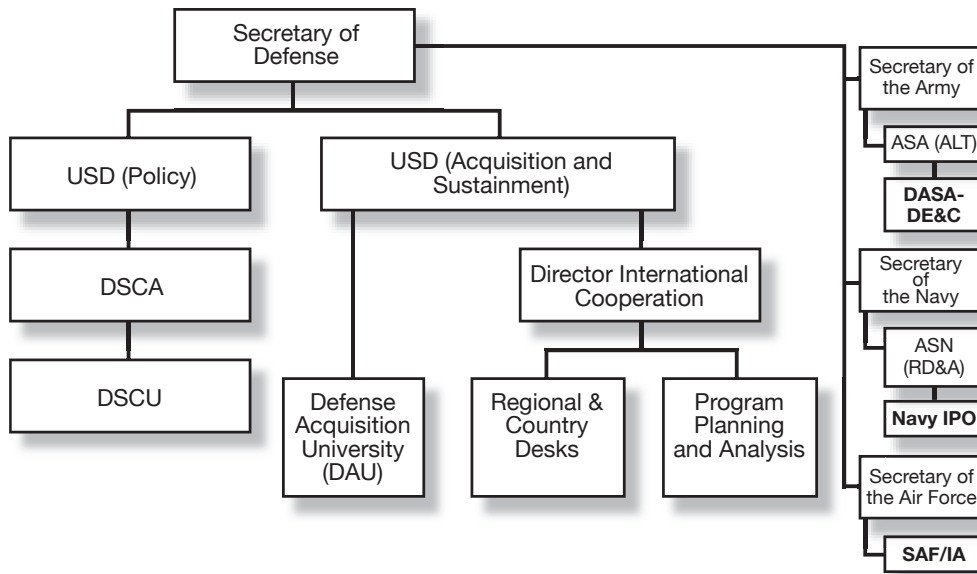
### **International Armaments Cooperation Oversight**

DoD oversight for the military components of SA (such as FMS, FMFP, and IMET) is the responsibility of the Under Secretary of Defense for Policy [USD(P)]. IAC, on the other hand, has a different chain of command. The USD(A&S) is responsible for all IAC activities. In this role, the USD(A&S) serves as the U.S. National Armaments Director (NAD). The USD(A&S) established the Office of International Cooperation (IC) to oversee IAC activities. The USD(P) has a supporting role in IC by reviewing international agreements for foreign policy considerations. Figure 13-4 illustrates the relationship of IAC oversight to security assistance oversight.

### **International Armaments Cooperation within Military Departments**

Each military department has established an infrastructure to support armaments cooperation programs. Figure 13-4 illustrates these organizations.

**Figure 13-4**  
**Department of Defense International Programs Organization**



The Office of the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation [DASA(DE&C)] is the Army's lead for security assistance, international armaments cooperation, and export policy. The Army also has overseas International Technology Centers (ITCs). The goal of the ITCs is to promote interoperability and standardization with allies and coalition partners. To achieve this goal, ITCs seek to identify and facilitate international cooperation in technology, acquisition and logistics activities. ITCs are located in Argentina, Australia, Canada, Chile (covering South America), France, Germany, Japan, Singapore, and the United Kingdom (covering Europe). The Army's International Technology Centers (ITCs) are under the Combat Capabilities Development Command (CCDC), which is part of the U.S. Army's Futures Command.

The Army Research Laboratory maintains two overseas offices to identify and leverage science and technology opportunities for collaboration. These are the European Research Office in London and the Asian Research Office in Tokyo.

The Assistant Secretary of the Navy (ASN) for Research, Development, and Acquisition has delegated responsibility for IAC programs to the Navy International Programs Office (Navy IPO). Within the Navy IPO, the Directorate of Technology Security and Cooperative Programs is responsible for all IC activities. Under the Office of Naval Research (ONR), the Navy has overseas research and development liaison offices in Australia, Chile, Japan, Singapore, and the United Kingdom.

The Deputy Under Secretary of the Air Force for International Affairs (SAF/IA) has assigned oversight of Air Force IAC programs to the Armaments Cooperation Division (SAF/IAPQ). SAF/IA also has established a liaison office in Canberra, Australia. In addition, under the Air Force Office of Scientific Research (AFOSR), the Air Force has three overseas IAC offices:

1. The European Office of Aerospace Research and Development (EOARD) in London
2. The Asian Office of Aerospace Research and Development (AOARD) in Tokyo
3. The Southern Office of Aerospace Research and Development (SOARD) in Arlington, Virginia, which coordinates research activity in Central America and South America

## **Security Cooperation Organization Support for IAC**

In addition to the military department sponsored IAC overseas offices, the DoD assigns dedicated IAC personnel within countries that conduct a significant volume of IAC activity with the U.S. These dedicated armaments cooperation personnel assigned overseas serve as the in-country liaison for the USD(A&S). They assist the host government obtain information on U.S. equipment and programs as well as help DoD acquisition organizations obtain information on host nation equipment, requirements and programs in support of IAC. This function extends to assisting industry in gaining access to the other nation's defense markets and in developing cooperative programs.

In-country personnel dedicated to IAC usually fall under the supervision and oversight of the SCO Chief (or defense attaché in the absence of a SCO). If there are no dedicated IAC personnel assigned to the country, the SCO Chief is responsible for IAC support functions to the degree that resources permit. In countries without a SCO, the armaments cooperation point of contact is usually the defense attaché.

### **International Agreements**

IAC programs use international agreements as the official government-to-government document rather than Letters of Offer and Acceptance (LOAs). Under one or more of the IAC authorities, the U.S. and one or more countries are agreeing to cooperate in research, development, acquisition, or sustainment activity. The international agreement serves as the basis to define the extent and methods for the cooperative activity. Fundamentally, the participants must agree on how the work will be performed, how any costs will be shared and the extent of rights to utilize the results of the cooperative activities. International agreements may be referred to as Memorandums of Understanding (MOUs) or Memorandums of Agreement (MOAs). Unlike LOAs, international agreements constitute a binding commitment subject to international law. DoD Instruction 5530.03, *International Agreements*, governs the international agreements process.

Unlike LOAs, international agreements are developed through a process of negotiation. To assist in developing armaments cooperation international agreements, the DoD created the international agreements generator. This software permits draft agreements to be quickly developed while ensuring they conform to relevant U.S. law, regulations, and policies as well as the generally accepted international agreement formats and norms used by foreign nations. The Defense Acquisition University offers a resident course, ACQ-340 Advanced International Management Workshop, that covers the international agreement process.

The Case Act [1 U.S.C. 112b(a)] requires executive agencies to consult with the Secretary of State before signing an international agreement, as well as to provide copies of all agreements after they have been concluded. The DoD is also required to consider the effects of any agreement on the U.S. industrial base, and to consult with the Department of Commerce (DoC) about the commercial implications and potential effects on the international competitive position of U.S. industry..

## **INTERNATIONAL ARMAMENTS COOPERATION PROGRAMS**

As previously discussed, there are seven primary programs or areas of cooperation that comprise IAC:

### **Information Exchange Program**

Since the 1950s, DoD components have collaborated with the defense components of allied and friendly nations to exchange scientific and technical (S&T) information in areas of mutual interest. The IEP is conducted under the provisions of DoD Instruction 2015.4, *Defense Research, Development, Test and Evaluation Information Exchange Program*.

The objectives of the IEP are as follows:

- View different ways of approaching similar technical challenges
- Avoid duplication of research and development (R&D)
- Access technological advances
- Identify areas for further collaboration
- Promote interoperability

Through the IEP, the U.S. and other nations conduct RDT&E information exchanges under the authority of formal information exchange agreements. The term “information” under the IEP includes knowledge obtained in any manner by observation, investigation, or study and the ideas inferred such as that of a scientific, technical, business, financial, or programmatic nature. The term “information” includes a variety of source elements as identified in Table 13-2.

**Table 13-2**  
**IEP Information Sources**

Photographs	Reports	Technical Writings
Manuals	Threat data	Sound recordings
Experimental data	Designs	Magnetic media
Specifications	Processes	Pictorial representations
Techniques	Drawings	Other graphical interpretations

### ***Information Exchange Program Master Agreements***

S&T information can be exchanged between the U.S. and a foreign nation using a situation-by-situation release process. However, such independent exchanges are cumbersome and may lack adequate legal protection for the information exchanged, particularly in the area of intellectual property rights. These releases of information must each undergo a separate review and approval by the cognizant foreign disclosure and international programs organizations.

The IEP replaces the situation-by-situation review process with an overarching master agreement structure with subsequent annexes. A master IEP agreement is the international agreement between the DoD and the foreign government that establishes a framework for the exchange of RDT&E information. It does not establish information exchange details; instead, it authorizes creation of separate annexes for specific information exchange projects. The master IEP agreement establishes the basic terms and conditions for all subsequent IEP annexes.

For example, the master IEP agreement will specify security procedures, the highest classification allowed for the information exchanges, IEP management structure, information use rights including third-party transfer, the process for clearance of visitors, and methods for resolving disputes. As a result, DoD components do not include such terms and conditions in subsequent individual IEP annexes.

### ***Information-Exchange Program Annexes***

IEP annexes establish defined information-exchange relationships in specific RDT&E subject areas. Annexes are the best information exchange mechanism because they provide adequate legal protection for the information while facilitating the exchange of the information.

The annex will identify the installations, agencies, and laboratories that will provide the information. Field-level scientists and engineers will be authorized to serve as Technical Project Officers (TPO). These TPOs are given the authority to manage information exchanges within the scope of the specific annex.

There is no limit to the number of IEP annexes that may be originated under the authority of a master IEP agreement. Annexes are considered DoD resources and their cross coordination and potential use by other DoD components is encouraged. IEPs may not be used to transfer material, equipment, technical data packages, production information, manufacturing information, price and availability information on U.S. production and/or operational systems, or funding.

### **Engineer and Scientist Exchange Program**

The Engineer and Scientist Exchange Program (ESEP) itself is a component of the broader Defense Personnel Exchange Program (DPEP). The other personnel exchange programs under the DPEP umbrella include the Administrative and Professional Personnel Exchange Program (APEP), the Military Personnel Exchange Program (MPEP), and the Defense Intelligence Personnel Exchange Program (DIPEP). Among these DPEP programs, ESEP, in particular, is considered an IC tool. The FY 2017 NDAA combined the DPEP, the ESEP and the Non-Reciprocal Exchange of Defense Personnel programs into Section 311, Chap. 16, U.S.C. 10, under the title “Exchange of Defense Personnel Between United States and Friendly Foreign .”

ESEP is a career-enhancement program that assigns foreign civilian and military engineers and scientists to DoD government RDT&E facilities and U.S. civilian and military engineers and scientists to foreign government and defense contractor RDT&E facilities.

The primary goals of ESEP are as follows:

- Broaden perspectives in research and development techniques and methods
- Form a cadre of internationally experienced professionals to enhance research and development programs
- Gain insight into foreign R&D methods, organizational structures, procedures, production, logistics, testing, and management systems
- Cultivate future international cooperative endeavors
- Avoid duplication of research efforts among allied nations

ESEP participants become an integral part of their host organizations, fully contributing to the project to which they are assigned. They are not sent to the host party or organization for training. Participants are to be already educated and proficient in their respective field of expertise and are expected to be capable of contributing to the host country’s RDT&E activities. Because allied and friendly foreign countries use the ESEP experience as a career-enhancing program, foreign participants often rise to positions of influence and importance in their own defense organization. In this way, ESEP fosters long-term relationships between U.S. and foreign R&D communities.

ESEP international agreements specify that participants must have at least a bachelor’s degree, preferably a master’s, in a scientific or engineering discipline. Additionally, a corresponding DoD host organization must be willing to accept the proposed candidate. When a U.S. host center, laboratory, institute, or program office agrees to accept a foreign participant, the facility prepares a position description that describes the project the candidate will work and outlines the candidate’s responsibilities and duties. The facility is also responsible for obtaining foreign disclosure guidance regarding the candidate’s assignment from the cognizant foreign disclosure organization.

The foreign parent organization must also agree to pay their participant’s salary, housing, and travel expenses for the assignment. The U.S. will generally be responsible for direct costs associated with hosting the individual at the U.S. host organization. Historically, the number of foreign participants in ESEP greatly exceeds the number of U.S. participants.

U.S. participants in ESEP are usually selected competitively from volunteers who meet the selection criteria. Military participants are typically Army or Air Force captains or Navy lieutenants. Civilian participants are typically GS-12s or GS-13s, or an equivalent level. DoD personnel interested in ESEP exchange opportunities are encouraged to discuss potential assignments with their DoD component international programs organization.

Selected U.S. candidates may be required to attend a DoD language course before going overseas. U.S. participants are expected to take their families to the host nation and live on the local civilian economy, even if there are opportunities to live in U.S. military housing. All ESEP participants are expected to be an integral part of the host organization.

### **Test and Evaluation Program**

The Test and Evaluation Program (TEP) is a DoD-managed program implemented through TEP international agreements. The TEP international agreements establish the broad terms and conditions for cooperative and reciprocal test and evaluation (T&E) activities. TEP activities are carried out under two types of subordinate project arrangements: Cooperative Test and Evaluation project arrangements and Reciprocal Use of Test Facilities (RUTF) project agreements. TEP agreements may also enable information exchange, formation of working groups, project equipment transfers (loans), and familiarization visits.

In a cooperative TEP, the participants agree to equitably collaborate to improve and share results regarding efficient and effective methods for conducting T&E. The TEP agreement brings the partners together to do the following:

- Assess materiel interoperability and determine solutions to identified problems
- Evaluate technical and operational concepts and to recommend improvements
- Increase coalition mission capability by using materiel quantitative data for analysis
- Validate developmental and/or operational testing methodologies
- Improve modeling and simulation validity and interoperability with field exercise data
- Provide feedback to the acquisition and coalition operations communities
- Improve coalition materiel tactics, techniques, and procedures

The TEP also enables U.S. and partner nations to exchange use of test facilities through Reciprocal Use of Test Facilities (RUTF) agreements. The RUTF agreements describe a fee-for-service relationship in which testing services are provided at preferred rates. Testing under a RUTF agreement may be conducted for the purposes of developmental, operational, and live-fire T&E.

### **Foreign Comparative Testing**

The Foreign Comparative Testing (FCT) program was established to consolidate the evaluation of foreign non-developmental items and technologies that demonstrate potential to satisfy U.S. military requirements. The FCT program funds U.S. test and evaluation (T&E) of defense items developed by allied and other friendly foreign countries to determine whether those items can satisfy DoD requirements.

The FCT program avoids redundant development, ensures standardization of equipment, and reduces acquisition lead times and costs. In the private sector, it also serves as a catalyst for industry teaming arrangements. Annual authorization and appropriations acts establish the level of DoD-wide FCT funding available in a given year. Each year, the military services and the Special Operations Command propose projects to the Office of the Secretary of Defense (OSD) for FCT funding



consideration. The proposal is a comprehensive explanation of an FCT project that clearly describes the candidate item for which funding is requested, cost and schedule data for the T&E, and additional information needed by OSD to evaluate the merit of the project. The OSD evaluates proposals to ensure submitting components have the following:

- Strong user advocacy for the proposed non-developmental item
- Addressed valid military requirements
- Completed thorough market investigations
- Developed viable, funded acquisition strategies
- Clear intention to procure if testing is successful

The highest priority for FCT funding is for equipment in production or in the late stages of development, which demonstrates good potential to satisfy U.S. requirements with little or no modification and which the sponsor intends to procure after successful tests. The FCT program is not permitted to fund T&E of U.S. equipment nor purchase U.S. equipment for testing.

The Office of the Secretary of Defense Comparative Testing Office (CTO) provides oversight direction to the Foreign Comparative Testing (FCT) Program. Additional FCT information is available in the DoD's Comparative Testing Office (CTO) Handbook which is available online at the website <https://apps.dtic.mil/dtic/tr/fulltext/u2/a487482.pdf>

### **Cooperative Research, Development, and Acquisition Programs**

DoDI 5000.02 defines an International Cooperative Program (ICP) as any acquisition program or technology project that includes participation by the U.S. and one or more foreign nations, through an international agreement, during any phase of a system's life cycle. These programs range in scope from small bilateral agreements to multi-billion dollar, multi-national programs such as the Joint Strike Fighter (JSF) program. There are a number of types of agreements the U.S. and its partners use, and a variety of statutes that provide the legal basis for cooperating in defense acquisition. Table 13-3 summarizes cooperative program characteristics.

**Table 13-3**  
**Cooperative Program Characteristics**

<b>Are</b>	<b>Are Not</b>
Shared cost	Contracts
Shared Risk	FMS buyer-seller relationships
Shared benefits	One-way transfers or grants
Jointly managed	Foreign aid
Government-to-government	Industry-only relationships

The DoD strongly encourages IAC as a key aspect of the DoD acquisition process. DoDD 5000.01, which provides management principles and mandatory policies and procedures for managing all acquisition programs, states, "Program managers shall pursue international armaments cooperation to the maximum extent feasible, consistent with sound business practice and with the overall political, economic, technological, and national security goals of the U.S."

When the DoD has a requirement for a new or improved capability, DoDD 5000.01, enclosure 1, prescribes an order of preference to be considered in acquisition. Table 13-4 lists this hierarchy. It is important to note that potential foreign sources are to be considered within the first three preferred alternatives. While FMS offers a method for foreign customers to purchase U.S. systems, by policy,

the DoD examines the potential for purchasing foreign commercial and military items or to work cooperatively with other countries to develop new systems.

As stated earlier in the section titled “System Acquisition Documents Associated With Foreign Military Sales,” the U.S. defense acquisition system process requires program managers to document within Section 10, International Involvement of the respective program’s acquisition strategy that the feasibility of cooperative acquisition alternatives has been evaluated.

**Table 13-4**  
**Acquisition Order of Preference DoD Directive 5000.01**

<b>International Participation Potential</b>
1. Commercial products or dual-use technology from domestic or <u>international</u> sources
2. Additional production or modification of already developed U.S. or <u>Allied</u> military equipment
3. Cooperative development program with one or more <u>Allied</u> nations
<b>DoD-Only Participation</b>
4. New joint Service development
5. New Service-unique development

### ***Foreign Production***

Foreign governments often seek to domestically produce part or all of a U.S. defense system to satisfy their own domestic defense industry development goals. There are three distinct methods of authorizing foreign production of defense articles.

First, cooperative production is conducted with partner nations under a cooperative international agreement and features an allocation of production responsibilities amongst the partner nations. Individual partner nations will be designated as the manufacturer of certain system components. The designated manufacturer will produce the respective components for the entire production quantity of the system. As such, the designated manufacturer will not only produce components for its own nation but also components for all partner nations. Final assembly can be conducted by one or more of the partners. Most cooperative production programs naturally evolve from cooperative development phase partnerships. The F-35 JSF program is using cooperative production.

Second, FMS coproduction involves the use of FMS procedures and commercial licenses to provide a foreign nation the ability to produce U.S.-origin defense articles. Coproduction capabilities may be transferred solely through FMS LOAs, may involve a combination of FMS LOAs and associated munitions export licenses, or may require development of a coproduction international agreement. FMS coproduction agreements are discussed in SAMM C4.4.5.

Third, licensed coproduction involves use of commercial munitions export licenses issued by the Department of State (DoS). Licenses that authorize the export of manufacturing technical data are referred to as Manufacturing Licensing Agreements (MLAs). Licensed production enables U.S. companies to transfer to foreign governments or foreign companies the ability to produce U.S. origin defense articles. It should be noted that the U.S. defense articles proposed for licensed coproduction may not even be in DoD use, or may be a significantly modified version of DoD equipment. The Defense Technology Security Administration (DTSA), in concert with the other DoD components, agencies, and the OSD staff, plays a leading role in formulating the DoD’s position with regard to U.S. industry-licensed coproduction proposals.

### **Defense Trade**

Defense Trade is an overarching term that involves activities to facilitate acquisitions via a worldwide supplier base. Although most DoD equipment is acquired from domestic sources, the DoD recognizes

the potential competitive cost advantages and technology access opportunities presented by the global defense industrial base. However, the DoD is somewhat constrained by laws and regulations that discriminate against the acquisition of non-U.S. products such as the Buy American Act and annual DoD appropriations act provisions that may restrict certain procurements to U.S. sources.

To overcome some of these limitations, the DoD has negotiated reciprocal procurement agreements with many allies to facilitate defense trade. These agreements establish reciprocity in the treatment of each other's vendors and enable the Secretary of Defense to waive the discriminatory provisions of the Buy American Act.

The Buy American Act favors U.S. suppliers by requiring a price differential to be applied to foreign goods in the evaluation process of competitive source selections. The Secretary of Defense is authorized to waive the provisions of the Buy American Act on the basis of reciprocity if the partner country reciprocally waives its similar buy national legislation for procurements from U.S. sources. The DoD has entered into defense reciprocal procurement agreements with many allied and friendly foreign nations. A list of countries with reciprocal procurement arrangements is contained in the *Defense Federal Acquisition Regulation Supplement (DFARS) 225.872-1*.

Foreign-developed products acquired by the DoD are often produced in the U.S. under license. Past examples of such products are the Rheinmetall 120mm tank gun used on the M1A1 main battle tank, the Beretta 9mm pistol, and the AV-8B Harrier aircraft.

In another aspect of defense trade, the DoD has entered into arrangements with several nations to ensure the mutual supply of defense goods and services. These bilateral Security of Supply arrangements allow the DoD to request priority delivery for DoD contracts, subcontracts, or orders from companies in these countries. Similarly, the arrangements allow the signatory nations to request priority delivery for their contracts and orders with U.S. firms.

### **Cooperative Logistics**

Cooperative logistics refers to cooperation between the U.S. and allied or friendly nations or international organizations in the logistical support of defense systems and equipment. Cooperative logistics is part of the acquisition life-cycle process. However, because logistics is also a substantial part of military operations, much of the implementation for cooperative logistics involves the U.S. combatant commands (CCMDs). Each CCMD has an Acquisition and Cross-Servicing Agreements (ACSA) manager. U.S. personnel, particularly Security Cooperation Office personnel, should consult the CCMD ACSA manager regarding issues relative to the development, negotiation, use, and applicability of an ACSA with a specific country or international organization.

### ***Acquisition-only Cooperative Logistics***

10 U.S.C. 2341 authorizes the DoD to acquire logistic support, supplies, and services directly from NATO countries' governments, subsidiary NATO bodies, the United Nations (UN) organization, or other regional international organizations and other eligible countries for U.S. forces deployed in the supporting country's military region. It allows payment by either cash or replacement-in-kind of identical or substantially identical items. A non-NATO country must meet one or more of the following criteria:

- Has a defense alliance with the U.S.
- Permits stationing of members of the U.S. armed forces or the home porting of U.S. naval vessels in its territory
- Agreed to preposition U.S. materiel

- Serves as host country for U.S. armed forces during exercise
- Permits other U.S. military operations in its territory

### ***Cross-Servicing Cooperative Logistics***

10 U.S.C. 2342 authorizes the DoD to both acquire and provide logistics support, supplies, and services to a NATO nation, a NATO subsidiary body, a UN organization or any other regional international organization on a reciprocal basis. This authority cannot be used to procure any goods or services reasonably available from domestic commercial sources. The Secretary of Defense may designate non-NATO nations as eligible to participate in cross-servicing agreements after the following:

- Determining such action is in the interest of U.S. national security
- Consultation with the DoS
- Expiration of a thirty-day waiting period after notifying Congress

### ***Acquisition and Cross-servicing Agreements***

Acquisition and Cross-Servicing Agreements (ACSAs) are used to transfer logistics support during wartime, combined exercises, training, deployments, contingency operations, humanitarian or foreign disaster relief operations, and certain peace operations under the UN Charter, or for unforeseen circumstances. ACSA authority is almost always exercised by the CCMD. Each CCMD has an ACSA manager that should be consulted regarding the creation, use, or applicability of an ACSA with a specific country or international organization.

The U.S. has ACSAs with many countries, including most NATO nations. DoDD 2010.9, *Acquisition and Cross-Servicing Agreements*, provides complete details on responsibilities and procedures for acquiring and transferring logistics support, supplies, and services.

ACSAs may not be used to increase inventories, nor can the DoD use them when the desired materiel or service is reasonably available from U.S. commercial sources. ACSAs are not used as a routine source of supply for a foreign country. Routine foreign requests for desired U.S. defense articles and services should be addressed through FMS procedures in accordance with the SAMM.

Traditionally, ACSAs could not be used to provide items designated as significant military equipment (SME) on the U.S. Munitions List (USML). However, Congress approved legislation (Section 1202) to permit SME (and training) for personnel protection and survivability to be provided on a temporary basis (one year) under an ACSA to countries that have forces in Iraq or Afghanistan operations and for Peace Keeping Operations (PKOs).

Reimbursement for ACSA transactions will be by cash (within sixty days), Replacement-In-Kind (RIK) within one year, or Equal-Value-Exchange (EVE) within one year. RIK and EVE reimbursements not accomplished within the required time-frame shall be converted to a reimbursable cash transaction, and the resulting accounts receivable or accounts payable shall be liquidated within thirty days.

Refer to CJCSI 2120.01D for detailed information on ACSA authorities. The Joint Staff, J4, also has a reference portal (requires a DoD common access card) with more information on ACSAs at the [Intelink Intellipedia website https://intellipedia.intelink.gov/my.policy](https://intellipedia.intelink.gov/my.policy). This website ACSA page (accessed by searching for “ACSA” on Intellipedia) lists active, expiring, and expired ACSA agreements and lists ACSA managers and points of contact.

### ***Other Logistics Support***

***Host Nation Support.*** Host nation support (HNS) is civil and military assistance rendered in peace or

war by a host nation to allied or friendly forces and organizations located on or in transit through its territory. HNS agreements are normally pursued by CCMDs under overall direction of the Joint Chiefs of Staff and the Director for International Cooperation. HNS assistance is provided in accordance with commitments made under alliances or bilateral or multilateral agreements, usually in the context of a broader cooperative logistics program. Areas normally addressed in HNS agreements are illustrated in Table 13-5.

**Table 13-5**  
**Types of Host Nation Support**

Logistics lines of communication	Terminal transfer services
Collocated operating bases	Supplies
En route and transit support	Troop support services
Overflight rights	Facilities
Weapons systems cross-servicing	Materiel handling
Port services	Naval vessels' support
Equipment decontamination services	Intra-theater transportation
Medical services and equipment	Communication services and equipment
Labor	

**Cooperative Military Airlift Agreements.** 10 U.S.C. 2350c authorizes the Secretary of Defense to enter into cooperative military airlift agreements with allied countries. These agreements cover transporting NATO and other allied nations' military personnel and cargo on aircraft operated by or for the U.S. Armed Forces, in return for reciprocal transportation of U.S. military personnel and cargo. The Secretary of Defense may also enter into non-reciprocal agreements with NATO subsidiary bodies for transportation of their personnel and cargoes on U.S. Armed Forces aircraft.

**War Reserve Stock for Allies.** The Foreign Assistance Act of 1961 established the war reserve stocks for allies (WRSA) program. WRSA allows the prepositioning of host-nation intended, but U.S.-owned, war reserve material in authorized countries during peacetime. U.S. policy requires allies to provide for their own sustainability to the maximum extent possible. Any action to supplement established allied war reserve requirements will be considered only on a case-by-case basis. The host nation through a bilateral agreement will normally fund storage, maintenance, in-country transit, and other WRSA-related costs.

Congress limits the value of assets transferred into WRSA stockpiles located in foreign countries in any fiscal year through authorizing legislation. The U.S. retains title to the WRSA stocks, though title must be subsequently transferred before the foreign country may use them.

**Acceptance and Use of Real Property.** 10 U.S.C. 2350g authorizes DoD components to accept real property, services, and supplies from a foreign country for support of any element of the U.S. Armed Forces in an area of that country. This includes real property or the use of real property and related services and supplies for use by the U.S. in accordance with a mutual defense agreement or an occupational arrangement and services furnished as reciprocal international courtesies customarily made available without charge.

## **INTERNATIONAL ACQUISITION CAREER PATH**

The International Acquisition Career Path (IACP) creates a construct to develop and train international competencies within the DoD acquisition workforce. The origins of the IACP can be traced to the Defense Acquisition Workforce Improvement Act (DAWIA) of 1990. DAWIA initially identified eleven acquisition functional areas as containing acquisition related positions. DAWIA recognized



international acquisition by citing “joint development and production with other government agencies and foreign countries” as one of the eleven functional areas.

Creating a standalone international acquisition functional area proved problematic. In practice, international acquisition is not an autonomous career field. International acquisition is typically performed within the context of other core acquisition functional areas such as program management, systems development, contracting, logistics, manufacturing, and financial management.

As a result, the Under Secretary of Defense for Acquisition, Technology, and Logistics [USD(AT&L)] directed the development of an international acquisition career path within the existing acquisition-related career fields. The IACP was initially associated with only the program management career field. The IACP was expanded in 2014 to all acquisition career fields that support international acquisition.

International Acquisition is defined by the Position Category Description (PCD) at the website <https://icatalog.dau.edu/pcds.aspx>. The PCD describes the types of positions that should be designated as International Acquisition (INTL). These positions fall into four broad categories of duties: International Cooperative Programs, Defense Sales and Transfers, Acquisition Strategy Development, and Technology Security and Foreign Disclosure.

Personnel in international acquisition (INTL) positions are required to complete DAU training courses as reflected in the International Acquisition Training Standards & Core Plus Development Guide which is posted at the DAU website <https://icatalog.dau.edu/onlinecatalog/careerLvlInt.aspx?lvl=1&cfd=18>.

### **IACP Relation to FMS**

The IACP is an important development not only to the acquisition community but also to the security cooperation community. Successful execution of security cooperation programs, in particular FMS, relies heavily on the DoD’s acquisition manpower, processes, and infrastructure. The IACP will enable the acquisition workforce to become more knowledgeable of various international acquisition processes and international program considerations through improved education, training, and professional development.

Just as some members of the DoD Acquisition workforce are required to get trained and certified in International Acquisition (INTL), there will also be members of the DoD Security Cooperation (SC) workforce that will be required to get trained and certified in the SC Acquisition Management (SC ACQ) Area of Concentration. DAU and the Defense Security Cooperation University (DSCU) are coordinating those efforts as the majority of training courses for the SC ACQ are DAU courses. More information on the SC Acquisition Management courses are posted on the DSCU online course catalog which is posted at the <https://dscu.mil/pages/Academics/courses.aspx>. Additional SC Certification program information is also posted at the DSCU “SC Certification Program Overview” website at [https://dscu.mil/pages/resources/cert\\_program\\_info\\_and\\_faqs.aspx](https://dscu.mil/pages/resources/cert_program_info_and_faqs.aspx).



## SUMMARY

The DoD has established a standard management framework to develop, produce, acquire, and sustain weapon systems. The policy for systems acquisition is contained in DoD's 5000 series documents. All MILDEPs are required to use the 5000 series acquisition management framework in developing and acquiring new weapon systems for the DoD. Some key information that supports USG decisions regarding which weapon systems and technologies are releasable to FMS customers is derived from documents (COD, PPP, DDL, and PSI) developed during the system acquisition process.

This chapter also provided an introduction to another form of security cooperation referred to as IAC. Like SA, IC seeks to enhance U.S. national security, but does so through different methods. The area of IAC uses international agreements as the official government-to-government document rather than an LOA. International agreements may also be referred to as MOUs or MOAs. Unlike LOAs, international agreements are subject to international law.

While FMS offers a method for foreign customers to purchase U.S. systems, IC examines the potential to work cooperatively with other countries through the seven primary IAC programs:

1. Information Exchange Program (IEP)
2. Engineer and Scientist Exchange Program (ESEP)
3. Test and Evaluation Program (TEP)
4. Foreign Comparative Testing (FCT) Program
5. Cooperative Research, Development, and Acquisition Programs
6. Defense Trade
7. Cooperative Logistics

IAC is generally conducted with nations that have solid political and economic ties with the U.S.; similar military requirements; and a reasonably robust defense, science, and technology base. The DoD encourages IAC as a key aspect of the DoD systems acquisition process. The USD (A&S) is responsible for all IAC activities. While USD(A&S) provides oversight, each of the military departments has established an infrastructure to execute their respective International Armaments Cooperation (IAC) Program activities.

## REFERENCES

CJCSI 2120.01D, *Acquisition and Cross-Servicing Agreements*.

CJCSI 5123.01H, *Charter of the Joint Requirements Oversight Council (JROC) and the Implementation of the Joint Capabilities Integration and Development System (JCIDS)*.

*Defense Acquisition Guidebook* <https://www.dau.edu/tools/dag>.

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DoDD 5530.3, *International Agreements*.

DoDI 2010.06, *Materiel Interoperability and Standardization with Allies and Coalition Partners*.

DoDI 2015.4, *Defense Research, Development, Test and Evaluation Information Exchange Program*.

DoDI 5000.02, *Operation of the Defense Acquisition System*.

DoDI 5200.39, *Critical Program Information (CPI) Identification and Protection Within Research, Development, Test, and Evaluation (RDT&E)*.

DoDM 5200.45, *Instructions for Developing Security Classification Guides*.

DSCA Manual 5105.38-M, *Security Assistance Management Manual*. <http://www.samm.dsca.mil/>.

## INTRODUCTION

The U.S. international military training program may be one of the most important security cooperation (SC) engagements the U.S. has with another country. Long after a country purchases, utilizes, and disposes of U.S. military equipment, what remains are the experiences the international military student (IMS) had during training. Through exposure to the American way of life and direct observation of U.S. commitment to universal human rights concerns, the IMS comes to understand and appreciate American democratic ideals. The longest lasting and most valuable influence with a country is developed through the professional and personal relationships established by the IMS while training in the U.S.

There are many factors to consider in the U.S. international military training program. This chapter will examine several of them, including the following:

- Legal authorities and regulations
- Training management organizations
- Training program development and implementation
- Types and categories of training
- Financial considerations
- Student administration
- Training program automation

## LEGAL AUTHORITIES AND REGULATIONS

Today, the U.S. international military training program consists of training under the security assistance (SA) program and an ever-increasing number of SC programs. All of this training must be authorized by federal law.

### **Security Assistance Training**

SA training includes training of foreign personnel authorized under the Foreign Assistance Act (FAA) and the Arms Export Control Act (AECA). Thus, some of the components of the SA training program are as follows:

### ***International Military Education and Training***

International Military Education and Training (IMET) is the cornerstone of SA training and is how most developing U.S. partners begin their cooperative relationship with the U.S. The IMET program is authorized by the FAA, and the military departments (MILDEPs) are reimbursed from annual foreign operations appropriations. The IMET program aims to provide long-term strategic benefits to both the U.S. and partner nations, particularly when the partner's limited defense funding would otherwise preclude training with the U.S. military. For many different reasons, IMET receives a significant amount of oversight from the U.S. Congress, resulting in constraints and reports not required for other

training programs. Because of these factors, the IMET program deserves special consideration in any text of SA.

**International Military Education and Training Objectives.** The Defense Security Cooperation Agency (DSCA) Manual 5105.38-M, *Security Assistance Management Manual* (SAMM), Chapter 10, explains that the IMET program is a key component of SC, promoting regional stability and defense capabilities through professional military and technical courses and specialized instruction. Although limited technical and specialized training can be provided by IMET, it is preferred that IMET be used for Professional Military Education and Expanded IMET (E-IMET) courses. IMET courses are provided primarily at military schoolhouses in the U.S., exposing the IMS to the U.S. culture, military students, practices, standards, and professionalism.

Objectives of the IMET program include the following:

- Encourage effective and mutually beneficial relations
- Increase understanding between the U.S. and foreign countries in furtherance of the goals of international peace and security
- Develop rapport, understanding, and communication links
- Develop partner nation training self-sufficiency
- Improve partner nation ability to manage its defense establishment
- Develop skills to operate and maintain U.S.-origin equipment

On a broader scope, the dual objectives of supporting U.S. regional security interests and the overall SC goal of supporting U.S. foreign policy are always a consideration. All of the objectives stated above should be pursued simultaneously, with emphasis shifting progressively from operations and maintenance, to the independent management of in-country capabilities, and finally to preserving military rapport and understanding of the U.S. This ultimate state should be pursued as rapidly as possible, consistent with the achievement of overall objectives. Complete guidance on developing an IMET program can be found in the Grant Military Assistance Guide (GMAG)-IMET published by the Department of State (DoS).

**Expanded-International Military Education and Training Program.** The Expanded-IMET (E-IMET) program was initiated in 1990. It is not a separate program from the IMET program but a recognition that the IMET program needed to grow in response to a changing global political scene. Originally, the IMET program could only be used to train military/civilian personnel from a country's defense establishment. Through the E-IMET program, a broader eligibility of students may attend courses that qualify as meeting E-IMET objectives. Civilians who work in the country's non-defense ministries, legislators, and individuals who are not members of the government attend courses that qualify as an E-IMET course, using IMET funds.

The objectives of E-IMET are the following:

- Contribute to responsible defense resource management
- Foster respect for and understanding of democracy and civilian rule of law, including the principle of civilian control of the military
- Contribute to cooperation between military and law enforcement personnel with respect to counternarcotics law enforcement efforts
- Improve military justice systems and promote an awareness and understanding of

internationally recognized human rights

Additionally, E-IMET training is authorized for the following:

- Defense civilians who teach, develop, or manage in-country English language training programs
- Defense civilians in counternarcotics-related areas
- Maritime law enforcement and other maritime skills training for personnel in non-defense or agencies which perform a maritime law enforcement mission

All courses taught under the E-IMET program will be held in U.S. military schools or will be conducted by Mobile Education Teams (METs). Many DoD education and training activities such as the Defense Resource Management Institute, the Defense Institute of International Legal Studies, and the Institute for Security Governance aggressively support the E-IMET program. In order to qualify as an E-IMET course, over 50 percent of the course's curriculum must cover one or more of the E-IMET objectives listed above. DSCA is the organization that determines whether a course qualifies as an E-IMET course or not.

***International Military Education and Training Constraints.*** The SAMM, Section C10.6.3, provides information on the types of training that can be provided under the IMET program. The intent is to preserve the integrity of SA as a military program, realize the maximum return on IMET funds expended in terms of utility and retainability of students, and limit police and intelligence training to purely military applications consistent with human rights considerations. Some types of training require a waiver approved by both the combatant command (CCMD) and DSCA. Waiver requests must be formatted in accordance with the SAMM, C10.F4.

Certain types of training are prohibited under the IMET program such as sniper training and foreign language training. For a complete list of types of training not provided by IMET see SAMM C10.T5. In addition, the FAA, Section 660, and SAMM C10.6.4.4 prohibit using IMET to provide police training to military or civilian police if they perform a civilian law enforcement function. Military police training may be provided to military police and to non-police personnel, but this requires a certification by the country that the IMS will not be used in a civilian law enforcement role for a minimum of two years following completion of training. The security cooperation office (SCO) must retain this certification for a minimum of three years.

### ***Foreign Military Sales***

Training can also be purchased via a Foreign Military Sales (FMS) case, funded by either host nation funds or USG funds such as the Foreign Military Financing Program (FMFP).

### ***Emergency Drawdown Authority***

Training authorized by the FAA, Section 506, applies when equipment is taken out of U.S. stock and given to a country. This training includes how to operate and maintain the respective equipment.

### ***Exchange Training***

Exchange training is authorized either by the AECA, Section 30A, or the FAA, Section 544: "Security Cooperation Training Managed by Security Assistance Personnel." Under this authority, the President may provide for the attendance of foreign military personnel at professional military education (PME) institutions in the U.S. (other than Service academies) without charge, if such attendance is part of an international agreement. These international agreements provide for the exchange of students on a one-for-one reciprocal basis each fiscal year between the two military services participating in the exchange.

## **Security Cooperation Training Managed by Security Assistance Personnel**

The U.S. military conducts a wide variety of other SC training programs, which are managed by the existing SA infrastructure. These programs are discussed more thoroughly in Chapter 1 of this text, titled “Introduction to Security Cooperation.” Other significant SC training could include (not all inclusive) the following:

- Foreign Security Forces: Authority to Build Capacity authorized by 10 U.S.C. 333 funded by DoD O&M funds
- Regional Defense Combating Terrorism and Irregular Warfare Fellowship Program (CTIWFP) training authorized by 10 U.S.C. 345 to be funded by subsequent annual DoD appropriations acts
- Aviation Leadership Program (ALP) training authorized by 10 U.S.C. 9381-9383 to be funded by the United States Air Force (USAF)
- Training authorized under various memoranda of understanding in effect with the United States Coast Guard (USCG)

## **Other Training Not Managed by Security Assistance Personnel**

The U.S. military also conducts other types of international military training that are not managed by SCO personnel. The latter need to be aware of these other programs, although the details of these programs are outside the scope of this text:

- U.S. service academy international students
- Special Operations Forces training of international students primarily via 322, Special Operations Forces: Training with Friendly Foreign Forces
- Various U.S. government (USG) humanitarian assistance programs
- Caribbean support tender training programs conducted by the USCG

## **Regulations**

In carrying out training management, the SAMM, specifically Chapter 10, is used for overall general guidance. Although references to international training management can be found throughout other chapters in the SAMM.

*The Joint Security Cooperation Education and Training (JSCET) Regulation* (AR 12-15; SECNAVINST 4950.4A; AFI 16-105), published jointly by the military services, provides further direction in carrying out policies identified in the SAMM. Each chapter of the JSCET begins with a DoD section followed by MILDEP-specific instructions.

## **TRAINING MANAGEMENT ORGANIZATIONS**

Many organizations manage international training. These organizations are geographically distributed in a variety of locations from Washington DC to U.S. embassies around the world. Refer to Figure 14-1 ,which depicts the inter-relationships between many U.S. training management organizations.

## **Training Policy**

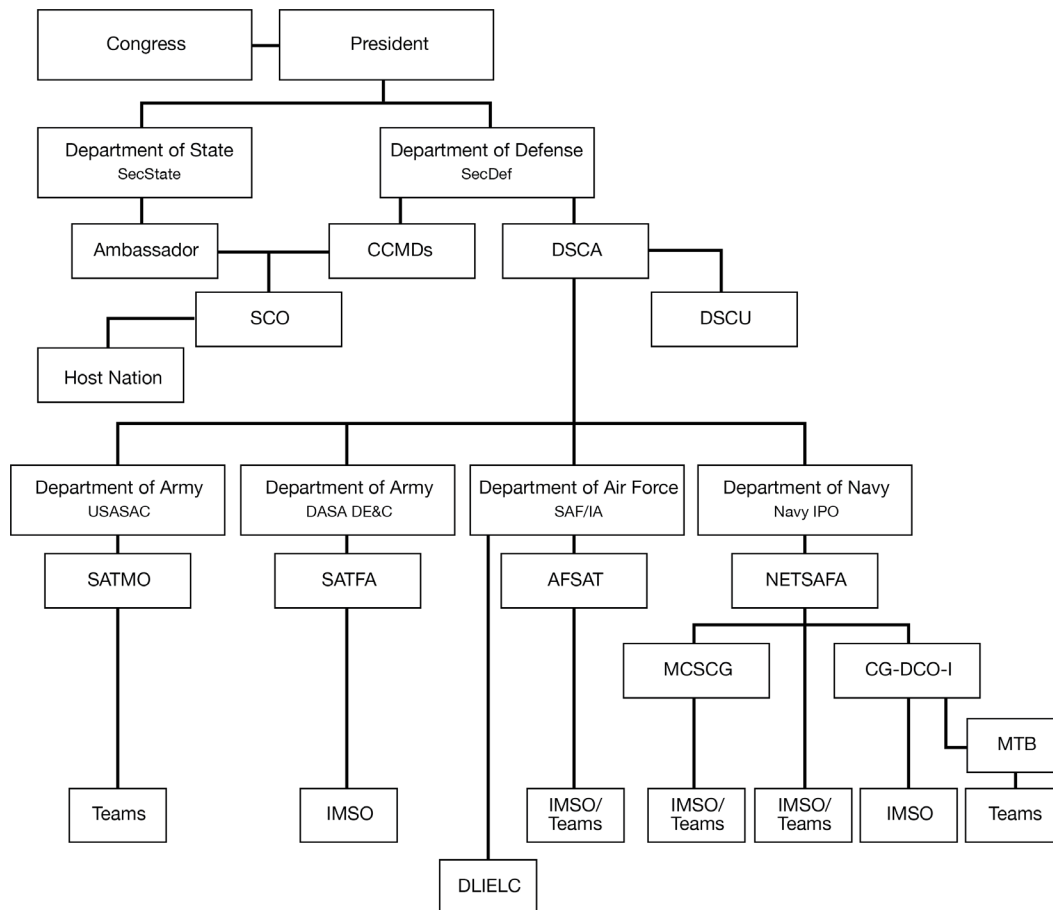
Training policy is guided by a small group of policy makers in the Washington DC area. This section describes the role and relationships among these policy makers.



## Department of State

The role of the Department of State (DoS) in international training management is basically the same as for all other aspects of SA; they decide a specific country's eligibility for training and the size and type of program to be authorized. The decision reflects an analysis of the country's needs by the DoS in terms of U.S. foreign policy and national security objectives. The concurrence of Congress is obtained by its approval in applicable legislation. After the analysis, decision, review, and legislative process is complete, the resulting SA program is given to the DoD for implementation.

**Figure 14-1**  
**Training Management Organizations**



## Department of Defense

**Defense Security Cooperation Agency.** Within the DoD, the principal agency for implementation of the various international training programs is DSCA, which provides direction to the CCMDs and the MILDEPs. Policy coordination and support are provided by the Institutional Capacity Building (ICB) division of International Military Training and Education Branch, Enterprise Support Division, Defense Security Cooperation University in DSCA. This office formulates policy for the conduct of the SA and SC training program, issues IMET program guidance, and exercises oversight of the U.S. Field Studies Program (FSP). Matters involving conduct of the training program and approval authority for exceptions to policy rest with the office as well.

## Military Departments

The MILDEPs, as designated Implementing Agencies (IAs), exercise execution oversight of international training and education solutions to country requirements to include fiscal management

responsibilities across the various SC authorities. In most cases the MILDEPs have delegated this responsibility to their respective training commands.

**Department of the Air Force.** Within the USAF, the Deputy Under Secretary of the Air Force for International Affairs (SAF/IA) is responsible for the policy direction, integration, guidance, management, and supervision of international programs and activities affiliated with the USAF.

As part of these general responsibilities for international training programs, SAF/IA functions include the following:

- Developing, coordinating, and issuing USAF-wide SA and SC training policy and procedures
- Acting as the USAF representative and focal point for training policy and procedural issues
- Preparing any memoranda of agreement/understanding required for international training
- Monitoring the execution of approved training programs
- Acting as executive agent and service program manager for the Defense Language Institute English Language Center (DLIELC)
- Acting as the USAF focal point for policy matters involving the Inter-American Air Force Academy (IAAFA)

**Department of the Army.** At the Department of the Army, the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation (DASA DE&C), within the Office of the Assistant Secretary of the Army for Acquisition, Logistics, and Technology (ASA/ALT), exercises Army-wide oversight of all Army SA and SC requirements to include training. DASA (DE&C) performs SA and SC training policy and program guidance responsibilities through the Director, FMS Policy and Resources, to all Army agencies involved in the management and execution of Security Cooperation Education and Training Program (SCETP) requirements. DASA (DE&C)'s primary SCETP responsibilities include the following:

- AR 12-1, Security Assistance, Training, and Export Policy
- AR 12-15, Joint Security Cooperation Education and Training policy
- AR 12-7, Security Assistance Teams
- Coordinating with the Headquarters, Department of the Army (HQDA) G-3/5/7, and other HQDA offices as required on Chief of Staff, Army country/counterpart invitations for Army War College and Command and General Staff College attendance, Professional Military Education Exchanges (PMEX), and country requests for SA/SC Teams
- Specific SCETP policy and procedural actions related to the management of international military students (IMS)

**Department of the Navy.** The Navy International Programs Office (IPO) provides centralized management for the Secretary of the Navy (SECNAV) of technology transfer, disclosure, SA/SC, and international program policy. Navy IPO establishes policy, maintains oversight, deals with political issues, signs Letters of Offer and Acceptance (LOAs), monitors and tasks subordinate commands in implementing the training program, and is the principal point of contact for foreign customers. With respect to international training, policy and oversight responsibility resides at the SECNAV level while program execution is directed to the field level. Navy IPO also issues specific guidance on how contractor-provided training is to be managed by the Navy.

## **Training Implementation**

Approved training programs are implemented through SA/SC specialized organizations out to the core DoD training activities.

### ***Military Services***

The six military service training activities are as follows:

1. The Air Force Security Assistance Training (AFSAT) Squadron, Air Education and Training Command (AETC), at Joint Base San Antonio-Randolph, Texas
2. The Army Security Assistance Training Field Activity (SATFA), U.S. Army Training and Doctrine Command (TRADOC), at Fort Eustis, Virginia
3. The Security Assistance Training Management Organization (SATMO), U.S. Army Security Assistance Command (USASAC), at Fort Bragg, North Carolina
4. The Naval Education and Training Security Assistance Field Activity (NETSAFA), Naval Education and Training Command (NETC), at Pensacola Naval Air Station, Florida
5. The Marine Corps Security Cooperation Group (MCSCG), USMC Forces Command (MARFORCOM), Fort Story, VA
6. The Coast Guard Director of International Affairs & Foreign Policy (CG-DCO-I) in Washington DC

Each of the training activities listed above is charged with planning and executing the SA and SC programs for its service. They manage all aspects of international training. Specifically, they program requested training, consolidate training requirements, and obtain and confirm course quotas. In addition, AFSAT, SATFA, and NETSAFA have been delegated MILDEP responsibilities for financial processes in funding training functions under SA and SC. NETSAFA performs this function for all maritime services (Navy, Marine Corps, and Coast Guard).

***United States Air Force, Air Force Security Assistance Training Squadron.*** AFSAT, as a component of the Air Education and Training Command (AETC), is the USAF's executive agent for all USAF-sponsored international training. AFSAT is charged with the following:

- Implementing all approved and funded USAF CONUS international training
- Monitoring the progress of training and the welfare of all USAF-sponsored IMS
- Supervising IMS administration and movement
- Sourcing and managing USAF Mobile Training Teams (MTT) and Mobile Education Teams (MET) that provide OCONUS training as required by country needs/requests
- Administering and accounting for international training funds allocated for the training, administration, and support of IMS in CONUS and for MTTs furnished from USAF CONUS resources
- Providing guidance for the implementation of the Field Studies Program (FSP) for all USAF IMS in CONUS, approving fund estimates, and providing funds to support all USAF FSP activities

***United States Army, Security Assistance Training Field Activity.*** SATFA, in the Deputy Chief of Staff for Operations, Plans, and Training, G-3/5/7, at HQ, U.S. Army Training and Doctrine Command

(TRADOC), is responsible for brokering U.S. Army-managed institutional training and PME solutions for country SCETP requirements across the various SC programs. This includes the central financial management and distribution of SC program funds to those Army CONUS activities executing training and PME for Army-sponsored IMS. SATFA's primary SCETP responsibilities include the following:

- Serves, in coordination with the Army Senior SAT Specialist at DASA (DE&C), as the primary point of contact for all Army institutional training and Professional Military Education (PME) conducted under any SC authority
- Manages (programming through closure) valid country/program international training and PME requirements, by SC program, within U.S. Army CONUS institutional training requirements and resourcing processes
- Coordinates with U.S. Army training providers for the development of unique training to support the specific requirements of an FMS-purchased equipment/system that best meets the needs of the country
- Develops course costs annually for inclusion in the Army Training Military Articles and Services List (T-MASL)
- Provides guidance and direction to Army training activity International Military Student Offices (IMSO) and their leadership pertaining to any aspect of SCETP execution to include the U.S. Field Studies Program (FSP)
- Coordinates with DLIELC for validated language laboratory requirements funded by U.S. Grant Programs that will be executed by the U.S. Army Communications Electronics Command (CECOM)

SATFA coordinates training-related requirements with other Army major commands/activities to meet country specific needs. SATFA also coordinates the programming, scheduling, implementation, and funding of training provided by other major commands. Broad responsibilities for training within the U.S. Army are as follows:

- TRADOC: All formal individual training
- Health Services Command: All medical training
- Army Materiel Command (AMC): Technical training within the functional areas of AMC major subordinate commands; OCONUS SA training
- U.S. Forces Command: Unit/collective training
- U.S. Army Acquisition Authority ASA/ALT: Program Executive Offices (PEO)/Project-Program Managers (PM)—New Equipment Training; some technical training

**United States Army Security Assistance Training Management Organization (SATMO).** SATMO, which falls under United States Army Security Assistance Command (USASAC), is the interface between the U.S. Army and the SCO for the conduct of overseas Army training supported by CONUS-based teams and the provision of training support and literature. SATMO's main functions include the following:

- Assisting SCOs in the development of in-country training programs
- Providing staff assistance to DASA (DE&C), USASAC, and SATFA in developing FMS training packages

- Coordinating the planning and deploying of SA/SC teams to include as follows:
  - ◊ MTTs
  - ◊ Technical assistance field teams (TAFTs)
  - ◊ Training assistance teams
  - ◊ Quality assurance teams. In conjunction with this, SATMO assists field agencies in structuring these teams to meet customer needs and follows up on team visits
- Coordinating the formation of TAFTs and field training services (FTS) services in support of country requirements
- Processing requests from field agencies for training documents, literature, programs of instruction, and information on training aids
- Ensuring all selected team members receive antiterrorism training

**United States Navy, Naval Education, and Training Security Assistance Field Activity.** NETSAFA implements three separate but interrelated functions as the principal support and coordination activity for Navy training.

First, NETSAFA is the single point of contact between SCOs and USN training. In this role, NETSAFA has the lead in programming all USN-related training. It identifies available USN training programs to meet foreign training requirements, including reviewing Navy training plans, and maintaining an interface with the Deputy Chief of Naval Operations N1 (Manpower, Personnel, Training, and Education) Community Managers to obtain training quotas. It oversees the submission of Navy course classified data to Navy IPO for release authority.

Second, NETSAFA is the chief agent for Naval Education and Training Command (NETC) for SA/SC. In this role, NETSAFA is responsible for managing international shore-based education and training conducted at Navy Education and Training Command activities.

Finally, NETSAFA is the principal support agent for the entire Department of the Navy (DoN) international training program. In this role, NETSAFA prepares the following:

- Training “T” case LOAs
- Acts as “T” case manager or case administering officer for Navy, Marine Corps, and Coast Guard cases
- Coordinates pricing
- Computes travel and living allowance (TLA)
- Interfaces with DSCA for IMET, CTIWFP, 2282, 333, and other SC Training Programs
- Authorizes the issuance of Invitational Travel Orders (ITOs)
- Financially administers the training program
- Provides billing services (except for USCG and Navy fleet commands)

NETSAFA is responsible for providing information technology support in the form of management information systems for publishing training program related documents and for conducting the annual IMSO workshop.

**Marine Corps Security Cooperation Group.** Marine Corps Security Cooperation Group (MCSCG) executes and enables security cooperation (SC) programs, training, planning, and lines of effort in order to ensure unity of effort in support of USMC and regional service component (MARFOR) objectives.

**United States Coast Guard, International Affairs and Foreign Policy.** The USCG is also a major partner in the DoN international training programs. Policy, administration, and implementation of USCG training is conducted by the Coast Guard Director of International Affairs and Foreign Policy (CG-DCO-I). CG-DCO-I is responsible for training and education conducted at all USCG activities, coordinating USCG MTTs and extended training service specialists (ETSS) through its Mobile Training Branch (MTB), granting ECL and ranking waivers for USCG training, and coordinating USCG matters with other USN training activities. USCG training requirements are to be addressed to CG-DCO-I, with NETSAFA as an information addressee.

### ***Combatant Commands***

The CCMDs maintain directorates dedicated to SC functions, including international training. A list of the responsibilities of these directorates for international training is as follows:

- Provide training policy guidance
- Monitor, coordinate, and evaluate approved country training programs
- Assist the SCO
- Assist the defense attaché
- Assist embassy personnel in establishing and implementing country IMET, FMS, and other SC training programs
- Provide training data and other inputs to the Joint Staff and the secretary of defense on special actions and studies pertaining to international training programs
- Recommend allocations and monitor student quotas for those courses/schools, which MILDEPs designate as having limited quotas requiring CCMD determination of priorities
- Coordinate use of CCMD and service component assets in support of country training requirements
- Conduct SA/SC briefings/orientations for SCO personnel
- Plan, coordinate, and conduct annual Security Cooperation Education and Training Working Groups (SCETWGs)
- Coordinate and approve exceptions to policy requiring a waiver

In addition to the training provided from CONUS-based resources, the service components of the CCMDs are able to meet some international training requirements within their respective theaters. Nearly all types of training discussed later in this chapter may be requested through the CCMD:

- Formal school training
- On-the-job (OJT)/observer (OBS) training
- Ship crew training

Country requests for MTTs are frequently filled from CCMD resources. Service components may be required to provide escorts for orientation tours (OTs). Student processing for training from this source may be complicated by the fact the student will be transiting or residing in a third country while undergoing training (e.g., Germany in the European and Central Command areas). Procedures for meeting these additional theater-specific requirements are disseminated to the SCO.



## ***Security Cooperation Office***

Since the international training program (IMET, FMS, CTIWWP, etc.) is developed in country and IMS scheduled for training comes from the country, the SCO has an important role in managing international training for that country. The international training management functions are normally assigned to a training manager within the SCO. The SCO training manager is responsible for assisting the country in identifying, planning, and programming U.S. military training that will meet host country requirements and then conveying those requirements to the military service training activities. While in the planning phase, the SCO identifies the goals and objectives for the country, as far as training requirements are concerned, for the next two years in the Combined Education and Training Program Plan (CETPP). The CETPP is a very important document that is reviewed by CCMD, the DoS, DSCA, Military Services, and other organizations. The SCO must also convey the specific course requests to the appropriate military service training activities, usually via email. Upon relaying the training requests to the military service training activities, the SCO must monitor the Standardized Training List (STL) to ensure that it accurately reflects the training requirements. The SCO training manager must then accomplish all of the administrative tasks required to prepare and send the IMS to the U.S. for training or to bring that training to the country via a training team. One of the most important administrative functions, although not the only one for which the SCO training manager is responsible, is preparing and publishing the Invitational Travel Orders (ITOs) for the international military student (IMS). In short, the SCO training manager must effectively manage a dynamic SC program that provides both professional military training and training in support of materiel acquired from the U.S.

## ***Defense Language Institute English Language Center***

DLIELC has a unique place in the overall scheme of international military training. DLIELC, although operating under the command and control of AETC, is responsible to all military service training activities for implementation of DoDD 5160.41E, Defense Language Program (DLP). This directive describes and defines the DLP, including all foreign language training plus English Language Training (ELT). Basically, DLIELC is responsible for the conduct, supervision, and control of all ELT for international and U.S. service personnel. DLIELC conducts General English Training (GET), Specialized English Training (SET) and Advanced English Training (AET) to prepare IMS for follow-on-training (FOT) or to be English language instructors. In addition, DLIELC fields English language teams to meet in-country requirements.

DLIELC also manages the English Language Testing program, making available several types of English language tests which IMS may be required to take, depending on the course they will be attending and provided an English language waiver has not been granted by DSCA. These tests include the English Comprehension Level (ECL) testing for listening and reading ability; the Oral Proficiency Interview (OPI) testing for listening and speaking ability; and the American Language Course Placement Test (ALCPT), which can be used by the U.S. or the host nation as a pre-screener for the ECL test (though it is not a replacement for the ECL test).

## ***Defense Security Cooperation University***

The Defense Security Cooperation University (DSCU) is responsible for providing SA/SC international training management instruction to individuals with training management responsibilities. U.S. personnel who attend DSCU perform international training management responsibilities in SCOs, military service training activities, DoD agencies, and military training facilities and schools. International partner training managers are also trained by DSCU. Requests for DSCU course quotas, from the international customer, must be directed through the in-country SCO training manager to AFSAT. Requests for DSCU MTTs must be identified by the SCO to the CCMD who will forward their recommendations to DSCU. Annually, DSCA will make the final determination on which MTTs DSCU will support in the following fiscal year.

## TRAINING PROGRAM DEVELOPMENT AND IMPLEMENTATION

Each CCMD annually hosts a Security Cooperation Education and Training Working Group (SCETWG), usually between the months of March and May, to project IMET requirements for the budget year (the next fiscal year) and the planning year (the fiscal year following the budget year). SCO training managers attending these reviews present all training program requirements on behalf of the host nation and must be prepared to justify all requests in accordance with the SAMM and DoS guidance. Representatives from agencies responsible for international training within the Department of State (DoS), DSCA, and the military service training activities attend the SCETWG to review and approve country training program requests and to initiate programming and allocation actions for approved training courses. Projected FMS training is addressed as needed during the SCETWG, as well as other programs such as, CTIWFP and Regional Center events. In preparing for the SCETWG, the SCO puts together a Combined Education and Training Program Plan (CETPP) outlining the international military training goals, objectives, and justifications for requests for the next two years. The CETPP is reviewed initially by the CCMD and is reviewed again during the SCETWG.

### Combined Education and Training Program Plan

After discussions with host nation personnel, but prior to the SCETWG, each SCO completes a Combined Education and Training Program Plan (CETPP), which must be approved by the CCMD. The CETPP contains the U.S. and host nation goals and objectives of the country's training program for the next two years. It also provides justifications for the training programs, which are intended to be executed within the next two years. The online Security Cooperation–Training Management System (SC–TMS), discussed in the training automation section of this chapter, is used to complete the CETPP in accordance with the preparation guidance found in the SAMM, C10.5.1.2. The DoS and other appropriate DoD organizations can access the CETPP to review each country's training goals and plans. This document provides vital information to ensure that military service training activities have all the information needed to plan and execute country-specific training programs as well as prepare U.S. senior leaders for discussions with international countries regarding their training programs. The CCMD will provide directions to the SCO as to when the CETPP must be updated and turned in. Normally, SCOs submit the updated CETPP to the CCMD training manager about 30 days prior to the beginning of the SCETWG.

### Standardized Training List

The Standardized Training List (STL) is a list of all training that a country has requested and the status of that request. It also contains information such as training dates, locations, and prices. Training requests are entered into the Defense Security Assistance Management System-Training Module (DSAMS-TM) by AFSAT, NETSAFA, SATFA, USASAC, MCSCG, and CG-DCO-I. Once the training has been entered into DSAMS-TM, it will appear on the STL report in DSAMS, as well as, in the Security Cooperation-Training Management System (SC-TMS) used by SCOs and IMSOs. Individual training tracks are identified on the STL by combining the two-character country code, one-character implementing agency code, three-character case ID, three-character case line, and four-character worksheet control number (WCN) (i.e., the training track identifier can be constructed as CC-IA-CaseIDCase Line-WCN. An example would be BN-B-22I001-2405). Sequential training programmed for the same IMS is indicated by adding an alphabetic suffix to the end of the WCN (such as A, B, C and so forth) and is commonly referred to as a training line. Therefore, a training track can consist of one or more training lines. The consolidation of all requested training is identified on the Standardized Training List (STL). See Attachment 14-1 for an example of an STL.

Each military service training activity then coordinates the training request to confirm quotas and schedule report start and end dates of the course(s). Training quotas are assumed to be accepted once they have been confirmed on the STL for thirty days. Once quotas are confirmed, the actions described in the student administration section of this chapter can commence.

## **International Military Education and Training (IMET)**

Each year's IMET program is identified on the STL by country code, implementing agency (IA) code, and FY followed by the letter "I," indicating the Program Type is IMET (i.e., BN-B-18I).

### ***5th Quarter***

Because the budget for the annually-funded IMET program is not normally signed until months after that fiscal year has started, a determination was made that, as long as IMET funds are obligated prior to the end of the fiscal year, they can be used for an IMS to start training prior to the end of the calendar year. Hence, the IMET fifth quarter is training in the first quarter of a fiscal year (1 October–31 December) funded with money from the previous fiscal year's IMET appropriation.

### ***End-of-Year IMET Reallocation***

For many reasons, a country may not be able to utilize their entire IMET allocation and have IMET funds left over at the end of the fiscal year. On the other hand, other countries may have additional training needs for which they do not have enough IMET funds to pay for. Or, there still may be unpaid medical bills for which the IMET program is responsible at the end of the fiscal year. An End of Year (EOY) IMET reallocation process has been developed to address these circumstances and reallocate IMET funds to countries that can use the leftover funds. The timeline and steps are spelled out in the SAMM, C10.T6. The reallocation of EOY IMET funds will only be used for "must pays" such as outstanding medical bills, invitational PME courses, E-IMET courses, and other PME courses. EOY IMET reallocation of funds will not be used to fund language labs, books/publications, English language instructor training, team training, or technical or operational training. Requests for IMET EOY allocations are initially programmed on the STL as Priority "B," and the training must start in the fifth quarter.

### ***Priorities***

Another unique programming aspect of the IMET program is the assignment of priority codes to training lines to quickly identify whether the training can be funded. A priority code of "A" is assigned to training lines in the STL when country IMET allocation is sufficient for covering the training. A priority code of "D" is assigned to other valid training lines in excess of the country allocation as a backup plan for which the country could provide an IMS if funds became available, such as the cancellation of training identified as Priority "A." Since Priority "D" is a backup plan, the military service training activities will not obtain course quotas for Priority "D" training requests. In order to get a quota, the SCO must inform the military service to change a Priority "D" request to a Priority "A." The total value of all priority "D" training should not exceed 20 percent of the country's IMET allocation for the fiscal year. A priority code of "B" is assigned to training lines in the current year for which IMET EOY funds are being requested.

IMET training lines are implemented once a quota is confirmed and funded by the MILDEPs. Once the MILDEP provides authorization for Training Track Identifiers via SC-TMS (and only upon receipt of this authorization), the SCO may prepare the Invitational Travel Order (ITO). A Travel and Living Allowance (TLA) may be paid from the country's IMET program or paid by the sponsoring country. IMET-recipient countries are encouraged to enter into cost-sharing agreements (also known as "burden sharing") by paying IMS travel and/or living allowances. This allows IMET dollars to most efficiently be expended against training tuition costs only, thus enabling more students to be trained. The cost of emergency medical care for an IMET IMS is funded by a medical line in the country's IMET program.

### **Foreign Military Sales, Host Nation-Funded Training**

FMS training cases are developed between the MILDEPs and country representatives, with coordination by the SCO. If the training is in support of a materiel purchase, the materiel or systems

command of the MILDEP providing the item may also be involved. No matter if the training on an FMS case is for training only or if it is in support of a materiel purchase, it is essential that the military service training activities be made aware of the training requirement so that it can be programmed into the Standardized Training List (STL) and accounted for.

Once defined, FMS-funded training requests are entered into the STL by the military service training activity. FMS training on the STL is identified by Country Code, FMS case identifier, case line number, and WCN (e.g., BN-D-YCY989-2004). The FMS implementation procedures are similar to those for IMET. FMS cases normally do not include Travel and Living Allowance (TLA), as those are the responsibility of the country and are provided to the IMS directly without U.S. involvement. FMS training cases may include a medical services line to cover medical costs incurred by the IMS. Alternatively, the country may decide to not include medical coverage in the FMS case and, instead, have the bills for such services sent to the country's embassy for payment, or the IMS may obtain health insurance. If the country wants the FMS case to pay for TLA or medical care, this must be annotated in the Letter of Request and subsequently written into the Letter of Offer and Acceptance with DSCA's approval. Arrangements must be made in advance to cover associated costs such as special clothing and personal equipment either by including such items in the FMS case or having the IMS or IMS's government pay for them upon issuance at the training installation.

### ***Total Package Approach***

Military training provided to countries through U.S. DoD resources is a vital element of SC programs. Countries that purchase or otherwise receive U.S. military equipment are encouraged to simultaneously consider the training requirements while planning for integrating the new equipment or weapons systems into their inventory. Failure to do so will result in needless delays in attaining and maintaining operational readiness once the new equipment arrives in-country. Thus, training should be viewed from the perspective of the total package approach (refer to Figure 14-2) and given due consideration in every materiel purchase case.

**Figure 14-2**  
**Total Package Approach**



Planning and programming follow-on training support is an extremely important part of a viable training program. Those personnel involved in managing FMS programs should reevaluate training requirements any time the procurement plan changes and coordinate training requirements in advance.

FMS training is provided through the normal FMS process either through a blanket line on the FMS case in support of that system sale or through a separate blanket order training case. Training should not be requested as a defined line on an FMS case or as a defined order case, because changes are inevitable and would require case amendments or modifications. Blanket order cases provide much more flexibility, making them better suited to support a major weapon system purchase or an annual training program. The LOA process for training may require a lead time of six months or more from request through case implementation. Additional information on the LOA process for training is found in the JSCET, Chapter 3, and in this textbook, Chapter 5, “Foreign Military Sales Process.”

**U.S. Army Life-Cycle Management Commands.** More and more training is being included or embedded in USA FMS materiel cases managed by the various life-cycle management commands of AMC. However, the training lines are still developed, managed, and implemented by SATFA.

**U.S. Navy Systems Commands.** The USN’s three major systems commands, NAVSEA, NAVAIR, and SPAWAR have organic training managers who are responsible for training associated with that command’s system sales. The NAVSEA, NAVAIR, and SPAWAR FMS case managers are responsible for the development of price and availability data for training provided by the FMS material prime contractor. When training under an FMS case includes USN resident training or contractor training other than the FMS material prime contractor, the FMS case manager will coordinate cost and availability data with NETSAFA. FMS case managers will coordinate with NETSAFA to ensure all training associated with the FMS case is properly programmed into the STL to allow for Invitational Travel Order authorization.

**U.S. Air Force Life Cycle Management and Sustainment Centers.** The USAF also includes training in FMS materiel cases managed by their Air Force Life Cycle Management Center (AFLMC) and Air Force Sustainment Center (AFSC). These training lines are still developed, managed, and implemented by AFSAT.

### **Foreign Military Sales, Foreign Military Financing-Funded Training**

Many SCO training managers and host nation personnel do not realize that a blanket order FMS training case can be funded with Foreign Military Financing (FMF) program funds. The value of this is that some of the constraints and restrictions placed on the IMET program do not apply under FMFP. For example, there would be no requirement to obtain a waiver for an MTT funded by FMFP. Most importantly, this additional source of funds can provide for training that exceeds the country’s IMET allocation. SCOs should attempt to influence the use of FMF funds to provide for support items (training, repair parts, etc.) as opposed to simply the acquisition of a new end-item with no support. Implementation of an FMF-funded case mirrors that of host nation-funded FMS cases except that USG funds are paying for the training. Sometimes, DSCA will approve payment of IMS TLA from the FMF-funded case.

### **Regional Defense Combating Terrorism and Irregular Warfare Fellowship Program**

The CTIWFP is developed and implemented a little differently than other training programs. The Secretary of Defense has delegated policy oversight to OASD/SO-LIC with program oversight responsibility delegated to DSCA. Each year, the CTIWFP appropriation is divided into three “virtual” funding pots of money:

1. Individual country allocations
2. Central allocations for invitational training issued by the CTIWFP office



### 3. CCMD allocations used to further CCMD interests through regional seminars and other activities

Each year's CTIWFP program is identified in the STL by country code, implementing agency code, and fiscal year followed by the Program Type letter "B" (i.e., BN-D-22B). SCOs are provided guidance by DSCA as to the amount of CTIWFP country funding they are receiving each year and what invitations the country may receive for additional training. Similar to IMET and FMS training programs, CTIWFP training is programmed and tracked in the STL.

Before sending a student to training funded by CTIWFP, the SCO must nominate a specific candidate by name for the training and justify how this candidate's attendance would benefit U.S. combating terrorism efforts. The nomination is submitted to the CCMD CTIWFP manager for approval and then forwarded to DSCA for final approval. The entire nomination process is done online via SC-TMS. Once approval is received, the course may be funded, and processing of the student can begin.

For additional guidance and policy regarding the CTIWFP, refer to DoD Instruction 2000.28, DoD Policy and Responsibilities Relating to the Regional Defense Combating Terrorism Fellowship Program (CTIWFP), and the Regional Defense Combating Terrorism and Irregular Warfare Fellowship Program Annual Guidance issued by OASD/SO-LIC.

#### ***Priorities***

The CTIWFP also utilizes priority codes within its training lines identified on the STL. Priority codes definitions associated with CTIWFP are a little different than priority code definitions associated with an IMET program and are as described below:

- A CTIWFP priority code of "B" indicates the training was funded by CTIWFP and provided by a Regional Center
- A CTIWFP priority code of "A" indicates all other training, not occurring at a Regional Center, which is funded by CTIWFP

#### **Other Security Cooperation Training**

The SC training community is also responsible for managing training programs based on other legal authorities previously mentioned. While these other programs may change from year to year, the resulting training requirements are handled much like IMET and FMS training requirements. The existing SC training infrastructure is used to document, fund, and implement these training requirements. A pseudo LOA may be established to accomplish funded training. Thus, training can be identified by the SCO, formalized via the CCMD SCETWG process, entered into the STL by the military service training activities, and then implemented when the training quotas become available and funding is authorized.

#### **Sanctions and Training Program Restrictions**

Chapter 2 of this text, "Security Cooperation Legislation and Policy," provides information on sanction authorities and restrictions to providing assistance to countries. Political sanctions and Brooke Amendment economic sanctions result in IMET and FMF program suspensions. If a country falls under these sanctions, no new IMET-or FMF-funded IMS may travel to the U.S. or other locations to begin training. Normally, IMS who have already reported to training may continue their training for up to six months in order to complete the courses authorized on their ITO, but training may not be added or changed. However, the DoS reserves the right to shorten or lengthen this time period depending on the situation at hand. If a country is sanctioned for non-repayment of debt under Section 620q, FAA, only the IMET program is affected.



In addition to sanctions authorities, Congress has legislated that 110 percent of the amount of a country's unpaid parking fines or property taxes in Washington DC and New York City be withheld from the country's IMET allocation until the bills are paid. [Section 643, P.L. 110-161] While not eliminating the ability of the country to send IMS to training, it does reduce the available funds.

The consequences of a country being under sanctions must be addressed by the SCO. A country whose IMET program has been suspended no longer qualifies for the FMS incremental rate (Rate C) for tuition. Thus, if they wish to purchase training using their own host nation funds via an FMS case, the price of the training will be at the FMS full rate (Rate A). (See Tuition Pricing section later in this chapter for a discussion on the different tuition rates.) Cancellation penalties could be assessed against training for which the country had confirmed quotas but are now unable to utilize those quotas due to sanctions.

DSCA maintains an informal list of sanctioned or suspended countries, but it cannot be distributed externally. DSCA country desk officers may release information concerning a country's status, but only to U.S. citizen employees of the USG upon request.

### **Annual Foreign Military Training Report**

The Foreign Military Training Report (FMTR) is established by Section 656, FAA, as an annual reporting requirement due to Congress by 31 January. The FMTR contains substantial detail on each training activity: foreign policy justification and purpose of the training, number of foreign military personnel provided the training and their unit of operation, location of the training, aggregate number of students trained for the country, the cost of the training, the operational benefits to U.S. forces, and the U.S. military units involved in the training. Through ITO issuance and MTT/MET after-action summaries, including names of students trained by the MTT/MET, in the Security Cooperation–Training Management System (SC–TMS), SCOs provide input to the FMTR. When directed by their CCMD and DSCA, the SCO conducts a final review of the STL for completeness and accuracy. DSCA provides the data to the DoS who finalizes the report and submits it to Congress. Timelines for the report can be found in SAMM C10.T19. The unclassified portions of the report can be found at <https://www.state.gov/foreign-military-training-and-dod-engagement-activities-of-interest/>.

## **TYPES AND CATEGORIES OF TRAINING**

Given U.S. foreign policy, disclosure, technology transfer, and human rights considerations, international students are still allowed to participate in a wide range of courses available through the military services' training schoolhouses and DoD agencies. There are three broad categories of training that are offered to international countries and international organizations: English Language Training, Institutional Training, and Specialized Training. Each category is described below.

### **English Language Training**

The language difficulties encountered by some IMS continue to be a significant problem that hinders the effectiveness of training. It is imperative to recognize the need for an IMS to adequately understand English as most of the training that the U.S. provides is conducted in English. The exceptions to this are the Western Hemisphere Institute for Security Cooperation, Inter-American Air Forces Academy, and the Navy Small Craft Instruction and Technical Training School, which conduct training in Spanish. Students who have difficulties with English may attend the Defense Language Institute English Language Center (DLIELC) located at Joint Base San Antonio to learn English before continuing to their follow-on course(s). Prior to attending DLIELC, the student must score at least a 55 on the English Comprehension Level (ECL) test unless a waiver has been granted by DSCA and DLIELC through the CCMD.

## ***English Comprehension Level***

The SCO training manager is responsible for ensuring that IMS meet all course prerequisites, including English Comprehension Level (ECL) requirements. ECL minimum requirements for all courses are identified in the Training-Military Articles and Services Listing (T-MASL). Students who cannot meet the minimum ECL requirement for a course would have great difficulty in successfully completing that course due to English competency.

Prior to attending a U.S. school, IMS must be tested both in-country by SCO personnel and at the first direct-entry training location by the IMSO to determine their ECL rating. IMS from various native English-speaking nations are exempt from both in-country and CONUS English language testing. The requirement for in-country testing has also been waived for a number of other countries, although they will still be tested by the first CONUS training installation. IMS ECL test scores are documented on the ITO. Whenever the situation warrants, the Defense Language Institute English Language Center (DLIELC) in coordination with DSCA, reviews the list of countries for which English language testing is waived and publishes an updated exemption message which can be found on the International Training Management website (<https://www.dscu.mil/pages/itm/>).

For in-country ECL testing, the SCO is responsible for appointing a Test Control Officer (TCO) to receive and safeguard the English language testing materials provided by DLIELC and to administer ECL tests to prospective IMS. The TCO must be a U.S. citizen. In certain circumstances, a waiver to the ECL score may be granted if the prospective IMS is within a few points of the required ECL score and there is sufficient justification that the student really can comprehend English. These waivers are submitted by the SCO to the military service training activities who will coordinate with the schoolhouse to determine if the waiver will be granted. Requests for waivers are discouraged, since some degradation of comprehension and retention is bound to occur, but, given the circumstance, may be the best alternative.

## ***Oral Proficiency Interview***

An additional English language testing requirement has been established, primarily for flight training and public affairs courses among others, for an oral proficiency interview (OPI) to be conducted by DLIELC. This interview takes place via telephonic interview arranged by the SCO between the IMS and DLIELC. This interview is designed to determine the English speaking and comprehension ability of the prospective IMS. If applicable, the T-MASL will indicate the minimum OPI score required for a particular course. As in the case of ECL scores, OPI waivers can be requested but are discouraged.

## ***General English Training***

In those countries where little or no English language training is available, the SCO can program the IMS for General English Training (GET) at DLIELC prior to follow-on training (FOT). The duration of GET depends upon the current ECL score of the IMS and the minimum score required for the training. The primary purpose of GET is to raise the ECL of an IMS who has at least a minimum ECL of 55 to meet the minimum ECL requirement for the course they will be attending. DLIELC, on their website, provides a tool called the E-Wheel to help estimate the length of time a student will need at DLIELC in order to meet a specified ECL score. The E-Wheel can be found at <http://www.dlielc.edu/DLICourseEstimator/index.html>. Besides providing IMS with GET, DLIELC also has the capability to train language instructors and to assist in developing an in-country English language program. Assistance in support of English language training in-country may be obtained by requesting a DLIELC survey team or language training detachment to assist the country's English language training staff and faculty. A survey team from DLIELC can help the SCO determine the status of a country's English language training program and capabilities and assist in determining English language requirements needed.

## ***Specialized English Training***

Although many IMS achieve the ECL requirement specified in the T-MASL, they are unable to assimilate with sufficient speed the jargon or terminology that is so prevalent in certain subjects such as medical, electronics, aviation, and others. To overcome this, DLIELC conducts nine-week Specialized English Training (SET) courses to familiarize the IMS with key words, phrases, and terminology that they will encounter during their particular FOT. DLIELC has developed SET for over forty subject areas in consultation with FOT locations. An IMS can be programmed for both GET and SET but will have to meet the minimum ECL prior to starting SET. If the IMS already meets the ECL requirement, SET may be programmed alone prior to FOT. Course requirements are expressed in the T-MASL to reflect the required ECL and whether SET training is required (R) or advised (A).

Sponsoring countries, SCO personnel, and DLIELC must continue to work together to eliminate the major problems associated with the English language program. These recurring problems include inadequate language training in-country, lack of familiarization with technical terminology, and significant differences between the in-country ECL test score and the ECL test score at the first training location. It is also important to realize that acquiring an English language laboratory without providing for stable trained instructors, lab managers, and updated English language materials will not help the country reach its ECL goals. SCOs should contact DLIELC for advice when planning an English language lab acquisition.

## ***Institutional Training***

Simply put, institutional training is standardized training, normally in a classroom-type setting. The training location has conducted careful assessments, determined training goals, established methods and materials designed to achieve these goals, implemented training, and carefully evaluated the course to ensure training is carried out effectively and training goals are attained. Institutional training is normally conducted at military educational and training facilities in the U.S. and overseas.

## ***Professional Military Education***

PME includes the war colleges and the command and staff level schools (which are by invitation only for IMS) and other career development courses. For these types of courses, the host country is asked to provide only career personnel who meet the required rank/grade criteria.

## ***Technical Proficiency Training***

This category covers a wide range of courses including maintenance training, technical courses, and courses oriented toward developing a specific level of skill required to operate and/or maintain weapons systems or to perform required functions within a military occupational specialty. The country must have or intend to buy a particular system before technical training on the operation, maintenance, and repair of that system will be provided.

## ***Flight Training***

Flight training represents the highest cost training for international training programs and accounts for a large portion of USN, USAF, and USA training purchased by other countries. Because of the high costs associated with aircrew training, these courses can no longer be programmed under the IMET program; the bulk of such training is usually provided through FMS.

## ***Specialized Training***

Specialized training is tailored for the unique needs of the country. It can be a formal course that is modified to meet country requirements or something newly developed. The training can be provided in the U.S., overseas, or in the host country. Because specialized training is developed to meet the specific

needs of the country, it requires more thorough communication between the SCO and the training activity to determine whether and how the U.S. can meet those needs.

### ***On-the-Job and Observer Training***

Formal school training is sometimes followed by a period of on-the-job (OJT), or hands-on training, to allow the IMS to gain proficiency in newly acquired skills. Observer (OBS) training is provided when no formal course covering the desired training is available or when it is impractical or otherwise undesirable for IMS to perform the tasks being demonstrated. An obvious example is medical training, where doctors and medical technicians who are not licensed to practice medicine in the U.S. can benefit from observing U.S. techniques and procedures. The SCO training manager must provide an OJT/OBS request, which furnishes detailed information on the duration of training desired and the objectives to be achieved. Before such training can be confirmed, the military service uses this information to ensure that the training matches the needs of the country and can be provided from U.S. resources. The availability of OJT/OBS training is limited due to the heavy commitments of today's active and reserve military components.

### ***Orientation Tours***

Orientation Tours (OTs) are provided to familiarize selected foreign officers with U.S. military doctrine, techniques, procedures, facilities, equipment, organization, management practices, and operations. In addition to the purely military objectives to be achieved through OTs, they are intended to enhance mutual understanding, cooperation, and friendship between U.S. forces and partner nations. This category of training includes distinguished visitor OTs for personnel of the rank of chief of staff of their respective military service. All OTs are conducted by the National Defense University (NDU) as short-term orientations not to exceed 14 calendar days and require considerable detailed planning if they are to be effective.

An OT is programmed into the STL just like any other training, but there are requirements that must first be met. Prior to any proposal to country officials, which could be construed as an agreement to provide a tour, the SCO forwards the OT request to the CCMD, DSCA, National Defense University (NDU), and the MILDEPs with supporting rationale and justification for approval. An IMET-funded OT is programmed only after the SCO Chief attests to its importance to the country's efforts. OT requests are also included in the Combined Education and Training Program Plan (CETPP) for a country. Escort officers are provided from CONUS resources, although SCOs may fill this role in extenuating circumstances. Associated expenses are programmed and charged against the FMS case or the country's IMET program. These and other requirements are specified in the SAMM, C10.6.3.5, C10.17.20.3, and the JSCET, Chapter 12.

### ***Exported Training (Training Teams)***

At times, it may be more expedient and cost effective to request that U.S. personnel conduct training in-country (via a "team" of instructors) rather than sending a large number of IMS to the U.S. or to a U.S. military installation overseas. Often, the cost of deploying a training team may be less than sending the students to the U.S. If there are limited or no seats available in a U.S. military school, it may be quicker to train a large number of students from the same country at once by means of a training team. SC training teams may be requested for a particular training task over a specific period of time. A few other advantages of exported training include the ability to tailor the training to fit the specific needs of a particular country as well as being able to train using the actual equipment that the country owns. Furthermore, it might be possible to use interpreters during training in-country, at the country's expense. This can be beneficial if a large number of students cannot speak English and it is determined that it will take too long for them to learn English at the level needed. If country

and U.S. personnel in country need help in identifying issues and developing training requirements and objectives, a survey team may be requested from the U.S. military service as the preliminary step in the process. However, with or without a survey team, a request must be submitted which identifies such requirements as the training objective, the number of personnel to receive training, skill levels to be achieved in each specialty area, equipment required and/or available, and the desired length of training etc. To request a training team, the SCO, must submit a DD Form 2964, Security Cooperation Education and Training Team Request, to the CCMD who will attempt to fulfill the requirements via their component commands. If this is not possible, the CCMD will then forward the DD Form 2964 to the appropriate military service training activity for support. All IMET-funded teams require a waiver approval from the CCMD and DSCA prior to programming unless the training has been E-IMET certified.

However, there might be disadvantages with team training that should be taken into account as well when requesting this type of training. A few disadvantages could include more distractions for the students while training near home or the office, students do not get the opportunity to experience the U.S. firsthand, it might take longer for students to learn English if they revert back to their native language when not in class, and the equipment might not be available to train on in country.

SCO training managers must make every effort to identify all training team requirements at the SCETWG, in the CETPP, and in the DD Form 2964.

**Mobile Training Teams (MTTs) and Mobile Education Teams (METs).** MTTs and METs consist of DoD military and civilian personnel on temporary duty to train international personnel in-country. The team members may be from CONUS or overseas units/organizations, and the training may be conducted in the CONUS or overseas using equipment owned by or allocated for delivery to the purchaser and recipient country. MTTs and METs are authorized for specific in-country training requirements, training associated with equipment transfer, or to conduct surveys and assessments of training requirements. They may normally be programmed for periods up to 179 days, including travel time. IMET-sponsored MTTs must be programmed to terminate on or before 30 September of the fiscal year in which they perform their duties. FMS-funded teams may span fiscal years, if necessary.

Provisions must also be made in advance for purchasing associated tool sets, training aids, and other support items needed from the CONUS and having them in place in the country when the team arrives. Once in country, the team reports to and comes under supervision of the SCO chief.

**Field Training Services (FTS).** FTS is the generic term for Extended Training Service Specialists (ETSS) provided from DoD resources and for contract field services provided under MILDEP contract from U.S.-industry sources. These teams provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and other systems. FTS teams are normally programmed for a period of up to one year. Military members may be transferred on permanent change of station (PCS) orders without a permanent change of assignment when participating on an ETSS team. Requests for FTS under IMET and requests for FTS extensions must be justified by the SCO and submitted to the CCMD for approval on a case-by-case basis.

**Technical Assistance Field Teams (TAFT).** TAFTs are DoD personnel deployed in a PCS status for the purpose of providing in-country technical or maintenance support to foreign personnel on specific equipment, technology, weapons, and supporting systems when MTTs and ETSSs are not appropriate for the purpose. Normally, TAFTs do not have training as a primary mission of the team. However, one must refer to the mission statement of the TAFT to see if the provision of training, formally or informally, is included. TAFTs may not be funded under the IMET program.

SAMM C10.22 provides additional information regarding the various types of training teams that exist.



## **Classified Training**

Attendance in classified courses or blocks of instruction is on a need-to-know basis. Each classified training request is subject to case-by-case approval based on National Disclosure Policy (NDP-1), MILDEP implementing regulations, and existing security agreements between the U.S. and the country. Refer to Chapter 7 of this textbook, “Technology Transfer, Export Controls, and International Programs Security,” for discussion of national disclosure policy and transfer of technology.

## **FINANCIAL CONSIDERATIONS**

### **Tuition Pricing**

The FAA and the AECA prescribe a multi-tier tuition pricing structure for training. The separate tuition rates for the same course differ because various cost elements have been authorized by law to be excluded or charged at an incremental rate based on various tuition rate categories. DoD policy describing the various tuition rate categories and for developing tuition prices for international students is contained in DoD 7000.14-R, *Financial Management Regulation*, Volume 15, Chapter 7, Section 0710. Additionally, SAMM Chapter 10.14 explains the five tuition rate categories as well, which are as follows:

#### ***Rate A (Formerly FMS Full Rate)***

The tuition price charged countries not eligible for any of the other rate categories below. These are full-cost cash customers. This cost is about equal to what it costs the USG to send a U.S. student to the same course.

#### ***Rate B (Formerly FMS NATO Rate)***

Countries with a ratified reciprocal training pricing agreement with the USG that are purchasing training via an FMS case are charged Rate B. SAMM C10.T15 and C10.T16 lists the countries and effective dates of the reciprocal agreements. (Note that some of these countries are also eligible for Rate C.) Be aware, Rate B does not apply only to NATO countries, see SAMM references above.

#### ***Rate C (Formerly FMS Incremental Rate)***

The tuition price charged to countries that are (1) currently authorized to receive IMET funds and will be using country funds to purchase the training or (2) designated as a high-income foreign country in accordance with the FAA (currently Austria, Finland, the Republic of Korea, Singapore, and Spain). If a country’s IMET program has been suspended by political or economic sanction, it is no longer eligible for this rate. Rather, Rate A (FMS Full) is charged.

#### ***Rate D***

Training on a case financed with U.S.-appropriated funds receives Rate D. FMS cases funded by U.S.-appropriated funds include cases using Foreign Military Financing Program (FMFP) and Building Partner Capacity (BPC) program authorities. This tuition rate is identical to Rate E except that the FMS administrative surcharge will be applied to it.

#### ***Rate E (Formerly IMET Rate)***

The tuition price charged to countries when IMET program funds or other grant training program funds such as CTIWFP are used.

### **Total Cost of Training**

The total cost of training includes all associated costs to include the T-MASL tuition price, TLA paid to IMS, medical and dental costs, special clothing, and personal equipment items not included in



the tuition, etc. Any of these articles and services to be furnished by the U.S. training facility, which are not included in the tuition price, must be identified and included as specific items to be funded in the FMS training case, or reimbursed in cash by the student or the participating government. Authorized IMET expenditures include tuition, overseas and CONUS travel and baggage allowances, IMS living allowances while in training, and IMS emergency medical care. When specifically authorized by DSCA, on a case-by-case basis, these TLA costs can be included as a cost element on an FMS case funded by FMF grant funds. TLA costs are normally funded by the other DoD and DoS grant programs.

### **Cancellation Penalties**

Because of the shortage of training quotas and the difficulty experienced by the military service training activities in adjusting to quota changes, the DoD has instituted a penalty charge for IMS no-shows and for late-notice cancellations. Normally, country training programs are subject to a penalty charge of 50 percent of the tuition price of canceled courses if notification is not received more than 60 days prior to confirmed course start dates. The penalty is applied based upon determination by the MILDEP that lack of timely cancellation was the fault of the country. A cancellation penalty of 100 percent of the tuition price may be assessed if the training is provided by a contractor or fifth quarter IMET training or if the course is dedicated to international students only. It is very important to review each of the military service's cancellation penalty policy messages that are updated each year. Some courses identified in the messages are assessed 100 percent penalties no matter when the course is cancelled once it has been on the STL in confirmed status for thirty days. The policy messages can be found on the International Training Management website (<https://www.dscu.mil/pages/itm/messages.aspx>).

## **STUDENT ADMINISTRATION**

Student administration is very important aspect to a training program, which, when done appropriately, greatly enhances the student's overall training experience. This administrative process can be separated into three distinct phases: pre-training, during training, and post-training.

### **Pre-Training Phase**

The pre-training phase is the responsibility of the overseas SCO training manager in conjunction with host country counterparts. It begins with the selection of a prospective IMS.

#### ***Student Selection Criteria***

Synthesizing DoD guidance on the type of person to be given preference for training under SA/SC, one can construct a composite of student requirements:

- Leadership potential: Individuals who are in the future likely to occupy key positions of responsibility within the host nation's armed forces
- Retainability: Career personnel, in the case of professional-level schools
- Utility: Persons who will be employed in the skill for which they are trained for a sufficient period of time to warrant the training expense

To broaden the capability of the foreign military establishment, consideration should also be given to training persons with instructor ability, either as the prime reason for training, or as follow-on training to technical instruction. Thus, the train-the-trainer concept.

SCO personnel are instructed to follow the above guidance and emphasize these criteria when projecting country IMET program requirements. Countries requesting FMS training apply the same criteria for the same reasons, i.e., proper and effective utilization of human and materiel resources.

Other aspects of the pre-training phase include determining whether the IMS meets the physical and language prerequisites for the course, scheduling English language training if needed, ensuring medical and dental examinations are completed in accordance with policy, determining how medical costs will be paid, and verifying IMS has correct documentation to enter the U.S. Of particular importance is the security screening of IMS candidates and authorized accompanying family members through processes such as:

- Local Security Screening for unfavorable criminal activities.
- Leahy Vetting for gross violations of human rights
- DoD Security Screening for authorization of unescorted access to DoD installations in the U.S.

These security screenings will be discussed in more detail below.

### ***Local Security Screening***

For all U.S.-sponsored training programs (regardless of funding), thorough and effective security screening must be conducted by the embassy country team for IMS candidates and their authorized accompanying family members to ensure they have no history of involvement in human rights abuses, drug trafficking, corruption, criminal conduct, and/or other activities that are inconsistent with U.S. foreign policy goals. This is known as Local Security Screening, or sometimes just Local Screening. It is up to each country team to determine how that screening process will be conducted and then document the process in local standard operating procedures (SOPs) and the CETPP. Normally, the following U.S. organizations in the embassy country team assist in the screening process: Human Rights Officer, Regional Security Officer (RSO), Drug Enforcement Agency (DEA), Consular Section, Pol-Mil, Defense Attaché Office (DAO), and other offices as appropriate. If an individual's reputable character cannot be validated, the individual will not be approved for training.

### ***Leahy Vetting***

In addition to Local Security Screening by the country team, increased congressional interest in human rights violations worldwide has resulted in more stringent statutory guidance and limitations on training, especially that which is funded with U.S.-appropriated dollars. The so-called Leahy Law or Leahy Amendment—named after Senator Patrick Leahy of Vermont—was first enacted in 1997 as part of the annual appropriations act for State Department (Title 22) managed programs, such as IMET. It prohibited use of appropriated funds for foreign security force units implicated in human rights violations unless the Secretary of State determined that the host nation was taking effective measures to bring those responsible to justice. Over the years, the Leahy Amendment has taken different forms and is now permanently in FAA Section 620M, which states that no assistance shall be furnished under the FAA or the AECA to any unit of the security forces of foreign country if the Secretary of State has credible information that such unit has committed a gross violation of human rights. Similar language occurs for DoD-funded training in U.S. Code Title 10, Section 2249e, which states, in general, of the amounts made available to the DoD, none may be used for any training, equipment, or other assistance for a unit of a foreign security force if the Secretary of Defense has credible information that the unit has committed a gross violation of human rights. The Secretary of Defense shall, in consultation with the Secretary of State, ensure that, prior to a decision to provide any training, equipment, or other assistance to a unit of a foreign security force, full consideration is given to any credible information available to the Department of State relating to human rights violations by such unit. Exception: The prohibition in subsection (a)(1) shall not apply if the Secretary of Defense, after consultation with the Secretary of State, determines that the government of such country has taken all necessary corrective steps, or if the equipment or other assistance is necessary to assist in disaster relief operations or other humanitarian or national security emergencies. Waiver: The Secretary of Defense, after consultation

with the Secretary of State, may waive the prohibition if the Secretary determines that the waiver is required by extraordinary circumstances.

The purpose of the DoS and DoD Leahy Laws is three-fold:

1. To ensure that FAA and AECA-funded assistance and DoD Annual Appropriations-funded training do not support units or individuals who have committed a gross violation of human rights
2. Encourage accountability and professionalism in foreign security forces
3. Protect the U.S. Government (USG) from accusations that the USG supports human rights abusers

Once the country team has accomplished their local screening to validate a student's reputable character, depending on certain requirements such as if DoS or DoD funds are being used to pay for the training, the country team then submits the student's name and unit name along with some additional student information via the International Vetting and Security Tracking (INVEST) system to the DoS in Washington DC to be Leahy Vetted for gross violation of human rights. If all students are from the same unit when being trained by a "team" of instructors in country, the unit as a whole is Leahy Vetted by submitting the unit name and unit commander's name via INVEST to the DoS in Washington DC. The DoS's vetting process usually takes a minimum of ten days, upon which the DoS will reply to the country team approving or rejecting the individual or unit to attend training. Additional information regarding human rights can be found in Chapter 16 of this textbook.

The DoS has implemented two policies in order to reduce the burden of work on the embassy country team and the SCO in regards to Leahy Vetting. First, for certain "fast-track" countries, only embassy-country, team-level screening is required for the SCO to continue processing the IMS. Second, the Leahy vetting performed by the DoS is good for a one-year period. So, an IMS returning to the U.S. for training within a year of vetting does not have to be vetted again. Detailed IMS screening and Leahy Vetting guidance and information, including the fast-track countries, can be found on the Security Assistance Network (SAN) under the training menu.

The embassy country team must document their process for local student screening and Leahy Vetting in local standard operating procedures (SOPs) as well as the Combined Education and Training Program Plan (CETPP).

It is important that all DoD components be on the lookout for Gross Violations of Human Rights (GVHR) by units of foreign security forces and report any relevant information in their possession about a violation to OUSD(P) through the Joint Staff, as appropriate.

Once a unit is on the "tainted" list and not eligible to received training due to Leahy Vetting, the question often arises is it ever possible to train that unit again under Security Cooperation? The answer is yes, provided approval is granted through the Remediation Process described below.

The Secretary of Defense published a memo dated 10 February 2015 titled "Additional Guidance on Implementation of Section 8057(b), DoD Appropriations Act, 2014 (Division C of Public Law 113-76) (the DoD Leahy law) and New or Fundamentally Different Units" which describes the steps required for a unit of the security forces of a foreign country that has been implicated in a Gross Violation of Human Rights (GVHR) to regain eligibility for DoD-funded and DoS-funded assistance. Furthermore, it addresses the assessments the Departments will undertake to determine whether an implicated unit remains ineligible or can again be deemed eligible, for assistance.

In a nutshell, the following actions need to be documented and submitted for approval in accordance with the SecDef memo to resume SC training:

1. Impartial and thorough investigation
2. Credible judicial or administrative adjudication
3. Sentencing of comparable administrative action

### ***DoD Security Vetting***

DoD Security Vetting is a new vetting process conducted by the Defense Counterintelligence and Security Agency (DSCA) based on information provided by the SCO. This security vetting applies to IMS and their adult Accompanying Family Members (AFM) when the training is in the U.S. and the IMS/AFM will require unescorted access to DoD facilities (known as Credentialed Recurring Access (CRA)). This vetting will determine whether unescorted access to a DoD installation should be approved. The vetting is designed to more closely align with vetting requirements applicable to U.S. personnel who access the same DoD installations, and are designed to improve the safety for all personnel, programs and installations. At the time of this writing the policies, procedures, requirements and implementation are still being worked out. Once these have been firmly established DSCA will update the SAMM with this information.

### ***Medical Screening and Medical Coverage***

The SCO must ensure that the student and any accompanying dependents are medically screened by a qualified physician and dentist to be sure they are physically fit to attend training and have no communicable diseases. The medical screening must be accomplished within three months of departure from home country to the first training location.

The SCO also must determine how medical coverage will be paid in the event the student and/or accompanying dependents get hurt or sick while in training. The five ways medical coverage can be paid are as follows:

1. Foreign Government Indemnification
2. FMS Case
3. Grant Program (covers the student only)
4. Reciprocal Health Care Agreement (RHCA) or NATO/Partnership for Peace (PfP) Status of Forces Agreement (SOFA) (RHCA and PfP SOFA cannot be the only means of coverage. One of the other options must be identified as well in order to cover expenses that are not covered by this option.)
5. Commercial Healthcare Insurance

The SCO will identify, on the student's Invitational Travel Order (ITO), the medical screening date as well as the means of medical coverage for the student and any accompanying dependents.

For detailed guidance on medical screening and medical coverage requirements, refer to DSCA's guidance in the SAMM, C10.8.5 and C10.9.

### ***Student Pre-Departure Briefing***

The JSCET requires the SCO to provide each IMS with a thorough pre-departure briefing that is appropriate to the needs of IMS from that country. To assist in this effort, DSCU has prepared an online pre-departure briefing that discusses many of the topics that should be included in the pre-departure briefing. It makes use of internet-based materials and is available in English. The IMS pre-departure briefing is available via the International Training Management (ITM) website.

## ***Arrival Message***

It is absolutely essential that the SCO provides timely notification to the IMSO at the first training location as to when and where the IMS will arrive. This will enable the IMSO to meet students at the airport and get them successfully checked into billeting, thereby ensuring students begin their training with a positive experience. The JSCET requires that the training activity receives this notification at least two weeks before IMS arrival. If the IMS is to be accompanied by dependents, the notification must be received thirty days prior to IMS arrival. DSCA policy is that arrival messages will be provided via SC-TMS and appear on the SAN. Late or nonexistent arrival messages continue to be a serious problem for the IMSO. If there are last-minute changes, the SCO should make every effort to inform the IMSO of the change.

## ***Invitational Travel Order***

When authorized by the MILDEP, the SCO generates an Invitational Travel Order (ITO) using the Security Cooperation Training Management System (SC-TMS). The ITO identifies where and when the IMS is authorized to receive training, provides the accounting information to pay for TLA if needed, and provides guidance for determining the extent of funded support, student status, and entitlements that the IMS is authorized while attending DoD training. An ITO is required for all IMS who are to receive U.S. training. As it is the student's official proof of authorization for training, it is one of the most important document the IMS possesses. Attachment 14-2 is a sample ITO. DSCA has made ITOs mandatory for all IMS, even if the training is at a contractor training facility. Other student-processing requirements are as specified in the JSCET, Chapter 10.

## ***During Training Phase***

While in training, IMS should be treated the same as their U.S. military counterparts. In fact, although there are international-only courses, the majority of IMS are integrated directly into classes with U.S. students. Courses can be conducted in a formal classroom setting, at a functional job site through OJT/OBS, through self-paced computer-assisted training, and/or through OTs. IMS training can take place in almost any location where U.S. military personnel are based; nearly every DoD installation in the U.S. has hosted an IMS at one time or another.

Although IMS are integrated into the U.S. military education and training system as fully as possible, they still have some unique requirements. To assist the IMS while in training at a schoolhouse, the military services have directed that each installation or training activity involved in international military training designate an individual to serve as its International Military Student Officer (IMSO).

## ***International Military Student Officer***

IMSOs play a key role in international training. They serve as the training installation point of contact for all international training issues. Thus, the IMSO is responsible for ensuring that adequate billeting, messing, and all other IMS-support requirements are satisfied. Most training activities with a large number of IMS have dedicated offices that handle IMS-support issues. For training activities with smaller throughput, the IMSO function may be assigned to an individual as an additional duty. The IMSO is truly responsible for the complete care, feeding, and well-being of the IMS while at the training activity. Included in these responsibilities is the important task of conducting the U.S. Field Studies Program (FSP).

***United States Field Studies Program.*** In accordance with DoDI 5410.17, *U.S. FSP for International Military and Civilian Students and Military-Sponsored Visitors*, commanders of DoD and military service training activities installations are responsible for establishing, operating, and administering a field studies program (FSP) for international students attending SC sponsored training at their installations. The intent of FSP is to provide students with a balanced understanding of U.S.



institutions, goals, and ideals and to increase their awareness of how these reflect the U.S. commitment to the basic principles of internationally recognized human rights. This is usually accomplished by taking international military students on field trips and other events that cover specific facets of the American democratic way of life identified in DoDI 5410.17. Costs associated with the implementation of the FSP shall be included in the course tuition.

### ***Country Liaison Officers***

Country Liaison Officers (CLOs) are assigned by the host country to be responsible for their IMS administration and discipline during training. CLOs are not normally in training themselves. They may accompany a particular group of students for a specified course of training or they may be assigned on a more permanent basis with responsibility for all of their countrymen in training at that location. If no CLO is assigned for a particular country, that country's senior student at each training installation is assumed to be in charge of his country's personnel in training for required administrative or disciplinary actions. The next level of command is assumed to be the country's defense, military, Army, Navy, or Air Force attaché or ambassador assigned to the U.S. If student disposition is in question, U.S. channels of communication go from the IMSO at the schoolhouse, through the military service training activity, and then to the SCO for resolution of problems and/or clarification of the sponsoring country's desires.

### **Post-Training Phase**

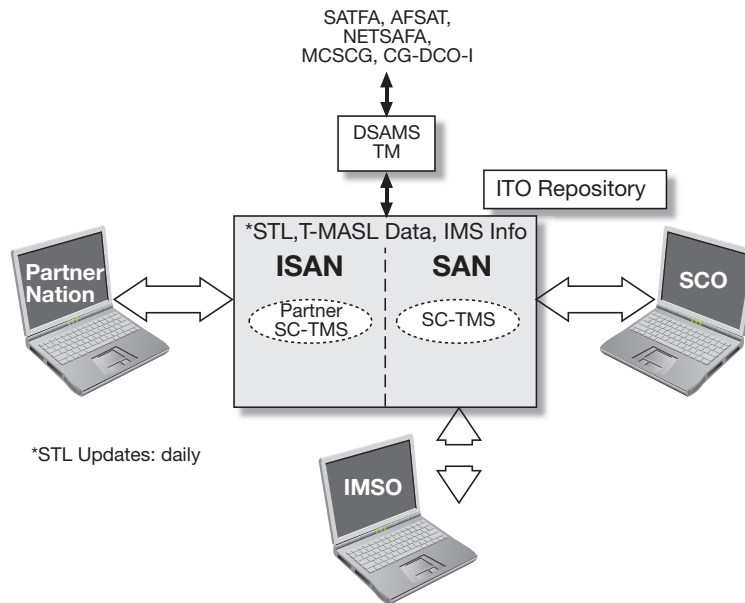
To close the loop, the SCO training manager or representative should debrief the IMS when they return from training, thus performing a quality assurance check on the IMS's training experience. The retainable instructional material (RIM), consisting of course material such as notes, books, etc., that is issued to the IMS will be shipped from the training activity to the SCO. SCOs are advised to keep a log of when RIM is turned over to the country to be provided in turn to the IMS. Likewise, the IMS academic report should be uploaded into SC-TMS by the IMSO for viewing by the SCO who will provide it to the country and student according to locally established procedures. The SCO is responsible for monitoring the utilization of an IMS upon return to country, especially if the IMS was trained under the IMET program.

## **TRAINING PROGRAM AUTOMATION**

U.S. SC training managers use multiple automation systems for the successful management of training programs. These tools include the International Training Management (ITM) website, the Security Assistance Network (SAN), and the Security Cooperation–Training Management System (SC-TMS). Additionally, international customers use the ITM website, the International-Security Assistance Network (ISAN), and Partner SC-TMS (P SC-TMS) to manage their training program. Military Service Training Activity program managers primarily use the Defense Security Assistance Management System–Training Module (DSAMS-TM) but may have access to the SAN and SC-TMS as well. Figure 14-3 illustrates the automation tools available and who uses them.



**Figure 14-3**  
**Training Program Automation**



### International Training Management Website

The DSCU-hosted ITM website is available at <https://www.dscu.mil/pages/itm/itmhome/>. It is an invaluable tool for those involved in international training, providing one-stop access to a large collection of SA/SC training related materials: all current and relevant references, policies, messages, guides, and other helpful publications. The intended users are SCOs, IMSOs, DoD/MILDEP/military service training managers, IMS, and international training managers.

### Security Assistance Network

The SAN is an internet-based, controlled access system used by SCOs, IMSOs, and other members of the DoD SC training community worldwide. The SAN is a portal used to access SC-TMS. Rosters for CCMD, military service training activities, DSCA, and DLIELC points of contact are available via the SAN training menu. SCO support on the SAN is provided by the CCMD user group administrator, but requests for assistance can also be directed to DSCU. See Appendix 1 of this textbook, "Security Cooperation Automation," for further information on the SAN.

### SC-TMS for IMSOs

IMSOs have access to certain functions within the Security Cooperation-Training Management System (SC-TMS) based on the IMSO role type. IMSOs are able to see and manage training as well as IMS at their schoolhouse. Functions available to the IMSO within SC-TMS include the following:

- Review course data and course descriptions contained in the Training - Military Articles and Services List (T-MASL)
- Input information about their schoolhouses (location information)
- Input specific information about their courses that are important for IMS (international notes)
- Input specific information on individual IMS including IMS travel and training status

- Submit IMS arrival/enrollment and completion/departure reports and other progress messages
- Maintain point of contact and detailed training location information

### ***SC-TMS for SCOs***

SC-TMS for SCOs provides the SCO a way to manage their country's SC training program. Functions available to the SCO through SC-TMS include the following:

- Access Standardized Training List (STL)
- View course information via the T-MASL
- View remarks entered by IMSOs and MILDEPs
- View current status of IMS
- Enter student biographical information
- Create Invitational Travel Orders (ITO) and ITO Amendments
- IMS arrival information
- SCO POC information
- Access IMSO point of contact (POC) and location information
- Access Military Service Training Activity Country Program Manager POC information
- Submit the CTIWFP IMS nomination form
- Prepare and submit the CETPP

### ***I-SAN and Partner SC-TMS***

The I-SAN and Partner SC-TMS (P SC-TMS) provide training program information to partner nation training counterparts, giving them access to some of the same country training data to which the SCO has access (such as the STL and T-MASL). In order for the host nation to gain access to the I-SAN and P SC-TMS, the SCO training manager must submit a request through the SAN to DSCU providing justification on why the host nation needs access to the I-SAN and Partner SC-TMS.

### **Defense Security Assistance Management System Training Module**

DSAMS-TM is the DoD joint SA/SC training management system for use by military service organizations. T-MASL information is loaded into DSAMS and made available on the SAN. Training requests by the SCO training manager are also programmed into DSAMS-TM and then passed to the SAN in the STL. Once course quotas are confirmed, ITO authorizations are passed via DSAMS to SC-TMS. The SCO training manager can then view and act upon the information in SC-TMS.

## SUMMARY

Training has been called the “people side” of SA/SC. People fly airplanes, drive tanks, and command ships. People install, test, calibrate, and repair equipment. People manage information systems, fill requisitions, devise force postures, and implement operational plans and strategies. As long as people engage in all these activities, individual training will remain a long-lasting and indispensable part of U.S. SA and SC efforts.

## REFERENCES

AFSAT, *USAF International Military Student Officer Handbook*.

AR 12-15; SECNAVINST 4950.4A; AFJI 16-105, *Joint Security Cooperation Education and Training Regulation*.

DLIELC, *Catalog of Materials, Courses, and Support* (Published Annually).

DLIELC Instruction 1025.15, *English Comprehension Level (ECL) Test Guidelines*.

DLIELC Instruction 1025.7, *Planning & Programming Security Cooperation English Language Training*.

DLIELC Instruction 1025.9, *Management of DLIELC Oral Proficiency Interview (OPI)*.

*DLIELC Student Handbook*

DoDI 5410.17, *United States Field Studies Program (FSP) for International Military and Civilian Students and Military-Sponsored Visitors*.

DSCA Manual 5105.38-M, *Security Assistance Management Manual (SAMM)* Chapter 10  
<https://www.samm.dsca.mil>.

*English Language Training Support for SCOs Handbook*

MCSCG, *Security Cooperation Office Desktop Guide*.

MCSCG, *U.S. Marine International Military Student Officer Desktop Guide*.

NETSAFA, *International Military Student Officer Guide*.

NETSAFA, *U.S. Navy International Training & Education Catalog*.

# Attachment 14-1 Sample Standardized Training List

Case Identifier		Trk	Name	Bandaria			STL Report				ECL	Stu Class	T+LA	Other	Total Cost	FS
Sfx	MASL	MASL Title		AN	ECL	Dur	Loc	Report Dt	SC Grade	Start Dt	End Dt	TLSSec	Ph Est	U Price		
BN-B-15001-0001																
MED																
A	B365003	MEDICAL COST-CONUS-IMET		MF	0.0	0.0	B834					P	U	A	2015	\$0
B	B365003	MEDICAL COST-CONUS-IMET		MF	0.0	0.0	B834					P	U	B	2015	\$0
C	B365003	MEDICAL COST-CONUS-IMET		MF	0.0	0.0	B834					P	U	D	2015	\$0
BN-B-15001-1100																
IMS																
A	B171807	INTERNATIONAL FELLOWS ORIENTATION		AA	80	6.0	217	19-Jun-15	22-Jun-15	31-Jul-15	10-Jun-16	C	U	A	2015	\$6,577
B	B171800	ARMY WAR COLLEGE (RESIDENT COURSE)		AA	80	45.0	217	31-Jul-15	03-Aug-15	10-Jun-16	C	U	A	2015	\$14,651	
BN-B-15001-1101																
IMS																
Vulke Hadin																
A	B171766	INTERNATIONAL OFFICER PREPARATORY		AA	80	2.8	701	19-Jun-15	30-Jun-15	17-Jul-15	C	U	A	2015	\$1,859	
B	B171782	COMMAND AND GENERAL STAFF		AA	80	1.6	701	20-Jul-15	22-Jul-15	31-Jul-15	C	U	A	2015	\$1,558	
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Programmed Totals for SATFA : \$377,478

12/9/2014 STL Report Selection Criteria-- CC:All CaseID:151 IA:All FY: ProgType:All

Page 1 of 3

**Attachment 14-2**  
**Sample Invitational Travel Order (ITO)**

SAMPLE - ITO - NOT OFFICIAL - USE FOR TRAINING PURPOSES

Invitational Travel Order (ITO) for International Military Student (IMS)

1. ITO Number: BNB20I0011404      2. Country/Organization: Bandaria      3. Date: 01-Apr-20

The U.S. Government hereby issues this ITO for the IMS herein named to attend the course(s) of instruction herein listed, subject to the terms and conditions contained herein, and as may be amended by competent authority. This ITO is the only document that will be used and is valid only for the IMS entering U.S. training under the Foreign Assistance Act of 1961, as amended, or the Arms Export Control Act.

Definitions of acronyms and abbreviations contained in this document, and instructions for completing this form are provided in the Joint Security Cooperation Education and Training Regulation, JSCETR / Joint Security Assistance Training Regulation, JSATR (SECNAVINST 4950.4A/AR 12-15/AFI 16-105). This computer generated, letter format ITO is authorized in accordance with the Security Assistance Management Manual (SAMM), DoD 5105.38-M.

4. Issuing Security Cooperation Organization (SCO).

a. Name of Organization: ODC Bandaria  
b. Mailing Address: Unit 8874, Box 3333  
DPO, AP 55555-6354  
c. E-mail Address: Tom.Trainer@state.gov

5. Program Type: IMET: 1-Year Intl. Military Education and Training BN-B-20I001

6. IMS Information:

a. Surname: Torres  
First Name: Dante  
b. Sex: MALE  
c. Country Service Rank: LTC  
d. U.S. Equivalent Rank/Pay Grade: O5  
e. Country Service: Army  
f. Country Service Number: 0-321456  
g. Date of Birth: 09-Dec-69  
h. Place of Birth: Harare, Bandaria  
i. Passport Number: 488885594  
j. Country of Citizenship: Bandaria  
k. Visa Number: F88850050  
l. Visa Type: A-2  
m. Military Unit/Organization: 1st Division  
n. Mobile/Cell Phone: 0998-555555  
o. Email Address: tdante@gmail.com

7. Invitation.

The Secretary of Department of the Army invites the IMS listed in Item 6 of this Order, to proceed from Bandaria to San Antonio, TX 78236, reporting on 07-Apr-20 for the purpose of commencing training listed in Item 8 of this order.

8. a. Authorized Training: No additional training to that specified in this order will be provided.

CASE: 20I001

a. WCN: 1404L1      MASL: D177014Title: PROFESSIONAL MILITARY EDUC Military  
Service Course No: DLIELC      School: DLIELC, LACKLAND AFB TX  
Location: San Antonio, TX 78236      Report Date: 07-Apr-20      End Date: 12-Jun-20

CASE: 20I001

b. WCN: 1404A      MASL: B171766Title: INTERNATIONAL OFFICER PREP Military  
Service Course No: 2G-F67X      School: COMMAND & GENERAL STAFF COLLEGE  
Location: FORT LEAVENWORTH, KS 66027-1352      Report Date: 15-Jun-20      End Date: 17-Jul-20

CASE: 20I001

c. WCN: 1404B      MASL: B171782Title: COMMAND AND GENERAL STAFF Military  
Service Course No: 2G-F68      School: COMMAND & GENERAL STAFF COLLEGE  
Location: FORT LEAVENWORTH, KS 66027-1352      Report Date: 18-Jul-20      End Date: 27-Jul-20

CASE: 20I001

d. WCN: 1404C      MASL: B171768Title: COMMAND AND GENERAL STAFF Military  
Service Course No: 1-250-ILESchool: COMMAND & GENERAL STAFF COLLEGE  
Location: FORT LEAVENWORTH, KS 66027-1352      Report Date: 28-Jul-20      End Date: 11-Jun-21

\*\*\*\*\*Last Line\*\*\*\*\*

9. Funding.

Fund Cite: 57575743933300040405577388484055555

10. Language Prerequisites:

a. Highest Required ECL: 80  
b. IMS completed in-country English language testing as follows:  
ECL Exam No: 657      Date Completed: 03-Mar-20      Score: 75

11. Security and Student Screening:

a. Human Rights, Security, and Medical screening have been completed in accordance with SAMM Section C10.8., and JSCET paragraph 10-39 for IMS listed in item 6 of this order. The IMS was properly screened via Department of State (INVEST) and within DoD, Homeland Security and other required databases for records of Gross Violations of human rights, Human Rights abuses, drug trafficking, support of terrorist activity, corruption, criminal conduct, or other activities inconsistent with U.S. policy goals. This in and of itself does not permit the disclosure of classified U.S. information. Such disclosure must be specifically authorized by an officially delegated authority and U.S. foreign disclosure regulations or directives. The IMS may require a security clearance to gain computer access or building/site access associated with training.  
1). The highest U.S. classification level required for training is: Secret.

## Attachment 14-2 (Continued) Sample Invitational Travel Order (ITO)

2). The U.S. equivalent security clearance level granted to the IMS by the home government is Secret.

12. Conditions:

- a. Dependents: Dependents are authorized by U.S. authority to accompany the IMS or join the IMS while in training. Dependents are not authorized to be transported or subsisted at U.S. Government expense. Only the following authorized dependents will be issued the U.S. DoD/Uniformed Services Identification and Privilege Card.  
Accompanying Dependents:

Approval for Accompanying Dependents:

English Language Training MilDep/DLIEC approval required.  
Non-English Language Training/Follow-on Training Approval Source. C10.T11. Schoolhouses/Courses where Dependents are Authorized to Accompany IMS (at No Cost to the USG).

Accompanying Dependents:

Name	Relation	DOB	Passport No.	Visa No.	VISA Type
Loralle Torres	Wife	16-Nov-71	77749959504	5775993449	A-2

b. Medical Services.

IMS:  
IMS under IMET.  
Charges for DoD and Military Treatment Facility-referred civilian medical and emergency dental care are chargeable to the IMET program and will be forwarded to the appropriate MILDEP for processing.  
MilDep Billing Address: Army: HQ MEDCOM ATTN:MCRM-F  
2748 WORTH RD STE 9  
JBSA Fort Sam Houston, TX 78234  
Or items may be scanned and emailed to:  
usarmy.jbsa.medcom.mbx.medcom-ims@mail.mil  
  
DD Forms 7 and or 7A will be used for DOD reimbursements and SF 1034 for civilian reimbursements.

(d) Medical Examinations (Before CONUS Arrival)  
Medical examination, to include HIV Test, was completed on 25-Mar-20.

Dependents:  
Dependents.  
Non-NATO/PfP SOFA Authorized Dependents-Insurance. Dependent has acquired MilDep-verified qualifying health insurance for DoD and civilian medical care covering the entire period he/she will be present in the U.S. for scheduled training.

Health Insurance:  
Company: United Health  
Policy Number: AV345678  
Address: 999 10th St., Tacoma, WA 55555  
Phone: 800-555-7634

c. Participation in Hazardous Duty.  
IMS is authorized to participate in hazardous duty training.

d. Physical Fitness Training.  
Participation in physical fitness training is required. Check SC-TMS Course Description, International Notes, and Prerequisites for prerequisite physical fitness requirements.

e. Leave.  
Upon completion of training, IMS is authorized 5 days leave at no cost to the U.S. government. Upon completion of leave, IMS will proceed immediately to home country or as directed by competent authority.

f. Living Allowances.  
Living allowance (Lodging and meals and incidentals) is chargeable to the fund cite indicated in Item 9 of this Order.  
Living Allowance Advance: This International Military Student (IMS) has been given a Living Allowance Advance in the amount of \$550 that was charged to the fund cite in Item 9 prior to departing country.

g. Travel.  
Travel cost (to/from Home country and U.S.) is chargeable to the fund cite indicated in Item 9. Travel cost to/from follow-on training at another CONUS location is chargeable to the fund cite indicated in Item 9, and in accordance with SAMM C10.13 policy.  
IMS has been issued one way ticket to San Antonio, TX.  
The cost of the ticket is (\$)\$1,500; GOV TRANS REQ (GTR No.) is 4665755.

h. Travel by POV.  
IMS is not authorized to travel by POV.

i. Baggage.

Allowances outlined below apply for the portion of the travel costs payable from U.S. appropriated funds. Baggage sizes and dimensions are to conform to carrier stipulations.

4. Four total pieces of checked baggage, not to exceed carrier stipulations, are authorized for IMS when education/training is 24 weeks and longer.

NOTE: If the airlines will not accommodate the authorized baggage cited above, the IMS should ship the unaccommodated, but authorized, baggage the most economical way (e.g., FEDEX, UPS, USPS), and seek reimbursement for that cost. Schoolhouse IMSOs should monitor the baggage policies and latest surcharge costs for the carriers used from their commonly-used airports for changes, and inform



## Attachment 14-2 (Continued) Sample Invitational Travel Order (ITO)

SCOs when additional authorizations are needed on the ITOs.

### Unauthorized Baggage

Shipment of baggage in excess of the weight allowance is not authorized. Disposition of unauthorized baggage is made at the expense of the student or the IMS' government. Commanding officers of the training or administrative installation should ensure that unauthorized baggage is shipped at the student's expense prior to his/her departure from the installation. IMS reporting to ports of departure with unauthorized baggage are requested to forward the unauthorized baggage by commercial means at their expense. If lack of time prohibits this, the traffic representative takes unauthorized baggage into custody, and the IMS is given a receipt for the baggage. The IMS will travel on the scheduled flight or carrier. After departure, the traffic representative delivers the unauthorized baggage to the IMS' consulate.

### 13. Terms:

- a. Prior to departure from home country, the IMS and dependents listed herein are required to be medically examined and found physically acceptable in accordance with the health provisions of the Immigration and Nationality Act (8 USC 1182(A)(1)-(7)); Public Health Service, Department of Health and Human Services, 42 CFR Part 34, Medical Examination of Aliens, and 42 CFR Part 71, Foreign Quarantine; applicable U.S. MILDEP regulations; and other U.S. laws or DoD directives and regulations which may be enacted from time to time.
- b. The home country will ensure that the IMS has sufficient funds in United States dollar instruments to meet all expenses while en route to and to include living allowance for not less than the first 2 weeks and not more than 30 days of training, pending receipt of applicable pay and allowances by the IMS.
- c. The IMS and dependents listed are required to acquire and maintain healthcare insurance coverage through the duration of their training in the United States. The IMS will be responsible for custodial fees and personal debts incurred by self or family members. This includes accepting responsibility for reimbursing the providers of all emergency/ non-elective medical costs for the IMS and all authorized dependents during their stay in the United States. If the IMS permits his healthcare policy to lapse, is unable to meet these financial obligations and the home country government has not agreed to indemnify the costs, the IMS may be withdrawn from training and returned to home country. This will jeopardize future grant funding and training allocations for the country. Despite the lack of an indemnification letter from the foreign government, the IMS' government will still be expected to pay for all medical costs to treat an IMS and/or authorized dependents for any pre-existing condition, including, pregnancy coverage, high blood pressure and dialysis.
- d. The IMS will bring adequate uniforms and work clothing for field duty or technical work. U.S. fatigue uniforms and footwear will be purchased by the IMS in the event that the country work uniforms are inadequate. When flying training is involved, required special flight clothing and individual equipment will accompany the IMS, or provisions will be made by the home country or the IMS to obtain the use of all necessary equipment prior to start of training. The IMS will also possess adequate civilian clothing for off-duty wear.
- e. The Government of the United States is responsible for IMS travel which is part of the training program and for which costs are part of the course tuition.
- f. The IMS will comply with all applicable U.S. Military Service regulations.
- g. The United States may cancel training and return to country IMSs who violate U.S. law or Military Service regulation or who are found otherwise unsatisfactory. The IMS government will be alerted to such action in accordance with U.S. MILDEP regulations.
- h. The Government of the United States disclaims any liability or financial responsibility for injuries received by the IMS listed herein while in transit to and from the training installation, while undergoing training or while in leave status, and any liability or financial responsibility for personal injury claims or property damage claims resulting from the IMS action.
- i. The IMS will participate in flights of U.S. military aircraft as required for scheduled course(s) or as specified in U.S. MILDEP regulations.
- j. The acceptance of this order by the host country constitutes agreement that an IMET funded student will be utilized, upon return to the host country, in the skills for which he was trained for a period of time sufficient to warrant the expense to the U.S. Government, in accordance with the SAMM, Chapter 10.

### 14. Implementing Authority:

a. MILDEP AUTHORIZATION: ARMY STL

b. Date: 09-Jan-20

### 15. Special Remarks:

For the duration of this ITO, any use or possession of a privately owned firearm or ammunition in the United States, by the IMS or an IMS' authorized dependent is grounds for immediate disenrollment from DoD training.

LTC Torres, wife will join him during his training at Fort Leavenworth, KS on 18 July 2020.

### 16. Distribution:

COMMAND & GENERAL STAFF COLLEGE  
FORT LEAVENWORTH, KS 66027-1352  
DLIELC, LACKLAND AFB TX  
San Antonio, TX 78236

### 17. ITO Authorization:

a. Signature of U.S. Authority Authenticating Orders:

// SIGNED //

Col. Max Precision  
ODC Chief

b. Title:



# A COMPARISON OF FOREIGN MILITARY SALES AND DIRECT COMMERCIAL SALES

## INTRODUCTION

In today's global economy, nations and international organizations have numerous choices among the various military systems produced throughout the world. The selection process must consider many factors such as system cost, performance, delivery schedule, life-cycle logistics support, interoperability, and industrial utilization as well as the political relationship with the selected source nation. International purchasers establish their own prioritized source selection criteria to evaluate the relative benefits and shortcomings of each system under review.

Partners also consider more than one system; often the prospective purchaser will consider one or more U.S. defense systems in their global source selection process. The Department of Defense's (DoD's) official position regarding the customer's selection is clear. The DoD prefers that allies and friendly nations choose to purchase U.S. systems rather than foreign systems (SAMM C4.3.4). The purchase of U.S. defense systems by U.S. allies and partners provides various political, military, and economic advantages derived from the United States and its friends using the same military equipment.

Although the U.S. Government (USG) officially prefers that allies and friends select U.S. systems, the USG is generally neutral regarding the customer's choice to purchase by means of foreign military sales (FMS) or direct commercial sales (DCS) (SAMM C4.3.4). Thus, most U.S. military systems may be purchased through either the FMS process or through DCS. The preceding chapters in this text provided a thorough explanation of the FMS process. This chapter will compare the FMS process to the DCS process.

The purpose of this chapter is to examine the various factors that impact FMS and DCS acquisition decision making. Another pertinent reference that is available on this topic is "A Comparison of Foreign Military Sales (FMS) versus Direct Commercial Sales (DCS)" research paper which is posted on the DSCA Publications website: <https://www.dsca.mil/resources/publications>.

## FOREIGN MILITARY SALES-ONLY ITEMS

Although most defense items, services, or training can be purchased through either FMS or DCS, in limited instances, technology or security concerns may require that sales of specific items be restricted to FMS-Only. The SAMM C4.3.5 outlines the process for designating a particular sale or military item as FMS-Only. Four general criteria are used to determine if a sale is required to proceed through the FMS process. The criteria are (1) legislative/Presidential restrictions; (2) DoD/military department (MILDEP) policy, directive, or regulatory requirement (e.g., the National Disclosure Policy); (3) government-to-government agreement requirements; and (4) interoperability/safety requirements for U.S. forces. These criteria, particularly DoD/MILDEP policy, can be further understood by considering four possible elements:

1. U.S. political/military relationship with the end user. The geopolitical situation and security relationships are taken into account when considering the appropriateness of FMS-Only. The inherent strengths of FMS or DCS licensing methods are also considered in selecting the method that best suits the interests of the United States and foreign purchaser within the context of existing world security circumstances.
2. Sale of a new or complex system or service. FMS-Only may be recommended:
  - To maximize the purchaser's ability to assimilate the technologies and manage its acquisition/logistics
  - For enhanced interoperability and cooperation between U.S. and purchaser's military forces
  - For end items or services that require complex systems integration with other combat systems
  - For end items or services that require access to sensitive U.S. government (USG) databases, libraries, or software-source code
  - For end items or services that require Enhanced End-Use Monitoring (EEUM) or on-site accountability
3. Diversion and exploitation of defense systems technologies. Security of sensitive technologies is an area of particular concern that requires greater scrutiny in the transfer process. Defense systems and munitions that are not particularly complex or sensitive but still require enhanced control to prevent proliferation to rogue states or terrorist organizations, represent another area where FMS may be more appropriate than DCS.
4. Feasibility of separating weapon system components into FMS/DCS elements. At times, purchasers may desire all or a portion of a sale to be DCS. It is possible to separate the FMS-Only aspects of a purchase from the portion that can be DCS.

The Arms Export Control Act (AECA) gives the President discretion to designate which military end items must be sold exclusively through FMS channels. This authority is delegated to the Secretary of State. Generally, this discretion is exercised upon recommendation of the DoD. The MILDEPs and DoD components forward recommendations and rationales for FMS-Only designations to the Defense Security Cooperation Agency (DSCA). DSCA provides FMS-Only recommendations to the DoS for review and approval/disapproval. Defense Technology Security Administration (DTSA), in coordination with the MILDEPS, implements this process through its involvement with the DoS in reviewing commercial export license requests. The DoS will not issue a commercial export license for sales restricted to FMS-Only.

SAMM C4.3.5.2 lists military capabilities and systems by general category that the USG broadly considers to be available for export on an FMS-Only basis. This list is reflected in Table 15-1.

**Table 15-1  
General FMS-Only Categories**

• Select Radars: such as but not limited to AESA, Ballistic Missile Defense, and High-Frequency Phased Array Microwave	• Air-to-Air Missiles
• Attack Helicopters	• Autonomous Weapons Systems
• Ballistic Missile Defense Items: Effectors; Firing Units; Software	• Special Purpose Aircraft Items
• Counter Improvised Explosive Device Items	• Cross Domain Solutions (involving critical U.S. systems)
• Directed Energy Weapons	• Fighter Aircraft
• Ground Based Air Defense Items	• Infrared Countermeasures
• Intelligence Libraries/Threat Data	• LADAR/LIDAR (Laser/Light Detection and Ranging)
• Man-Portable Air Defense Items	• Military Aerosol Delivery Systems
• Missiles	• Mission Equipment/Systems
• Mission Planning Systems	• Missile Technology Control Regime CAT I Items
• GPS/PPS (Allowances made for certain DCS transfers remain in effect)	• Nuclear Weapon/Nuclear Propulsion
• Select Electronic Warfare Items	• Select Sensor Fusion Man-Portable Night Vision Devices
• Sensor Fused Weapons	• Stand Off Weapons
• Sonar	• COMSEC
• Select Torpedoes	• Torpedo Countermeasures
• Anti-Ship Cruise Missile Countermeasures	• Unmanned Aerial Systems and related components

## DIRECT COMMERCIAL SALES PREFERENCE

In instances where the USG is neutral regarding purchase by FMS or DCS, SAMM C4.3.6 permits U.S. defense firms to designate a preference that a sale of their products or services be on a DCS basis. When a company receives a request for proposal from a country and prefers a direct commercial sale, the company may request DSCA issue a DCS preference for that particular sale. Approved DCS preferences are valid for one year and are held within security cooperation offices (SCOs) and at the item-manager level to allow screening of future letters of request. If the applicable implementing agency (IA) receives a request from the purchaser for a DCS preference item, the IA notifies the purchaser of the DCS preference and advises the purchaser to contact the applicable company directly.

Support of a DCS preference is a “best effort” commitment by the DoD. This means that any failure on the part of the IA to comply with the DCS preference will not invalidate any resultant FMS transaction. Items provided on blanket order lines and those required in conjunction with a system sale’s total package approach (TPA) do not normally qualify for DCS preference. Customers funding a purchase using Foreign Military Financing (FMF) funds may be required to purchase by FMS. The Director, DSCA, may also recommend to the DoS that it mandate FMS for a specific sale.

## **COMBINATION OF FOREIGN MILITARY SALES AND DIRECT COMMERCIAL SALES**

The comparison of FMS and DCS is generally intended to evaluate the circumstances of a particular procurement to determine which method offers the greatest advantages. However, SAMM C4.3.5.4.4 permits an overall sale to be separated into an FMS portion and a DCS portion. This means that an entire sale does not have to be FMS simply because there is an FMS-Only component to the sale. The FMS-Only portion can be sold through the FMS process while the remainder of the sale proceeds on a DCS basis. Close coordination is required to ensure that the FMS-Only portion and the DCS portion will interface seamlessly upon delivery to the customer.

In regard to FMS material or services support for DCS, the DSCA Director issued policy memorandum 09-32, "Responses to Industry Requests for FMS Support Relating to DCS." This memorandum (see Attachment 15-4) states that advance planning and coordination are essential in any situation where industry anticipates requiring both DCS and FMS elements in order to fulfill the terms of a DCS contract. Industry is reminded they are not authorized to make commitments on behalf of the USG. Industry should inform the foreign purchaser of FMS articles or services required to support the DCS-purchased equipment. Examples of types of FMS support for DCS include airworthiness certification, training in U.S. military schools, aircraft ferry or other transportation services, or the provision of FMS-Only articles or services. The foreign purchaser should then submit a Letter of Request (LOR) early in the DCS process to obtain the required FMS support.

### **SUSTAINMENT SUPPORT**

Initial acquisition of a major system is just the beginning of what is required to support the system throughout its life cycle. These systems will often be active in the customers' military inventory for more than a decade. Over this period of operational utility, a significant investment will also be made in the form of sustainment support. The method utilized to initially acquire a defense system does not obligate the purchaser to obtain sustainment support for that system through the same original acquisition method. Per SAMM C4.4.3, systems acquired by DCS are eligible to obtain FMS sustainment support for common support items. Likewise, systems acquired by FMS can be supported by DCS if the purchaser desires, with the exception of any FMS-Only sustainment items.

### **UNITED STATES GOVERNMENT SALES SUPPORTING DIRECT COMMERCIAL SALES**

The AECA, Section 30, permits the USG to sell defense articles and services to U.S. companies in connection with a proposed direct commercial sale. Sales may be made to a company incorporated in the U.S. that has an approved export license. To be eligible, the U.S. company must intend to incorporate the item(s) or service(s) being purchased from the USG into end items being sold to a foreign country or international organization. Services may include transportation, installation, testing, or certification directly associated with the sale. Per SAMM C11.T9, the sales must meet the following criteria:

- Sale is to a company incorporated in the United States that has an approved export license for final assembly, manufacture, or concurrent or follow-on support of an end item being procured for the armed forces of a friendly country or for an international organization.
- The articles and services are available only from USG sources or are not available to the prime contractor by other commercial methods at such times as may be required to meet the delivery schedule.
- Any services being provided must be performed in the United States and may include transportation, installation, testing, or certification that are directly associated with the sale. The articles would be supplied to the prime contractor as GFE/GFM if the end item were being procured for the use of the U.S. Armed Forces.



The USG uses a unique sales agreement for the sale of defense articles and/or services to U.S. companies. The SAMM Table C11.T11 outlines the information included in the sales agreement. Payment is required upon signature of the sales agreement. If there is an increase in the cost, the company is required to make additional cash payments to fund the costs. To allow for planning and marketing, IAs are authorized to provide cost and delivery data to authorized potential companies in advance of execution of a sales agreement. Such data are identified as estimates that are not binding on the USG.

## **CONCURRENT FOREIGN MILITARY SALES AND DIRECT COMMERCIAL SALES NEGOTIATIONS**

For most defense articles or services, the customer has the choice to purchase by either FMS or DCS. However, it is the policy of the USG to not compete with U.S. industry for foreign defense sales. Per SAMM C4.3.7, the USG normally will not provide foreign governments with a Letter of Offer and Acceptance (LOA) to sell when it is known that a DCS contract has been requested or is already being negotiated.

If the purchaser obtains FMS data and, later, determines they should request a commercial price quote, the purchaser should cancel the LOR prior to requesting commercial data. If an LOA has been offered and the purchaser, then solicits formal bids from private industry for the same item, the IA should query the country as to its intentions and indicate that the LOA may be withdrawn. If the purchaser requests FMS data after soliciting bids from contractors, the purchaser must supply information to the IA showing that commercial acquisition efforts have ceased before any FMS data is provided. Any exception to this policy must be approved by DSCA. For example, there are some instances where the purchaser's national policy or a specific circumstance might require that both FMS and commercial data be obtained. This type of situation still requires an exception to policy that must be obtained and approved by the DSCA Director.

## **FOREIGN MILITARY FINANCING (FMF) GRANT FUNDING**

Foreign Military Financing (FMF) Grant funding (if available), is generally required to be used through the FMS process. The reason for this requirement is that FMF funds are grant funds provided by the USG in order for the recipient country to enhance their national military capabilities. In general, there is an expectation that the FMS process will achieve a greater level of expenditure efficiency and capability effectiveness than may be consistently obtained through customer-negotiated DCS arrangements. However, per SAMM C9.7.3, FMF funding can, in certain circumstances, be used to fund DCS contracts. Under law, only ten countries are eligible to use FMF funding to finance DCS contracts. The ten countries are Israel, Egypt, Jordan, Morocco, Tunisia, Turkey, Portugal, Pakistan, Yemen, and Greece.

Although ten countries are eligible to use FMF funds in DCS contracts, all FMF-financed purchases must be approved by DSCA on a contract-by-contract basis using *Guidelines for Foreign Military Financing of Direct Commercial Contracts*, which is posted at the DSCA Resources Publications website <https://www.dscamilitary.com/resources/publications>. Commercial contracts financed with FMF must be valued at \$100,000 or more and are intended for the procurement of nonstandard items (items that do not have a national stock number and are not currently being used by the DoD). Offset costs are prohibited from being included on an FMF-financed DCS. Additionally, the prime contractor must be incorporated or licensed to do business in the United States unless DSCA has approved an offshore procurement per the procedures in SAMM C9.7.2.7.3.

## COMPARISON CONSIDERATIONS

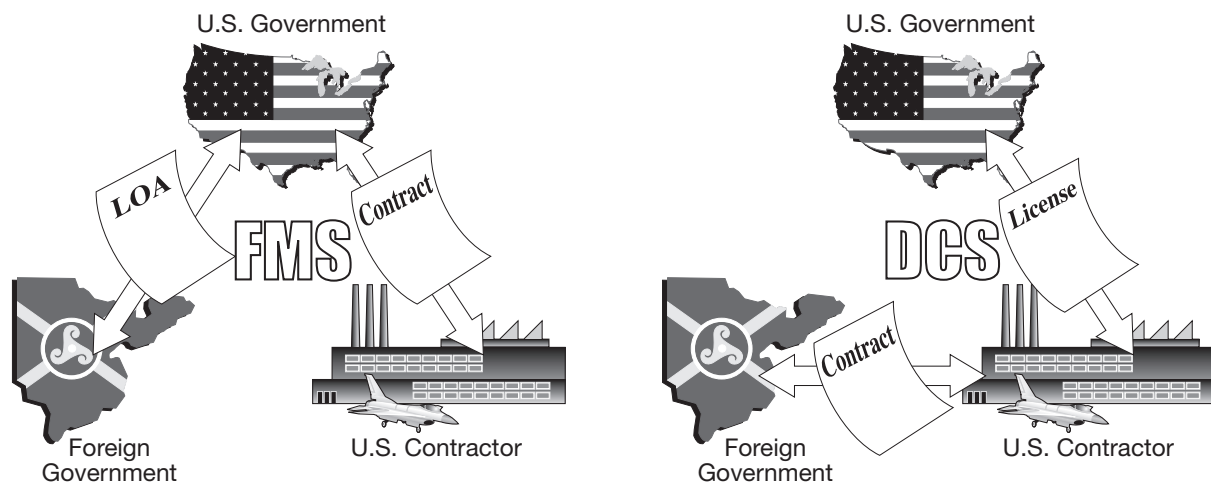
### Relationship Considerations

Under FMS, the customer is entering a direct government-to-government relationship with the USG. In fact, the customer is purchasing directly from the USG. Depending on the political climate, this arrangement can be viewed as either an advantage or a disadvantage. Some nations and international organizations desire the association implied by the FMS interaction. Other governments, where the popular view of the United States is not as positive, may desire to distance themselves from the USG and enter into a DCS arrangement with a U.S. contractor. In this situation, public opinion may view a relationship with U.S. industry more favorably than the direct government-to-government relationship inherent in FMS.

The USG is involved in approving both FMS and DCS. For FMS, DSCA consults with the DoS for approval to develop new FMS cases. For DCS, the contractor must apply to the DoS to obtain an export license. In either method, the DoS makes the final decision to authorize military defense sales.

Under the AECA, both FMS and DCS must be notified to the U.S. Congress if the proposed sale meets or exceeds the statutory dollar thresholds. The statutory Congressional Notification requirements for Foreign Military Sales can be found in Chapter 2 of this textbook. The key difference in Congressional Notifications between FMS and DCS relates to the timing during the acquisition cycle. For FMS, Congressional Notification takes place prior to the U.S. Government contracting with a U.S. contractor for the goods and prior to LOA offering. For Direct Commercial Sales, Congressional Notification takes place following contract signing with the foreign party. This has created a misconception that DCS is faster, because, under DCS, there is a shorter timeline to contract signing. However, this does not necessitate a difference in delivery timeline.

**Figure 15-1**  
**Foreign Military Sales and Direct Commercial Sales Relationships**



All sales of defense articles or services, FMS or DCS, must not negatively impact U.S. strategic national security and foreign policy interests. This determination is made for DCS in the licensing process and for FMS in the internal coordination process of preparing an LOA. Although it rarely occurs, the USG always reserves the right to terminate a DCS export license or an FMS LOA and to halt the actual export deliveries of FMS items or DCS-licensed items when doing so is determined to be in the national interest of the United States.

Other relationship considerations are decisions of technology transfer and disclosure of classified information, as discussed in Chapter 7 of this book. Decisions on technology transfer and disclosure of classified information are also referred to as releasability decisions or releasability policy decisions. Under FMS, the DoD IA engages with the DoD technology transfer and disclosure infrastructure to support releasability for the proposed sale. Generally, releasability must be completed prior to the U.S. Government engaging in technical conversations or prior to issuance of a DCS license to U.S. industry to comply with the avoiding false impressions policy. Under a DCS arrangement, industry must precoordinate the requested scope of the license with the MILDEPS and/or releasability community if the request does not fall within existing export policy allowances. Releasability reviews can be resource-intensive, both in terms of available experienced personnel with knowledge of the capability and system and in terms of funding of the manpower to support the review process. The availability of FMS administrative funding for FMS cases to support these reviews, to include such activities as requirements definition with the partner, Critical Program Information (CPI) assessments and differential capability analysis among other activities, can be an enabler to support first-time exports of complex systems.

### **Management Considerations**

The FMS process is executed by U.S. DoD civilian employees and active duty U.S. military personnel. The direct involvement of DoD personnel in managing the procurement and delivery of a foreign purchaser's programs leads to robust communications throughout the LOA life as many day-to-day program issues are identified, evaluated, and resolved. Often, this level of communication and personal interaction is viewed as a catalyst for building stronger overall military-to-military relationships.

In DCS programs, contractor personnel can be expected to be very knowledgeable about their products. Defense contractors typically employ individuals who possess extensive experience with the DoD and often include individuals with prior active duty-experience in the U.S. military. In spite of this prior DoD experience, many customers value the direct interaction with DoD civilian and active-duty U.S. military personnel offered through the FMS process.

### ***Lead Times***

Care should be taken when comparing timelines under FMS and DCS; neither FMS nor DCS are necessarily faster than the other in general, and many factors impact delivery timelines. The FMS acquisition process involves the development, review, and acceptance of the LOA, plus the assembling of requirements for economic quantity or consolidated purchasing cycles as well as contract negotiations and production lead times. In the FMS process, an individual customer's priorities must be integrated into the overall DoD-acquisition priority.

By contrast, after the company obtains the export license, the DCS system only involves contract negotiations and production lead times. In general, industry prepares its proposal more quickly than the USG prepares the LOA. Under DCS, the customer negotiates its own priority with industry. Industry may be capable of accelerating their processes for commensurate financial compensation. It is also possible that governments with a well-developed purchasing capability can negotiate sales contracts more quickly than the DoD, which is bound to the structured Federal Acquisition Regulation (FAR) process.

For secondary and support items, the DoD may maintain an inventory. In cases of an emergency for the purchaser, if the materiel is available in DoD inventories, it may be possible for the FMS purchaser to achieve faster delivery through shipment from DoD stocks or through the diversion of items that are under production for the DoD. Contractors normally do not produce items in anticipation of sales and generally do not maintain an extensive inventory of defense articles.

## ***Contract Issues***

Whichever procurement method a foreign government decides is best for its situation, some basic form of legal agreement is required. The contract process has several areas that should be evaluated by prospective customers.

Under the FMS system, purchases for foreign governments are made by a well-established DoD contracting network. The DoD is committed to procuring FMS defense articles and services under the same contractual provisions used for its own procurements. This system is designed to acquire the required quality items at the lowest price from qualified sources and to provide for contract administration. In fact, FMS and DoD orders are often consolidated to obtain economy-of-scale buys and, therefore, lower unit prices. Although the DoD's procurement process offers these benefits, the foreign purchaser will be charged an appropriate fee in the LOA for the contracting and administrative services provided by the DoD.

In DCS, the customer assumes contract negotiation and management responsibility. These activities represent overhead management costs to the customer in addition to the actual contract cost. Although it is not necessary for a purchaser to fully duplicate the DoD contracting network in order to make an efficient commercial purchase, the size and skill of the purchaser's contracting staff may be a limiting factor in the quantity and complexity of DCS procurements. Numerous contractors and subcontractors may be involved in supplying the entire package for a major weapon system. As a result, multiple DCS contracts may be necessary to make the total system procurement. The capability and capacity of the purchaser's indigenous procurement system must be evaluated.

## ***Contract Negotiation***

Direct Commercial Sales can allow for more flexible contracting, because U.S. industry is not required to adhere to the same regulatory requirements as the U.S. Government. Customers may wish to participate actively in tailoring the procurement process by fixing delivery schedules, negotiating fixed prices, including special warranty provisions, and ensuring that designated penalties are stipulated for contractor failure to comply with the contractual agreement. Other flexible arrangements that may be negotiated into DCS might include a used-equipment trade-in or a sale involving a barter arrangement as partial payment.

The USG assumes responsibility for the procurement of FMS items. It determines the contract type, selects the contract source, and negotiates prices and contract terms with individual contractors. These negotiations are conducted on the same basis as procurements for DoD purchasers. Under FMS, the foreign purchaser trusts the USG to negotiate a contract that will meet the customer's needs.

The USG generally purchases directly from as many original manufacturers as possible, thereby minimizing the purchase price. This approach avoids going through a single prime contractor to procure various items from subcontractors and, therefore, also avoids the associated prime contractor price mark-ups on subcontracted components. Unless a country's purchasing staff is sufficiently large and skilled, a comparable procurement approach of purchasing directly from subcontractors cannot be duplicated in DCS.

## ***Contract Administration***

Under FMS, contract quality assurance, inspection, and audit services are routinely provided and are included as standard components of the overall FMS price.

For commercial contracts, the purchasing government must consider the additional cost of resources needed to monitor production, evaluate modifications, provide for improvements, and ensure contract compliance. A large number of highly educated personnel well trained in international commerce, quality assurance, and audit processes may be required to perform such functions.

For DCS, rather than placing customer personnel throughout the United States to perform contract administration functions, it may be more cost effective to acquire this support from the USG. It is possible for the customer to purchase contract administrative services for a DCS under a separate FMS case with the Defense Contract Management Agency (DCMA).

### **Financial Considerations**

Purchasing governments frequently desire to compare the FMS total cost to the DCS total cost. It is the policy of the USG for FMS to not compete with U.S.-industry DCS; the USG does not support cost comparisons. It is difficult to predict whether it would be more or less expensive to employ the FMS system or direct commercial channels for any particular acquisition. The differing contractual pricing and financing approaches, as well as variations in the total package content, make cost comparisons between FMS and DCS quite difficult.

### ***Estimated Price versus Final Price***

The FMS system provides for estimated prices and estimated payment schedules commonly referred to as “price and availability” (P&As). The final price of an FMS item or service generally will not be known until after it is delivered. The final price is determined by actual USG contract cost and other authorized FMS charges that are applied under the provisions of U.S. laws and regulations.

The fact that the final LOA cost is generally lower than the initial LOA price estimate is a distinctive feature of the government-to-government FMS agreement. A multi-year DoD analysis of LOA prices revealed that final LOA costs generally fall below initial LOA estimates. While this is an interesting observation, the customer cannot count on their particular LOA over-estimating the final cost.

DCS prices, on the other hand, typically provide a fixed price with a fixed payment schedule. U.S. industry may profit under DCS. Depending on the negotiated contract structure, U.S. industry may assume losses on a sale. U.S. industry could structure a contract such that the foreign customer assumes any additional charges over the final price, protecting U.S. industry from losses. Flexibility under DCS allows for U.S. industry to weigh potential profit gains against potential losses.

### ***Support Package Differences***

Under the FMS system, the USG includes all support equipment, spare parts, training, and publications in the TPA. In DCS, the contractor may also develop a support package for the primary item. Depending on the factors used to develop these support packages, the actual content of the support packages may differ. As such, there may be significant cost differences in the FMS offer versus the DCS proposal, even though both contain the same type and quantity of primary items.

In DCS, contractors may be able to achieve cost savings by offering other than DoD military standard configurations. It is important for the customer to understand that any deviations from typical DoD configurations could limit interoperability as well as cooperative logistics follow-on support from the DoD. The cost savings achieved in the initial acquisition of a nonstandard DoD configuration may be quickly outweighed by the added cost of sustaining a nonstandard system.

### ***Contract Price Factors***

In situations where there are two or more manufacturers competing for the foreign business, DCS contract prices may be less than FMS prices. This may be possible because the manufacturers may be willing to agree to fixed prices which are below the normal profit margins allowable under DoD contracting regulations. Price advantages under DCS also may be possible during times of rapid inflation in the U.S., especially if the contractor has the ability to make quick deliveries from rapid new production.



The FMS process has the potential to offer lower contract prices, primarily through larger quantity buys achieved by grouping DoD and multiple FMS requirements into a single procurement. Additionally, the DoD may already have priced contracts in place for the DoD that can also be used to support new FMS requirements. Typically, the DoD has procured the same or similar items under other contracts. With this knowledge and experience, the DoD may be in a more informed position in the negotiation process. The FAR permits the DoD, under certain contracting conditions, to require the contractor to substantiate their bid with supporting cost or pricing information. This is an important factor to ensure that a fair and reasonable price is being paid for the articles or services under contract.

### ***Cash Flow Requirements***

Direct commercial contracts generally require a relatively large down payment, payable at the time of contract signature. The size of such down payments varies with circumstances and the level of contractor risk. For FMS cases, the initial deposit required at the acceptance of an LOA is generally somewhat lower than commercial contract down payments. For items that have a substantial production period, the phased progress payment system used for FMS may distribute the payment burden beyond the payment requirements of commercial contracts. These possible differences in payment terms should be evaluated as part of the purchaser's procurement decision.

One special feature of the FMS system involves the potential use of cross-leveling agreements. Cross-leveling agreements allow country funds which are on deposit in the FMS trust fund to be moved to and from special holding accounts, or moved between separate FMS cases, thereby maximizing the use of country funds. Cross-leveling can be accomplished by two methods. In the first method, customer financial personnel conduct their own analysis to provide cash transfer direction to the USG. In the second method, the customer authorizes the USG, by written agreement, to conduct automatic cross-leveling to balance funds requirements among all FMS cases. Cross-leveling is in contrast to direct commercial contracts, which stand alone and typically provide for fixed prices with fixed payment schedules, but with no provision for the movement of funds between individual contracts. In short, cross-leveling under FMS provides the advantage of flexibility to the purchaser to meet changing requirements.

### ***Non-recurring Cost Application***

The AECA requires a charge for a proportionate amount of any non-recurring costs (NC) of research, development, and production of major defense equipment sold through FMS. This AECA requirement is not imposed on DCS, it is up to industry to decide how much of the industry Internal Research And Development (IRAD) costs to shift to the customer. For systems or capabilities in the U.S. inventory, the USG Research and Development (R&D) investment can only be recouped under FMS via NC. The same system or capability sold under DCS would not result in a recuperation of US taxpayer R&D investment dollars. However, for customers desiring to purchase via FMS, a provision exists to potentially waive the application of NC under FMS. The purchaser can request an NC waiver when the following is true:

- Standardization benefits result to the United States from the sale
- Cost-saving benefits accrue to the United States as a result of economic quantity purchases
- Loss of sale would occur if waiver is not granted

Waiver requests must be made by the country on a case-by-case basis (i.e., in the LOR) and must be submitted prior to acceptance of the FMS LOA. More information on the NC waiver process is in the SAMM, C9.6.3.

### ***Other Costs***

The issue of other costs in both commercial contracts and FMS agreements requires clarification. As stated in Section 3 of the LOA standard terms and conditions, the USG conducts the FMS program



on a non-profit basis. Except for specific statutory exemptions, all USG expenses for FMS program performance must be recovered from the purchaser. The FMS administrative surcharge and contract administration services costs that are added to the basic price of an FMS agreement recover the cost of the following

- Pre-LOR and Case development
- Case implementation
- Case management
- Contract negotiation
- Contract management and auditing
- Financial management
- Processing reports of discrepancy
- Case reconciliation/closure

SAMM Table C9.T2 outlines FMS-related activities and their proper source of funding. Activities listed in the “Admin” column represent indirect charges funded by the FMS Administrative Surcharge.

For FMS, the LOA price includes the base cost that the USG paid for the item or service plus the other authorized charges necessary to recover the full cost to the USG. Although the USG does not make a profit from FMS, the price paid to DoD contractors does include a fair and reasonable profit for the contractor. However, the amount of contractor profit is limited by the provisions of the FAR. The full contract cost, including contractor profit, is paid via the LOA.

Conversely, the profit ceiling for commercial contracts is established by the marketplace. The purchasing government will not normally have access to information that reveals how much general and administrative costs or overall contractor profit is included in a direct commercial contract. U.S. firms typically add administrative costs as part of their equipment unit prices, whereas FMS administrative costs are identified as a separate item on the FMS agreement. More information on FMS financial management is contained in Chapter 12 of this text, “Financial Management.”

### **Other Comparison Considerations**

Evaluating the relative advantages or disadvantages of conducting a sale by FMS or DCS can be complex. In addition to the relationship, management, and financial issues, there are other factors that a purchaser must also examine.

### ***Production Priority***

There are many defense articles produced by U.S. industry using production equipment provided by the DoD or in USG-owned facilities. Such production equipment and facilities are made available to the contractor to fulfill DoD requirements, including FMS requirements. Contractors may use such facilities and equipment for DCS only with USG approval and only when there is no adverse impact on DoD requirements. Except in times of crisis, the prioritization of the use of such equipment or facilities generally is not a problem.

The USG has established an industrial priority system to resolve conflicts in production priorities. Each U.S. defense program is assigned a specific priority based on the program’s relative importance to the USG. The USG uses its relative need for a system to settle production conflicts rather than leaving such resolution to the discretion of contractors. FMS equipment normally is purchased together with U.S. equipment and, thereby, shares the U.S. industrial priority. DCS involves independent contracts that do not automatically receive the same production priorities as DoD procurements.

Another consideration involves government-furnished equipment (GFE) or government-furnished material (GFM). Such items are generally incorporated by the contractor into larger systems, which are then delivered to either the DoD or a foreign government. Contractor access to GFE or GFM in support of DCS could have a significant impact on the capability of a contractor to make a direct sale. By contrast, under the FMS system, the DoD coordinates delivery of GFE or GFM directly to the prime contractor for both U.S. and FMS requirements. As identified earlier in this chapter, under certain conditions, U.S. companies may be eligible to procure items or services from the DoD to support a DCS program.

If GFE and GFM components are not available directly to a contractor, the foreign purchaser could acquire them under FMS procedures and provide them to the contractor for incorporation in the end item. This procedure, of course, would make a commercial acquisition more complex for the purchaser and would require careful coordination of both the commercial and the FMS transaction.

### ***Follow-on Logistics Support***

An important consideration in the purchase of U.S. defense articles involves the nature of the follow-on support that will be required from U.S. sources. If the items being purchased are also being used by the U.S. military, and are known to require substantial logistical, technical, and training support, an FMS purchase may offer support advantages. FMS permits the purchaser to capitalize on U.S. experience and existing USG logistics inventories and training facilities. If items are not available from the DoD spare parts inventory, the DoD logistics structure serves as procurement staff for the purchaser by procuring required individual items from the current U.S. sources. Additionally, the FMS cooperative logistics supply support arrangement, as described in Chapter 10, of this book offers an effective means to replenish in-country spare and repair parts.

There are some U.S. contractors who also are capable of providing full logistics support for the items that they sell. Corporate reputations depend on good performance, and, where contractors have the capability of furnishing such support, the results can be expected to be as stated in their contracts.

The DoD may provide follow-on support for end items acquired through DCS. However, the DoD's ability to support DCS items may be limited when equipment configurations differ. Also, if the manufacturer only uses commercial part numbers to identify items without cross-referencing to DoD national stock numbers, USG support will be greatly complicated and support delays may result.

Logistics support is frequently facilitated by the FMS purchaser's ability to use DoD information and data transmission systems such as the following:

- International Logistics Communication System (ILCS)
- Supply Tracking and Reparable Return/Personal Computer (STARR/PC)
- Security Cooperation Information Portal (SCIP)

The DoD also has dedicated security cooperation staffs and in-country SCOs to facilitate the administration of the FMS program. Per SAMM C2.1.8, the SCO can also provide limited support to industry. For DCS activities, the SCO supports and coordinates with the commercial attaché whose role is predominately facilitating U.S. industry's marketing phase rather than aiding in program execution. More information on FMS logistics support is contained in Chapter 10 of this book.

### ***Nonstandard Items and Non-Programs of Record***

Nonstandard items are those systems or capabilities that differ from the U.S. configuration. Non-Program of Record systems or capabilities are items that are not DoD Programs of Record and may include

nonstandard items. Standard items can become nonstandard items as the DoD phases out certain items, models, or configurations and replaces them with other items, models, or configurations. Supporting the releasability review of Non-Program of Record systems and capabilities can add complexity. The DoD introduced the Non-Program of Record Community of Interest (NPOR COI), with DSCA as the Executive Secretariat, to help address this challenge. Together, the industry associations and DOD created the USG Community of Interest (COI), comprised of representatives from select DOD offices (e.g., USD(A&S) and DSCA), various implementing agencies (IAs), and other interagency entities. “The formation of the COI represents a significant step forward in facilitating a centralized, formal process for NPOR proposals,” noted an August 3, 2020, DSCA letter. The COI’s work culminated with the release of the July 2020 “Non-Program of Record U.S. Industry Handbook” (<https://www.ndia.org/-/media/sites/ndia/policy/blog/documents/npor-us-industry-handbook.ashx>) that outlines the acquisition, FMS, and DCS procedures for NPORs. Moreover, it provides points of contact for contractors and finally sets up a classification framework for NPORs. Sustaining non-program of record goods can be challenging under FMS because of the lack of existing logistics infrastructure in place to support items that do not have a DoD Program Office. The DoD has implemented the commercial buying service (CBS) support (e.g., Parts and Repair Ordering System (PROS) and Simplified Non-Standard Acquisition Process (SNAP) as discussed in SAMM C6.4.4 and Chapter 10 of this book) for nonstandard items (i.e. contracting-out nonstandard support). CBS support for nonstandard systems or components is usually provided via an FMS case. In general, DCS has provided better support for nonstandard items.

### ***Training***

Training is a key element of successfully operating and maintaining today’s high technology military equipment. The DoD has established training resources to support its own training needs. Under FMS, customers can access many of these training resources. Although the DoD does acquire contractor training in certain circumstances, some types of military training are simply not available through commercial sources, such as access to the DoD’s unique training ranges. On the other hand, the customer may require some form of tailored training that is not available from the DoD.

### ***Classified Items***

Classified items can be procured through either DCS or FMS, unless otherwise specified by the FMS-Only list or otherwise restricted from export. Transportation of classified goods procured under DCS needs to be coordinated through the USG. The same national security and foreign policy reviews will take place regardless of whether classified items are procured through FMS or DCS.

## **RANGE OF CHOICES**

In comparing the FMS system to the DCS system, it is important to realize that the decision rests with the foreign partner and the USG is generally neutral, aside from the FMS-Only list. Additionally, both FMS and DCS acquisitions offer various customer participation options. In essence, the decision concerning procurement via FMS or DCS fundamentally involves a decision about the degree of procurement involvement the foreign purchaser desires to assume and what degree of procurement responsibility the foreign purchaser is willing to give to the DoD. Table 15-2 presents the range of options, each of which will be discussed further in the sections below.

**Table 15-2**  
**Customer Participation Options**

Traditional FMS
FMS funded with FMF
FMS with Sole Source designated
FMS with Customer Participation in Contracting
FMS with Industry Offsets
Hybrid FMS/DCS
DCS funded with FMF
DCS with USG contract administration
DCS with Industry Offsets
Traditional DCS

### **Traditional Foreign Military Sales**

Under traditional FMS, the foreign purchaser initiates the process by submitting an LOR to the USG. The IA will coordinate national security and foreign policy reviews (which includes releasability reviews) during the development of the LOA. Following completion of these reviews, the IA will generate an LOA. Following any necessary congressional notifications, the IA will forward the LOA as an offer by the USG to sell the respective defense articles and/or services. If, upon review of the LOA, the foreign purchaser decides to accept the LOA, a foreign government representative will sign the LOA and forward the initial deposit to the Defense Finance and Accounting Service (DFAS)-Security Cooperation Accounting (SCA). At this point, per the SAMM C5.4.16, the foreign purchaser and the USG have entered a formal sales agreement for the provision of defense articles and services. If the IA does not intend on offering the requested capability in the LOR, the IA will coordinate with DSCA per DSCA Policy 18-18, “Prior Coordination before Advising Foreign Military Sales Customers of Negative Impacts.”

The LOA standard terms and conditions define the nature of this sales relationship. Section 1.2 specifically defines the procurement responsibilities and states that the foreign purchaser has entrusted the procurement process to the DoD. The DoD will conduct the procurement on behalf of the customer using the same regulations and procedures that the DoD uses to procure for itself. Under traditional FMS, the foreign purchaser is not responsible for accomplishing any procurement actions following acceptance of the LOA. Under the provisions of the LOA, the DoD takes responsibility for the following:

- Conducting the entire procurement process, to include contractor source selection, and negotiating the contract terms and conditions
- Contract administration, quality control, inspection, acceptance, and audit functions

As a very broad generalization, the traditional FMS process can be characterized as a foreign purchaser, by means of the LOA, employing the DoD to conduct defense procurement on its behalf. As such, the foreign purchaser entrusts the DoD to make decisions and take actions on its behalf. The foreign purchaser relies on the good faith commitment that the DoD makes to conduct FMS procurement business in essentially the same manner that it conducts procurement business for itself.

## **FMS Funded with Foreign Military Financing (FMF) Grant**

Per SAMM C9.7.2.9.2, Foreign Military Financing (FMF) Grant funds are used to finance foreign military sales (FMS). The traditional FMS LOA process is used to establish the government-to-government sales agreement; however, the LOA will specify the fund source as either a non-repayable grant or a repayable direct loan.

### **Sole Source Foreign Military Sales**

Foreign purchasers often have an interest in reviewing various vendors' business proposals to fulfill a particular defense requirement. Depending on the country and type of purchase, there can be significant interest in source selection, (i.e., deciding which vendor(s) will fulfill their contract). FMS procedures offer the foreign purchaser an important opportunity for direct involvement in that decision. Sole source procedures allow the foreign purchaser to request the DoD initiate a particular FMS procurement exclusively with a specific vendor of the foreign purchaser's choice, which is often expressed as a request for a specific system as opposed to a particular capability. This process is referred to as sole source procurement. Details on the sole source process are presented in Chapter 9 of this textbook.

Approved sole source requests are documented within the LOA notes and serve as the basis for the USG contracting officer to negotiate on a non-competitive basis with the specific company identified in the LOA. The foreign purchaser can be involved in source selection by downselecting to the specified vendor or system requested in their sole source LOR while still benefiting from the FMS system's extensive expertise in contract negotiation, contract administration, quality control, inspection, acceptance, and audit functions.

### **FMS with Customer Participation in Contracting**

SAMM C6.3.5 outlines the areas for potential customer participation in the DoD contracting process. Traditionally, the norm has been no or very limited FMS customer involvement in the DoD contracting process; however, policy in both the SAMM and the DFARS does permit FMS customers to participate in certain elements of the contracting process. This policy supports the overarching intent for the FMS process to provide transparency to international customers. Chapter 9 of this text discusses potential areas and limitations for customer participation.

### **Foreign Military Sales with Offsets**

Offsets offer a mechanism for the foreign purchaser to leverage a major defense acquisition to obtain other domestic benefits for the foreign purchaser's nation. The concept of offsets is presented in detail in Chapter 9 of this textbook. Many international customers have the misconception that offsets are only compatible with DCS procurements, but this is not true. Offset agreements can occur in conjunction with customer-funded FMS cases, but FMS cases financed with FMF funds or other non-repayable credits are not permitted to include any offset costs.

### **Combination of Foreign Military Sales and Direct Commercial Sales**

Another procurement option is to divide an overall procurement into both an FMS portion and a DCS portion, also commonly referred to as hybrid FMS/DCS. The SAMM permits FMS cases to be prepared to support elements of a DCS procurement. This is particularly applicable to sales that may include certain FMS-Only items in the total system package. Additionally, FMS policy permits foreign purchasers to obtain follow-on logistics support by means of FMS for systems that were originally procured via DCS or by DCS for systems originally procured via FMS.

### **Direct Commercial Sales with Foreign Military Financing (FMF) Grant**

Typically, countries that receive FMF funds must use those funds via the FMS process. However,



under law, ten countries (as documented in SAMM C9.7.3 - Foreign Military Financing of Direct Commercial Contracts (DCCs) are authorized, on a contract-by-contract basis, to use their FMF funds in DCS contracts. This alternative was discussed earlier in this chapter under the section titled “Foreign Military Financing (FMF) Grant Funding.”

There are very strict procedures governing the process for funding a DCS with FMF, but this remains an option to be considered by these ten countries.

### **Direct Commercial Sales with United States Government Contract Administration**

Countries with extensive international procurement expertise may prefer to independently conduct their own defense procurements directly with U.S. industry. Typically, the only USG involvement in a DCS arrangement would relate to the export license approval decision. However, foreign purchasers should recognize they can purchase contract administration services (CAS) from the Defense Contract Management Agency (DCMA) to obtain CAS for their DCS.

While the foreign purchasers’ government representatives may possess all the skills and abilities to negotiate a favorable contract with U.S. industry, the subsequent process for DCS contract administration, quality control, inspection, acceptance, and audit functions may present both a logistical and financial barrier. The U.S. contractor may perform work at multiple geographically-dispersed locations. As such, it may be difficult and expensive for the foreign purchasers’ representatives to conduct these functions throughout the United States.

Acquiring CAS from DCMA for self-negotiated DCS may be a cost-effective option to support DCS. Under this approach, upon receipt of an LOR, DCMA would develop an LOA for the cost of its CAS in support of the particular DCS. Under the LOA, DCMA uses its existing contract administration infrastructure to perform CAS on behalf of the foreign purchaser.

### **Direct Commercial Sales with Offsets**

Customers electing to conduct their defense procurement via DCS may also choose to require industry to provide an offset in association with the sale. The limitation is that DCS contracts funded by USG FMF, or other nonrepayable funds, cannot include an offset agreement.

### **Traditional Direct Commercial Sales**

Traditional DCS offers the foreign purchaser the greatest degree of direct involvement in their U.S.-sourced defense procurement. In DCS, the foreign purchaser directly interfaces with the contractor on all elements of the contract without the DoD being an intermediary. Traditional DCS provides a range of opportunities. However, the foreign purchaser must be prepared to accept a significant level of responsibility.

Under traditional DCS, the USG essentially has no direct involvement in the procurement process, except for one essential element—the export license. For a DCS of defense articles or services, the U.S. company that is preparing to enter a sales contract with the foreign purchaser must first obtain USG approval for the sale. This approval is indicated in the form of an approved export license. More detailed information on the export license process is contained in Chapter 7.

Following export license approval, the USG generally does not participate in the DCS. License provisos or limitations may be imposed on an export license requiring USG involvement to support continued national security and foreign policy reviews (e.g., Technology Control Plans [TCPs]), to control the transfer mechanism of classified information and goods, and under other limited situations. This exclusion includes contract negotiation, contract administration, quality control, inspection, acceptance, and audit functions. In DCS, the customer gets what they negotiate. In general, U.S. defense contractors will work diligently to deliver quality items and services in accordance with all of the contract provisions. They are in business for the long-term and are very interested in maintaining



a positive relationship with each of their customers as well as maintaining a solid reputation in the international marketplace.

In spite of all the positive intentions, the performance of major acquisition contracts will inevitably generate a variety of issues that must be resolved. In the DCS scenario, the foreign purchaser must be prepared to address the contractor directly to resolve any issues that arise. The promptness and acceptability of the resolution will depend solely upon the country and the defense contractor. Although the DoD may concurrently be procuring the same or similar items with the same contractor, the DoD is not a participant in the DCS contract and therefore, has no legal authority to direct the contractor in any aspect of DCS contract performance.

## SUMMARY

The FMS and DCS systems are simply different procurement methods that a foreign government may employ for the purchase of U.S. defense articles and services. In a commercial acquisition, a U.S. contractor and a foreign government enter into a direct contract in accordance with U.S. law and regulations and provisions of international commercial law, except for export control approval and compliance enforcement. The USG is not a party to these commercial contractual transactions. The foreign government has the responsibility to select the source and manage the contract directly with the U.S. contractor.

Under the FMS system, the USG and the foreign purchaser enter into an agreement, the FMS LOA, which specifies the terms and conditions of the sale. Except for items supplied directly from DoD inventory, the USG purchases the desired items or services from the U.S. manufacturer on behalf of the foreign government. The DoD employs essentially the same procurement criteria as if the item/service was being purchased for U.S. needs. The USG, not the foreign government, selects the source and manages the contract consistent with the provisions of the FAR, DFARS, and the LOA.

Unless the USG has determined that a specific item or service will only be offered via FMS, there are few absolutes that dictate all countries should select exclusively either FMS or commercial channels for a given purchase requirement. Rather, there are many considerations, unique both to the individual purchaser and to the items being procured, that are involved in such a choice. In fact, in comparing the FMS system to the DCS system, it is important to realize that the decision regarding a potential procurement actually has a range of possibilities other than just choosing between two separate options: traditional FMS or traditional DCS. The question of whether to procure via FMS or DCS ultimately involves a decision by the customer about how much procurement responsibility they are willing to assume and how much they are willing to entrust to the DoD.

The final decision on purchasing channels varies from country to country, and even from purchase to purchase. Given the variety of factors involved, it is important that the purchasing government's decision analyzes as many factual considerations as possible.

## REFERENCES

Contractor's Certification and Agreement with DSCA August 2009. [http://www.dsca.mil/sites/default/files/contractor\\_certificationv4\\_0.pdf](http://www.dsca.mil/sites/default/files/contractor_certificationv4_0.pdf)

DSCA Manual 5105.38-M. *Security Assistance Management Manual* (SAMM). Chaps. 2, 4, 6, 9, and 11. <https://www.samm.dsca.mil/>.

*Guidelines for Foreign Military Financing of Direct Commercial Contracts and Contractor's Certification and Agreement.* [https://www.dsca.mil/sites/default/files/dsca\\_guidelines\\_for\\_foreign\\_military\\_financing\\_of\\_direct\\_commercial\\_contracts.pdf](https://www.dsca.mil/sites/default/files/dsca_guidelines_for_foreign_military_financing_of_direct_commercial_contracts.pdf)

**Attachment 15-1**  
**Foreign Military Sales–Potential Advantages and Considerations**

Potential Advantages	Considerations
Total package approach based on U.S. military experience.	Purchaser must decide whether the total package approach may exceed its needs or financial capabilities.
USG uses its own procurement procedures and acts as procurement agent for foreign countries.	Sophisticated foreign purchasing staff may (or may not) be able to achieve better overall deal by negotiating directly with the contractor.
Proven and established logistics support for items common to the DoD.	Contractor may be able to offer a similar range of contractor logistics support.
Federal acquisition regulations, economic order quantity buys, and use of GFE or GFM tends to reduce price.	Compliance with DoD procedures may increase lead time.
Facilitates establishment of design configuration and enhances potential for interoperability.	Purchaser must decide on the degree of standardization required for a purchase.
Purchaser pays only the actual cost to the DoD (including management expenses), with profits controlled by the FAR.	While initial LOA estimates tend, in the aggregate, to be higher than final LOA costs, final costs fluctuate both up and down.
Cross-leveling in the FMS trust fund can maximize use of country funds.	Firm fixed price contracts and fixed payment schedules can be obtained under direct commercial contracts.
Quality control to ensure item meets MILSPECs is done by USG personnel.	This service can be purchased under FMS for certain commercial contracts.
Items may be available from DoD stocks in times of emergency.	Availability is significantly dependent on the DoD's own priorities and inventory positions.
Government-to-government obligation, ensuring involvement of DoD personnel in total package planning and sustainment concepts.	Due to the political climate, the purchaser may prefer procuring from the U.S. contractor rather than the USG.
Total package includes training at U.S. military schools.	Purchaser can procure hardware under commercial contract and generally obtain associated training at U.S. military schools via FMS.
FMS customers can require offsets in FMS-related contracts.	Is dependent on the funding source. If non-repayable FMF, offset cost cannot be included.

**Attachment 15-2**  
**Direct Commercial Sales–Potential Advantages and Considerations**

Potential Advantages	Considerations
Potential for fixed delivery or fixed price, with penalty, if contractor fails.	Requires considerable experience and sophistication by country negotiators.
Business-to-business relationship allows country to negotiate cost and contract terms.	If closer military-to-military relationships are a purchaser's objective, FMS provides an avenue to achieve this objective.
Direct negotiations with contractor can result in a quicker response.	Requires considerable experience and sophistication by country negotiators.
Generally better support for nonstandard items.	Purchaser must decide upon desired degree of standardization with U.S. forces.
More capability to tailor package to unique country needs.	Tailored package may detract from standardization desires.
Continuity of personal contacts with contractor technical personnel.	Value of continuity must be compared to the value of direct military-to-military contacts.
New equipment directly from production line.	Option exists to request only new and unused items via FMS.
Lower prices possible under certain circumstances.	Final price may be dependent on experience and sophistication of country contract negotiators.
Generally fixed payment schedule, which eases budgeting problems.	Payment schedules may be more front-loaded than under FMS.
Purchaser can include offset provisions in one contract.	Purchaser can negotiate offsets (directly with contractor) and still procure under FMS.
FMS administrative surcharge and DoD management costs can be avoided.	Purchaser must consider entire cost of transaction, including its contracting staff costs and possibly increased contract administrative costs.
Commercial purchases of some types of items could help to create and develop a procurement capability.	Scarcity of resources and time may not allow for retaining procurement staff.

**Attachment 15-3**  
**Common Misperceptions of Foreign Military Sales or Commercial Sales**

<b>Misperceptions</b>	<b>Facts</b>
FMS offers better assurance for approval of transfer of technology.	Technology-release considerations are identical for FMS and commercial sales.
Commercial sales offer a better assurance for approval of transfer of technology.	Technology-release considerations are identical for FMS and commercial sales.
FMS is unreliable during hostilities involving either the user or the USG.	Foreign policy or DoD military priority decisions affect the flow of supplies to a country and can be expected to relate to the resources involved. FMS orders may still be filled and may receive priority support depending on the nature of the hostilities.
FMS provides slow delivery with frequent slippages.	The numerous built-in FMS system safeguards do sometimes slow the procurement process, but there are seldom slippages once delivery schedules are established. However, in a contingency, a potential exists to divert items from stocks and expedite delivery.
Nonrecurring cost recoupment charges for major defense equipment are always assessed on FMS.	Nonrecurring cost recoupment waivers may be authorized for FMS on a case-by-case basis. Recent history indicates a high probability of waiver approval.
A country cannot have an offset arrangement when they have an FMS case.	A country may negotiate a separate arrangement with the contractor in addition to an FMS agreement, but the USG will not be the enforcer of offset arrangements between the country and the commercial contractor.
No purchaser control or participation is permitted in FMS.	Selection of configuration, range, and depth of spares, support equipment, etc. remains in control of purchaser. Program management review conferences are held as necessary to ensure purchaser needs are met. Under certain circumstances, the purchaser may participate in selected contract discussions.
FMS system is characterized by a lack of continuity due to military personnel rotations.	While this may be true for some cases, there are many DoD civilians who do not rotate. Also, a military tour is normally three to four years, about equal to commercial executive transfer patterns.
Only FMS requires USG approval and congressional notifications [Section 36(b), AECA], if necessary.	All items meeting AECA notification thresholds require notification under both sales systems. AECA, Section 36(c), applies to commercial sale notifications to Congress.

**Attachment 15-3 (Continued)**  
**Common Misperceptions of Foreign Military Sales or Commercial Sales**

Misperceptions	Facts
USG reserves the right to terminate only FMS in the U.S. national interest but not DCS.	This applies equally to both FMS and commercial sale systems.
DCS lacks adequate quality control.	Contractor sales depend on product reputation. Also, USG quality control procedures may be purchased for standard items.
Contractor involvement stops once an end item is sold.	Contractor participation in follow-on support and maintenance programs is common under either commercial or FMS.
USG controls third-country sales only for items sold under FMS	Criteria and policy are the same for items purchased through either commercial or FMS.

**Attachment 15-4**  
**DSCA Policy Memorandum 09-32, dated 04 August 2009**



**DEFENSE SECURITY COOPERATION AGENCY**  
**201 12TH STREET SOUTH, STE 203**  
**ARLINGTON, VA 22202-5408**

**AUG 04 2009**

**MEMORANDUM FOR SEE DISTRIBUTION**

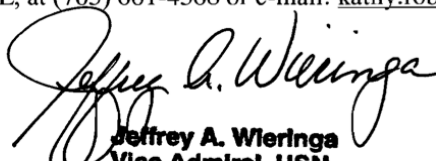
**SUBJECT:** Responses to Industry Requests for Foreign Military Sales (FMS) Support  
Relating to Direct Commercial Sales (DCS), DSCA Policy 09-32  
[SAMM E-Change 137]

Advance planning and coordination are essential in situations involving sales to foreign partners that combine both FMS and DCS elements, particularly when those sales originate through DCS channels. On occasion, industry has asked the United States Government (USG) to provide FMS support (e.g., airworthiness certification, training in U.S. military schools, ferrying aircraft, and the provision of equipment or components available only through FMS channels) to fulfill terms of DCS contracts.

Whether or not there is a DCS contract, industry is not authorized to make commitments on behalf of the USG and the USG cannot be held liable for industry's inability to provide support in conjunction with DCS - even if requested by the FMS purchaser. It is in industry's best interest to advise the foreign purchaser if FMS articles or services are required to support DCS purchased equipment. In this case, the purchaser must submit a Letter of Request (LOR) to obtain support and industry should inform DSCA and the relevant Implementing Agency of the possibility of a requirement for FMS support early in the process. Additionally, Security Cooperation Officers providing support to U.S. companies in-country must be alert to the need for the purchaser to submit a LOR and remind their foreign counterparts and industry representatives of this requirement.

Chapters 4 and 5 of the Security Assistance Management Manual (SAMM) have been updated to provide additional guidance on the importance of advance coordination in circumstances involving FMS support in conjunction with DCS.

If you have any questions concerning this policy or the SAMM, please contact Ms. Kathy Robinson, DSCA-STR/POL, at (703) 601-4368 or e-mail: [kathy.robinson@dscamail.mil](mailto:kathy.robinson@dscamail.mil).

  
**Jeffrey A. Wieringa**  
**Vice Admiral, USN**  
**Director**

Attachment:  
As stated



## INTRODUCTION

Human rights, which constitute a fundamental category of rights, may be defined as a relationship between individuals (citizens) and governments (states). The concept that legal systems should protect the rights of individuals from abuses by government is rooted in natural law. As reflected in his *Two Treatises of Government*, published in 1690, the English philosopher John Locke believed that human rights, not governments, came first in the natural order of things.

Civil and political rights are often referred to as fundamental or core human rights. Examples include the rights to life, liberty, and security; freedom from enslavement, torture, and cruel, inhuman, or degrading punishment; freedom from arbitrary arrest; and presumption of innocence until found guilty by a competent and impartial tribunal. All citizens have the right to participate in their governments, either directly or through free elections of their representatives. Governments have also created economic, social, and cultural rights or, perhaps more accurately, entitlements, such as a minimum living standard, including food, clothing, housing, medical care, education, and social security.

Human rights considerations have been a long-standing element of the U.S. foreign policy. Members of the security cooperation community, in particular, should understand and appreciate the importance accorded human rights and civilian control of the military in our relationships with other nations. This importance is reflected in a variety of ways. Countries suspected of gross human rights violations can be prohibited by Congress from receiving security assistance or have their programs suspended. Other DoD assistance may also be effected. International students attending U.S. military schools under the International Military Education and Training (IMET) and Foreign Military Sales (FMS) programs are purposely exposed to human rights policies and issues as part of their studies. Foreign military members are frequently invited to attend fully funded regional seminars focused on human rights and civilian control of the military. Partner nation military or security forces receiving capacity building assistance are required to participate in training covering respect for human rights, the law of armed conflict, and the rule of law.

U.S. personnel permanently assigned or temporarily deployed to foreign nations should be able to intelligently discuss the important human rights themes and policies of the U.S. Government (USG). The purpose of this chapter is to introduce and familiarize the reader with these key concepts and ideas.

## HUMAN RIGHTS INSTRUMENTS AND AUTHORITY

Many nations have constitutions—fundamental or organic laws that establish the framework of the government of a state, assign the powers and duties of governmental agencies, and establish the relationship between the people and their government. Constitutions may be written, e.g., the U.S. Constitution, or unwritten, as in the English model. Domestic guarantees concerning human rights may be embodied in such constitutions or in other statutes. In addition, international protection of recognized human rights is found in documents such as the Charter of the United Nations (UN Charter) and international conventions, which have been accepted by the vast majority of the world's states. Regional declarations also recognize the existence of human rights.

## **United States Sources**

### ***The Constitution of the United States of America***

Human rights have been an integral part of America as a nation from its inception. The Constitution of the United States specifically and deliberately embodies the principles of human rights. It does so generally by intoning the necessity of these principles in the opening Preamble. The basic Constitution outlines the plan of representative government and an electoral mechanism through which the people can express their will. It declares specific human rights principles in the text of the Constitution's first Ten Amendments or, as they are more commonly referred to, the Bill of Rights. These amendments contain a listing of the rights that Americans enjoy that cannot be infringed upon by the government. Included are freedom of religion, freedom of speech, the right of the people to be secure in their persons and houses against unreasonable searches and seizures, and other rights commonly taken for granted by U.S. citizens.

Although these principles were not definitively articulated in the body of the original text of the U.S. Constitution, it is clear that a majority of the delegates present at the Constitutional Convention intended for a number of basic egalitarian principles or human rights to be incorporated within the constitutional scheme. The U.S. Congress, in one of its first sessions, debated the inclusion of these principles through amendments, ultimately approving them. The original thirteen states, for their part, ratified ten of the original twelve proposed. Collectively, in many ways, the Ten Amendments compiled in the Bill of Rights represent and have come to symbolize the embodiment of the American character. It also is a tangible reminder of what the United States and Americans often hold most dear, their identity as a people, and their realization as individuals.

### ***Declaration of Independence***

The Declaration of Independence, adopted by the Second Continental Congress on July 4, 1776, also makes reference to certain self-evident truths such as the equality of all men, natural rights, government by consent, and so forth. Unlike the Bill of Rights, which is part of the U.S. Constitution, the Declaration does not have any legal effect today. Nonetheless, it is recognized throughout the world as the basic statement of the American creed.

## **International Sources**

### ***Charter of the United Nations***

The UN Charter, which entered into force in 1945, specifically addresses human rights in its preamble and in two of its articles. Article 55 reads as follows:

With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, the UN shall promote [the following]:

- Higher standards of living, full employment, and conditions of economic and social progress and development
- Solutions of international economic, social, health, and related problems, and international cultural and educational cooperation
- Universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion

Article 56 of the UN Charter states that all members pledge themselves to take joint and separate action in cooperation with the UN to achieve the purposes set forth in Article 55.

## ***United Nations Universal Declaration of Human Rights***

Due to the general language of Article 55 of the UN Charter, member states quickly turned to efforts to specify its meaning. The first result was the often cited and widely heralded Universal Declaration of Human Rights (UDHR), which was adopted by the UN General Assembly in 1948. It is important to recognize that the Universal Declaration is not binding international law, but a UN recommendation to nations. Thus, the Declaration, in and of itself, offers no means of implementation other than through the good will of the member states.

Notwithstanding these technical deficiencies, the Declaration was, and still is, important because it is an attempt at authoritatively stating the meaning of Article 55, and parts of the Declaration reflect customary international law.

The Universal Declaration covers civil and political rights in articles 1 through 22 and social, economic, and cultural rights in articles 23 through 28. Article 29, known as the derogation clause, permits limitations of rights when necessary for securing the rights of others or securing morality, order, or general welfare in society. The text of the Universal Declaration is in Attachment 16-1.

## ***Human Rights Treaties***

In addition to the UN Charter and Universal Declaration, there are a number of international human rights conventions (another term used for a treaty). Any nation that is a party to an agreement may attach specified reservations to such an agreement where permitted by the agreement. The following are examples of important human rights treaties:

***International Covenants.*** The U.S. is listed as a party to the International Covenant on Civil and Political Rights of 16 December 1966. The Covenant, which is regarded by many to be the single most important human rights treaty, codifies the essential freedoms people must enjoy in an effective democratic society, such as the right to vote and participate in government, freedom of peaceful assembly, equal protection under the law, the right to liberty and security, and freedom of opinion and expression. Temporary limitations or “derogations” on Civil and Political Covenant rights are permissible during “times of public emergency.” However, “derogation” is never allowed when there is an obligation to protect the right to life, to preserve the freedom of conscience, or to protect against the prohibition against torture and slavery. Subject to a few essential reservations, e.g., to reflect the requirements of the First Amendment of the U.S. Constitution, the principles that the Covenant expresses are entirely consistent with the U.S. Bill of Rights. The U.S. is not a party to a second related covenant, the International Covenant on Economic, Social, and Cultural Rights of 16 December 1966, which requires state parties to provide subsistence, education and medical care “to the maximum of its available resources.”

***Other Treaties.*** Additional agreements to which the U.S. is a party in the appendix to the Country Reports are as follows:

- Convention to Suppress the Slave Trade and Slavery of 25 September 1926, as amended by the Protocol of 7 December 1953
- Convention on the Prevention and Punishment of the Crime of Genocide of 9 December 1948
- Convention on the Political Rights of Women of 31 March 1953
- Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery of 7 September 1956
- Convention Concerning the Abolition of Forced Labor of 25 June 1957

- International Convention on the Elimination of All Forms of Racial Discrimination of 21 December 1965
- Protocol Relating to the Status of Refugees of 31 January 1967
- Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment of 10 December 1984

The United States is also a party to the following human rights related treaties:

- Optional protocol to the convention on the rights of the child on the involvement of children in armed conflict
- Optional protocol to the convention on the rights of the child on the sale of children, child prostitution, and child pornography

### ***Customary International Law***

The most fundamental human rights, such as the right to be free from extra-judicial killings, torture, arbitrary arrests, detentions and disappearances, genocide and slavery, are generally thought to be customary international law. A distinction is made between conventional international law and customary international law. With conventional international law, nations that are parties to a treaty or convention explicitly agree to be bound by certain rules. With customary international law, consent is implicit and founded in international practice. This would make these principles legally binding internationally on all nations even if they have not signed the applicable human rights treaties. Customary international law arises when there exist long-standing and continuous practices by countries that are rooted in the belief that the practice is required by, or consistent with, international law. Customary international law also exists when there is a general acceptance, not only of the practice, but of the belief of the practice by other states. For more information on customary international human rights law, see chapter three of the latest version of the *U.S. Army Operational Law Handbook*.

Figure 16-1 provides excerpts from various international human rights sources, ranging from the UN Charter to regional agreements.

**Figure 16-1**  
**Illustrations of Human Rights Provisions**

<p><b>“We the peoples of the United Nations determined to reaffirm faith in fundamental human rights. . . .”</b></p> <p>Preamble to the Charter of the United Nations, composed in San Francisco, June 26, 1945.</p>
<p><b>“All human beings are born free and equal in dignity and rights . . . “</b></p> <p>Universal Declaration of Human Rights, adopted by the UN General Assembly, December 10, 1948.</p>
<p><b>“Everyone has the right to respect for private and family life, his home and his correspondence.”</b></p> <p>Article 8.1 European Convention for the Protection of Human Rights and Fundamental Freedoms, done in Rome November 4, 1950.</p>
<p><b>“All peoples have the right of self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social, and cultural development.”</b></p> <p>Article 1.1, International Convention on Civil and Political Rights, composed at New York, December 16, 1966.</p>
<p><b>“Every individual shall have the right to freedom of movement and residence within the borders of a State provided he abides by the law. Every individual shall have the right, when persecuted, to seek and obtain asylum in other countries in accordance with laws of those countries and international conventions.”</b></p> <p>Article 8, African Charter on Human and Peoples’ Rights, done at Banjul, composed in Banjul, June 26, 1981.</p>
<p><b>“Congress shall make no law respecting an establishment of religion or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of people to peacefully assemble, and to petition the Government for a redress of grievances.”</b></p> <p>First Amendment to the Constitution of the United States ratified December 15, 1791.</p>

## UNITED STATES FOREIGN POLICY CONCERNING DEMOCRACY AND THE RULE OF LAW

Several related themes and concepts are often introduced in USG policy statements and educational programs addressing human rights. Some of these concepts are democracy and the rule of law, civilian control of the military, and a legal system covering military personnel that equates to a country’s legal protections for civilians, unless otherwise required by military necessity.

### The Rule of Law

The Department of State (DoS) has offered the following meaning of rule of law:

The rule of law is a fundamental component of democratic society and is defined broadly as the principle that all members of society—both citizens and rulers—are bound by a set of clearly defined and universally accepted laws. In a democracy, the rule of law is manifested in an independent judiciary, a free press and a system of checks and balances on leaders through free elections.

### Civilian Control of the Military

Civilian control of the military is also seen as an important means of protecting human rights and democracy because of the belief that a military establishment, particularly a large standing army, potentially poses a threat to individual liberty and to popular control of the government. Civilian control generally requires that the following occurs:

- The armed forces do not dominate government or impose their unique values upon civilian institutions and organizations
- The armed forces have no independent access to sources of military funding

- The armed forces' policies on the recruitment, pay, education, training, treatment, promotion, and use of personnel are not inconsistent with basic civil liberties and individual beliefs, with some compromises for military discipline and combat effectiveness
- The use of military force, either for or against military action, is not determined by the values of the military establishment itself

## **Military Justice**

Military justice relates to legal systems within each nation that govern order and discipline of members of their armed forces. For example, U.S. armed forces members are subject to the *Uniform Code of Military Justice* (UCMJ). The following military justice-related topics are especially complementary to the overall framework of human rights:

- The rights and responsibilities of military personnel
- The role of the military commander in military justice
- Effective military justice systems and how they ensure accountability for and deterrence from human rights abuses by military personnel

Section 541 of the Foreign Assistance Act of 1961 (FAA) stresses the importance of the IMET program as a means to improve military justice systems and procedures in accordance with internationally recognized human rights.

Increased attention concerning human rights and related themes can be traced to the 1991 changes to the FAA, which established expanded IMET (E-IMET). The principal objectives of E-IMET are as follows:

- Fostering greater respect for, and understanding of, the principle of civilian control of the military
- Improving military justice systems and procedures in accordance with internationally accepted standards of human rights
- Increasing professionalism and responsibility in defense management and resource allocation
- Contributing to cooperation between military and law enforcement personnel with respect to counter-narcotics law enforcement efforts [Section 541, FAA]

These objectives, combined with the traditional purposes of the IMET program (to expose international students to the U.S. professional military establishment and the American way of life, including U.S. regard for democratic values, respect for individual and human rights, and belief in the rule of law), make human rights and related concepts high priorities in the conduct of the U.S. security assistance program.

## **HUMAN RIGHTS AND THE FOREIGN ASSISTANCE PROGRAM**

### **Foreign Policy Goal**

Human rights are addressed in Section 502B of the FAA (22 U.S.C. 2304):

The U.S. shall, in accordance with its international obligations as set forth in the UN Charter and in keeping with the constitutional heritage and traditions of the U.S., promote and encourage increased respect for human rights and international freedoms throughout the world without distinction as to race, sex, language, or religion.



Accordingly, a principal goal of U.S. foreign policy shall be to promote the increased observance of internationally recognized human rights by all countries.

This section provides that any nations receiving security assistance that engage in a consistent pattern of gross violations of internationally recognized human rights risk statutory-based suspension or termination of U.S. military assistance. They also risk policy-based suspension or termination of U.S. military and economic assistance, including FMS and direct commercial sales transfers of defense articles and services. The term “gross violations of internationally recognized human rights” as defined in Section 502B(d), includes torture or cruel, inhuman, or degrading treatment or punishment, prolonged detention without charges, causing the disappearance of persons by the abduction and clandestine detention of those persons, or other flagrant denial of the right to life, liberty, and the security of the person. Any exception to this requires a Presidential certification to Congress that extraordinary circumstances warrant such assistance. The goal of any such sanctions is not to punish the offending country but to change its behavior, bringing it back into compliance with international norms for human rights.

### **Role of the Department of State**

The Assistant Secretary of State for Democracy, Human Rights and Labor has overall policy responsibility for the creation of USG human rights policy. The assistant secretary is responsible for the following:

- Detailed information regarding humanitarian affairs and the observance of and respect for internationally recognized human rights
- Preparing the annual country reports, discussed below
- Making recommendations to the Secretary of State and the administrator of the U.S. Agency for International Development (USAID) regarding compliance with Sections 116 and 502B, FAA
- Performing other responsibilities that serve to promote increased observance of internationally recognized human rights by all countries.

In accordance with Sections 116(d) and 502B(b) of the FAA, and Section 505(c) of the Trade Act of 1974, as amended, the DoS submits an annual document regarding country reports on human rights practices to the U.S. Congress. The reports cover the human rights practices of all nations that are members of the UN as well as a few that are not. They are submitted to assist members of Congress in the consideration of legislation, particularly foreign assistance legislation. Each country report follows a standard format, consisting of a brief introductory statement followed by a more detailed discussion of human rights practices and concerns under the headings listed in Figure 16-2.

**Figure 16-2**  
**U.S. Department of State Country Report Format**

**Section 1 Respect for the integrity of the person, including freedom from:**

- a. Arbitrary or unlawful deprivation of life
- b. Disappearance
- c. Torture and other cruel, inhuman, or degrading treatment or punishment
- d. Arbitrary arrest or detention and prison conditions
- e. Denial of fair public trial
- f. Arbitrary interference with privacy, family, home, or correspondence
- g. Excessive use of force and other abuses in internal conflicts

**Section 2 Respect for civil liberties, including:**

- a. Freedom of speech and press
- b. Freedom of peaceful assembly and association
- c. Freedom of religion
- d. Freedom of movement, internally displaced persons, protection of refugees, and stateless persons

**Section 3 Freedom to participate in the political process**

**Section 4 Official corruption and government transparency**

**Section 5 Governmental attitudes regarding international and nongovernmental investigation of alleged violations of human rights**

**Section 6 Discrimination, societal abuses, and trafficking in persons**

**Section 7 Worker rights**

- a. Freedom of association and right to collective bargaining
- b. Prohibition of forced or compulsory labor
- c. Prohibition of child labor and minimum age for employment
- d. Discrimination with respect to employment or occupation
- e. Acceptable conditions of work

The DoS and USAID strategic plan for FY 2018-2022 on the DoS website outlines the U.S. commitment to advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom in other countries.

Attachment 16-2 provides a suggested action and reporting guideline known as the “Five Rs” for use by the security cooperation officer (SCO) in the event of discovering or witnessing a possible human rights violation.

## **Role of International and Non-governmental Organizations**

Section 502B(b)(1), FAA, recognizes the contributions of international organizations and nongovernmental organizations within the area of human rights. Accordingly, this statutory section mandates that consideration shall be given to the relevant findings of appropriate international organizations, including such non-governmental organizations as the International Committee of the Red Cross, in the preparation of statements and reports concerning human rights conditions in other countries.

Some non-governmental organizations, e.g., Amnesty International and Human Rights Watch, publish their own human rights reports. The DoS customarily acknowledges the inputs provided by non-governmental organizations as well as other sources, e.g., private citizens and officials of foreign governments, in the development of its annual country reports on human rights practices. Amnesty International, for instance, lists country reports on its website at <http://www.amnesty.org>.

## **Expanded-International Military Education and Training**

The E-IMET initiative was started in 1991 to educate U.S. friends and allies in the proper management of their defense resources, to improve their systems of military justice in accordance with internationally recognized principles of human rights, and to foster a greater respect for, and understanding of, the principle of civilian control of the military. The program is based upon the premise that active promotion of democratic values is one of the most effective means available for achieving U.S. national security and foreign policy objectives and fostering peaceful relationships among the nations of the world.

In response to a 2011 GAO report entitled “International Military Education and Training: Agencies Should Emphasize Human Rights Training and Improve Evaluations” (GAO-12-123), the answers to the following questions are now called for in Combined Education and Training Program Plans (CETPP) submitted annually by SCOs: (1) Does the country generally receive poor marks on human rights from internationally recognized organizations like Freedom House? (2) If “yes” to question 1 above, to what degree is the military part of the rationale for the poor marks? (3) If the country receives poor marks, how does IMET-provided training planned for this country address human rights, civil-military relations, etc.?

## **Conventional Arms Transfer Policy and Building Partner Capacity under 10 U.S.C. §333**

Section 3 of the Conventional Arms Transfer Policy, National Security Presidential Memorandum 10 issued April 19, 2018, requires that the executive branch consider the risk that any transfer may contribute to human rights abuses, including acts of gender-based violence and acts of violence against children, violations of international humanitarian law, terrorism, mass atrocities, or transnational organized crime.

Programs providing assistance to foreign country’s national military forces under 10 U.S.C. § 333 are required to include training promoting “observance of and respect for the law of armed conflict, human rights and fundamental freedoms, the rule of law, and civilian control of the military.” In 2018, the Office of the Under Secretary of Defense for Policy issued guidance tasking DSCA with implementing the 333 program, including ensuring participation of Rule of Law experts from the Defense Institute of International Legal Studies (DIILS) in the design and assessment of rule of law training. DoD Office of General Counsel (OGC) is responsible for reviewing curriculum and assessing sufficiency of DoD compliance.

## **Human Rights Vetting for U.S. Assistance (Including Leahy Amendment Compliance)**

For purposes of the DoD Leahy Law (described in Chapter 14) none of the funding “made available to the Department of Defense, ... may be used for any training, equipment, or other assistance for a

unit of a foreign security force if the Secretary of Defense has credible information that the unit has committed a gross violation of human rights.” 10 U.S.C. 362

The term “gross violations of internationally recognized human rights” (GVHR) includes torture or cruel, inhumane, or degrading treatment or punishment, prolonged detention, without charges and trial, causing disappearance of persons by the abduction and clandestine detention of those persons and other flagrant denial of the right to life, liberty, or the security of person (Section 502B(d)(1) of the Foreign Assistance Act of 1961, as amended). The DoD and State also consider rape under the color of law and child sexual abuse as GVHRs.

Credible information does not need to meet the same standard used to determine admissibility in court. Information is deemed credible if a “reasonable” person would find it accurate as a basis in decision-making. SCOs are advised to forward all information related to human rights violations along with reasons why the information may or may not be believable or credible.

## SUMMARY

A solid understanding of internationally recognized human rights policies is of key importance to members of the U.S. security cooperation community, particularly those who conduct education and training programs for international students as well as SCO personnel who interface on a day-to-day basis with partner country personnel. Human rights are not just a matter of U.S. emphasis; rather, human rights policies are grounded in multiple international conventions, including the UN Charter.

The human rights conditions within each country are documented in an annual report prepared by the DoS. SCO personnel and U.S. military personnel deployed to unified command theaters need to be aware of their responsibilities for reporting human rights violations. To provide further focus on the importance of human rights, military justice, and civilian control of the military, the DoD education and training establishment is tasked with providing appropriate instruction on these topics to international students.

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**Attachment 16-1**  
**Universal Declaration of Human Rights**

Preamble: Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice, and peace in the world,

Whereas disregard and contempt for human rights have resulted in barbarous acts which have outraged the conscience of mankind, and the advent of a world in which human beings shall enjoy freedom of speech and belief and freedom from fear and want has been proclaimed as the highest aspiration of the common people,

Whereas it is essential, if man is not to be compelled to have recourse, as a last resort, to rebellion against tyranny and oppression, that human rights should be protected by the rule of law,

Whereas it is essential to promote the development of friendly relations between nations,

Whereas the peoples of the United Nations have in the Charter reaffirmed their faith in fundamental and human rights, in the dignity and worth of the human person and in the equal rights of men and women and have determined to promote social progress and better standards of life in larger freedom,

Whereas Member States have pledged themselves to achieve, in cooperation with the United Nations, the promotion of universal respect for and observance of human rights and fundamental freedoms,

Whereas a common understanding of these rights and freedoms is of the greatest importance for the full realization of this pledge,

Now, Therefore,

The General Assembly,

Proclaims this Universal Declaration of Human Rights as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international; to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples and territories under their jurisdiction.

Article 1. All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in spirit of brotherhood.

Article 2. Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, color, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. Furthermore, no distinction shall be made on the basis of the political, jurisdictional, or international status of the country or territory to which a person belongs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.

Article 3. Everyone has the right to life, liberty, and security of person.

Article 4. No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.

**Attachment 16-1 (Continued)**  
**Universal Declaration of Human Rights**

Article 5. No one shall be subjected to torture or to cruel, inhuman, or degrading treatment or punishment.

Article 6. Everyone has the right to recognition everywhere as a person before the law.

Article 7. All are equal before the law and are entitled without any discrimination to equal protection of the law. All are entitled to equal protection against any discrimination in violation of this Declaration and against any incitement to such discrimination.

Article 8. Everyone has the right to an effective remedy by the competent national tribunals for acts violating the fundamental rights granted him by the constitution or by law.

Article 9. No one shall be subjected to arbitrary arrest, detention, or exile.

Article 10. Everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of his rights and obligations and of any criminal charge against him.

Article 11. (1) Everyone charged with a penal offense has the right to be presumed innocent until proven guilty according to law in a public trial at which he has had all the guarantees necessary for his defense. (2) No one shall be held guilty of any penal offense on account of any act or omission which did not constitute a penal offense, under national or international law, at the time when it was committed. Nor shall a heavier penalty be imposed than the one that was applicable at the time the penal offense was committed.

Article 12. No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honor and reputation. Everyone has the right to the protection of the law against such interference or attacks.

Article 13. (1) Everyone has the right to freedom of movement and residence within the borders of each state. (2) Everyone has the right to leave any country, including his own, and to return to his country.

Article 14. (1) Everyone has the right to seek and to enjoy in other countries asylum from persecution. (2) This right may not be invoked in the case of prosecutions genuinely arising from non-political crimes or from acts contrary to the purposes and principles of the United Nations.

Article 15. (1) Everyone has the right to a nationality. (2) No one shall be arbitrarily deprived of his nationality nor denied the right to change his nationality.

Article 16. (1) Men and women of full age, without any limitation due to race, nationality or religion, have the right to marry and to found a family. They are entitled to equal rights as to marriage, during marriage, and its dissolution. (2) Marriage shall be entered into only with the free and full consent of the intending spouses. (3) The family is the natural and fundamental group unit of society and is entitled to protection by society and the State.

Article 17. (1) Everyone has the right to own property alone as well as in association with others. (2) No one shall be arbitrarily deprived of his property.



**Attachment 16-1 (Continued)**  
**Universal Declaration of Human Rights**

Article 18. Everyone has the right of freedom of thought, conscience and religion, this right includes freedom to change his religion or belief, and freedom, either alone in community with others, and in public or private, to manifest his religion or belief in teaching, practice, worship and observance.

Article 19. Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive, and impart information and ideas through any media and regardless of frontiers.

Article 20. (1) Everyone has the right to freedom of peaceful assembly and association. (2) No one may be compelled to belong to an association.

Article 21. (1) Everyone has the right to take part in the Government of his country, directly or indirectly or through freely chosen representatives. (2) Everyone has the right of equal access to public service in his country. (3) The will of the people shall be the basis of the authority of government, this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.

Article 22. Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international cooperation and in accordance with the organization and resources of each State, of the economic, social, and cultural rights indispensable for his dignity and the free development of his personality.

Article 23. (1) Everyone has the right to work, to free choice of employment, to just and favorable conditions of work and to protection against unemployment. (2) Everyone, without any discrimination, has the right to equal pay for equal work. (3) Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection. (4) Everyone has the right to form and to join trade unions for the protection of his interests.

Article 24. Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

Article 25. (1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing, and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. (2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

Article 26. (1) Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.

(2) Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance, and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace. (3) Parents have a prior right to choose the kind of education that shall be given to their children.

**Attachment 16-1 (Continued)**  
**Universal Declaration of Human Rights**

Article 27. (1) Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancements and its benefits. (2) Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary, or artistic production of which he is the author.

Article 28. Everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized.

Article 29. (1) Everyone has duties to the community in which alone the free and full development of his personality is possible. (2) In the exercise of his rights and freedoms, everyone shall be subject only to such limitations as are determined by law solely for purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order, and the general welfare in a democratic society. (3) These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations.

Article 30. Nothing in this Declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein

**Attachment 16-2**  
**The “Five Rs”**

**The responsibilities of U.S. military members, particularly those permanently assigned or temporarily deployed to a foreign country, with respect to human rights can be summarized by the “Five Rs,” which are the following guidelines extracted from educational materials developed by the U.S. Army Judge Advocate School.**

- Recognize human rights violations. This involves recognizing unlawful action by a government official, or someone acting under the color of government authority, and distinguishing gross violations of human rights from other violations. One must also be mindful that not all “bad” conduct constitutes a human rights violation.
- Refrain from committing human rights violations. Each military member is a government official, and government officials must not commit or aid in the commission of violations. Moreover, military members may be responsible for the acts of subordinates and possibly the acts of fellow soldiers. Upon encountering apparent violations in foreign countries, visiting military members should generally disengage from activity and leave the area, provided they can disengage without impairing their mission.
- React to human rights violations. If observed conduct of a government official involves a gross violation, intervention to protect a victim may be appropriate in certain limited cases:
  - ◊ The threat to life or limb is clear and compelling, e.g., without the soldier’s intervention, a death, dismemberment, or rape will almost certainly occur.
  - ◊ No other government officials or military personnel are able to intervene.
  - ◊ Intervention is possible without serious threat to the U.S. soldier’s safety, unit security, or mission.
  - ◊ Intervention involves no force or absolute minimum force to protect the victim, for example, shouting, not shooting at, the perpetrator. The objective is to restore the status quo, not to punish the perpetrator. If an official’s conduct does not involve a gross violation, the soldier follows the report procedures outlined below and secures the consent of higher authority before intervening or notifying others of the apparent violation.
- Report human rights violations.
  - ◊ Report all instances of suspected human rights violations immediately to higher authority; use the most secure communications means available.
  - ◊ Indicate what official appears to be committing an offense, describe victim(s), and state whether any U.S. military or civilian personnel were involved in any way.
  - ◊ As appropriate, provide recommendations as to what the commander should do to protect the victim(s), restore the status quo, and preserve evidence of these events.
- Record human rights violations.
  - ◊ In line with personnel or unit safety and mission requirements, use available means to preserve evidence and record other details of any apparent violation of human rights. Such means may include photography and tape recordings as well as written notes and diagrams.
  - ◊ As the location may be later examined by professional investigators from the proper host nation authorities or by other international investigators from the United Nations, regional organizations or perhaps the U.S., be cautious about entering the area where events took place and collecting items of evidence without clearance from a higher authority.

Source: U.S. Southern Command - Human Rights Office



## Chapter

# 17

# RESOURCE MANAGEMENT FOR THE SECURITY COOPERATION ORGANIZATION

## INTRODUCTION

Security cooperation organization (SCO) personnel are responsible for managing all the resources that are made available to the SCO. This is a significant difference for most personnel, especially if it is their first assignment to a SCO. Most DoD personnel come from commands or units where a separate section of the organization manages and tracks all the resources for the organization. Additionally, though the majority of military and Department of Defense (DoD) civilians may be familiar with annually appropriated DoD Operations and Maintenance (O&M) funds as the source of funds for their activities, at the SCO, there may be a variety of programs, each with its own funding and requirements for implementation. These programs, combined with a certain level of autonomy at a SCO, make it relatively easy for the responsible personnel to lose accountability of resources. This chapter addresses the realities and requirements of resource management in the SCO. The processes and procedures outlined within this chapter support the SCO's internal management controls program.

## INTERNAL MANAGEMENT CONTROLS

All of the internal management controls described in this chapter support the Managers' Internal Control Program, as described in the Federal Managers' Financial Integrity Act of 1982. Its design helps SCO personnel protect their resources and prevent fraud, waste, abuse, and mismanagement. The SCO implementation of management controls should consist of the following four elements:

1. Documentation: The SCO should document the procedures of the internal control program.
2. Instruction: The SDO/DATT should instruct all SCO members about the program's requirements.
3. Review: The SCO should conduct periodic internal reviews, with one element/sub-element within the SCO performing independent checks of records and procedures on another.
4. Inspection: Periodic external audits, such as those from the Combatant Command (CCMD) Inspector General, approximately every 18 months.

These four elements should minimize loss of resources due to fraud, waste, and abuse.

## FUNDING SOURCES

SCOs have several different sources of funds with which to perform their missions. These funds will usually come to them via their CCMD but can be sent from a Military Department (MILDEP) or from a DoD agency. In addition to the official funds sent to the SCOs for their operational use, some SCOs might receive funds via a Military Interdepartmental Purchase Requests (MIPR) to support other organizations' operations in-country.

There are several types of funds and assets a SCO may manage. Common expenditures of funds are for:

- Operational and overhead expenses
- Utilities (SCO office and residential)
- Rent (SCO office and residential)
- Temporary duty (TDY)
- Office equipment
- Civilian salaries, both General Service (GS) and Locally Employed (LE) staff
- Selected entitlements, such as dependent education

As mentioned above, funds may come from MILDEPs or DoD agencies; the SCO will likely receive funds from the Defense Security Cooperation Agency (DSCA), categorized as Foreign Military Sales Administration (FMS Admin) or Foreign Military Financing Administration (FMF Admin) funds as well as from the MILDEPs, referred to as Operations and Maintenance (O&M) funds. In this section, we will discuss these sources of funds, plus several others that any SCO might use.

### **Foreign Military Sales Administration (FMS Admin) Funds**

FMS cases include an administrative surcharge. The FMS process deposits this surcharge into the Security Assistance Administrative Trust Fund. This fund is the source of financial resources to administer the FMS process around the world, including the manning of SCOs. These funds, known commonly as “FMS Admin” funds, support FMS associated Security Assistance (SA) activities performed by the SCO.

The Defense Security Cooperation Agency (DSCA) is responsible for these funds and allocates the funds to the CCMDs, who, in turn, sub-allocate funds to their respective SCOs. The Defense Finance and Accounting Service—the Security Cooperation Accounting (DFAS-SCA) office in Indianapolis, Indiana, performs the official accounting function for these funds.

### **Foreign Military Financing Administration (FMF Admin) Funds**

Congress appropriates FMF Administration funds based on a budget submitted by the Department of State (DoS), under the Foreign Operations Authority U.S.C. Title 22. Personnel conducting FMF activities around the world use these funds to administer FMF programs. These funds, known commonly as “FMF Admin” funds, support some FMF related activities performed by the SCO and cover State Department Bureau of Political and Military Affairs’ monitoring and evaluation activities for FMF and International Military Education and Training (IMET) programs. Of note, FMF Admin funds are separate and distinct from the actual IMET funds, which receive a different categorization under the above mentioned DoS submitted Congressional Budget Justification (CBJ) request.

The Defense Security Cooperation Agency (DSCA) is responsible for these funds and allocates the funds to the CCMDs, who in turn sub-allocate funds to their respective SCOs. DFAS-SCA in Indianapolis, Indiana, performs the official accounting function for these funds.

### **Operations and Maintenance (O&M) Funds**

The CCMD receives O&M funds for in-country support of the Title 10 DoD and CCMD security cooperation (SC) programs. DoD commands use these funds to cover the same types of expenses as FMS Admin and FMF Admin funds but separately to support their non-SA, Title 10 SC programs. The MILDEPs refers to these funds as:

- O&M funds in the Air Force
- O&M Army (OMA) funds in the Army



- O&M Navy (O&MN) funds in the Navy

Congress authorizes and appropriates O&M funds for the support of U.S. forces under U.S.C. Title 10 and distributes the funding to the MILDEPs and DoD agencies. DoD designates a MILDEP as the Executive Agent for one or more CCMDs. The respective MILDEP is the primary source of O&M funds for that CCMD. The executive agents for the CCMDs are as follows:

- The Air Force for Central Command and Northern Command
- The Army for European Command, Southern Command, and Africa Command
- The Navy for Pacific Command

The designated Executive Agent allocates a portion of their O&M to the CCMDs, who, in turn, sub-allocate funds to their respective SCOs. The SCO then uses these O&M funds for Security Cooperation program requirements, those that are distinct from their Title 22 Security Assistance requirements.

### **Important Distinction Between Funds**

The Foreign Assistance Act, Section 636(a), Volume I-A, provides the legal authority to expend security assistance funds only for purposes directly related to the Act. In short, a SCO may use FMS Admin funds exclusively for the support of security assistance functions. When a SCO has personnel assigned to both FMS-funded (Title 22) and O&M-funded (Title 10) billets, the SCO must use corresponding funds proportionately — by number of personnel in each category — to pay for any shared office expenses such as office supplies, communications charges, vehicle costs, and maintenance. For example, in a SCO with six FMS-funded positions and three O&M-funded positions, a \$15K office maintenance contract is funded with \$10K in FMS Admin and \$5K in O&M funds.

### **Additional O&M Programs**

O&M also funds many other special programs. The CCMDs, MILDEPs, DoD agencies, and components manage these funds and expenditures must support the specific program authorized. Each of these O&M funding programs will have its own rules and procedures for their proper use. SCOs with security cooperation billets on their Joint Manning Document (JMD) must prepare and execute a separate budget for each of the authorized programs. The next few sections provide additional information for programs common in many SCOs.

### **Traditional Combatant Commander Activities**

The Geographic Combatant Commander (GCC) uses Traditional Combatant Commander Activities (TCA) funds to conduct military-to-military contact and comparable activities designed to encourage a more democratic orientation by defense establishments and military forces in other countries. The SCO submits proposed projects and their estimated cost to the CCMD. On behalf of the GCC, the CCMD approves appropriate projects and then, when funding is available, provides the funding to the SCO to execute the project.

### **Combatant Commander Initiative Fund**

In accordance with DoD Directive 7280.4, the Chairman of the Joint Chiefs of Staff (CJCS) controls the Combatant Commander Initiative Fund (CCIF). A CCMD may submit a request to use a portion of this fund in support of a myriad of projects to include the following:

- Force training
- Contingencies
- Selected operations

- Command and control
- Joint and combined exercises
- Military education and training to military and civilian personnel of foreign countries
- For personal expenses of defense personnel for bilateral and regional cooperation programs

These funds support a single, identified project and are not a source of funding for a continuing project. Once CJCS grants the funding authority for the CCIF project, the CCMD manages the fund in the same manner as other O&M funds.

### **Counternarcotics**

Congress appropriates Counternarcotics (CN) funds to the DoD for the support of U.S. and partner nations in fighting the war on drugs. The Assistant Secretary of Defense for Special Operations and Low Intensity Conflict (ASD/SOLIC) manages and applies the funds, sometimes in conjunction with the FMS process, to fund a country's CN-related training, support, and equipment needs, or in support of U.S. forces/activities engaged in CN operations. Normally, however, ASD/SOLIC allocates these funds to a MILDEP, which manages them like O&M funds for supporting CN efforts. The DoS also receives CN funding via the International Narcotics Control Act (INCA). Delivered via either the FMS process or direct commercial sales (DCS), DoS often uses these funds to pay for DoD-provided CN-related material, services, or training.

### **International Armaments Cooperation (IAC)**

The IAC program, introduced in Chapter 13 of this book, provides O&M funds in support of the U.S. personnel authorized under the JMD of the CCMD for IAC activities. The law originally authorizing IAC used the term Defense Cooperation in Armaments (DCA) and designated the Under Secretary of Defense for Acquisition, Technology and Logistics [USD (AT&L)] to manage it. In February 2018, the DoD separated AT&L into two smaller organizations: USD for research and engineering (USDR&E) and USD for acquisition and sustainment (USDA&S), and now the latter oversees IAC programs. USDA&S allocates IAC funds to the CCMD where the CCMD manages them like other O&M funds. SCOs with IAC billets on their JMD must maintain a separate budget and separate budget execution procedures for these funds.

### **Demining**

DoD avails demining funds to aid a country in the removal of landmines and may allocate them for use in conjunction with the FMS process. The SCO will be involved in managing this program and overseeing the use of these funds. The SCO does not budget for these funds; rather, higher headquarters direct yearly target amounts.

### **Humanitarian Assistance**

DoD allocates Humanitarian Assistance funds to assist partner nations in the construction of needed infrastructure, schools, and hospitals. The SCO will be involved in managing this program and overseeing the use of these funds. The SCO submits proposed projects and their estimated costs to the CCMD. The CCMD approves the projects and, when funding is available, provides the funding to the SCO to execute the project.

### **United States Code Title 10 Programs**

The CCMD centrally manages a special category of funding known as the Title 10 programs, with which the SCO may be involved. These special programs get their name from the same authorizing legislation that Congress provides for Armed Forces activities, but one should not confuse them with U.S.C. Title 10 O&M funds. Rather, Title 10 additionally provides funds to support cooperative

engagement. It funds material support for the following:

- Humanitarian and civic assistance projects
- Participation in exercises
- Attendance at conferences, seminars, or exchanges

The SCO does not budget for these funds; they are provided by the owning organization, as needed.

### **Assistance-in-Kind**

Assistance-in-Kind (AIK) is generally non-monetary support of SCO operational requirements, typically in the form of office space, transportation, utilities, or personnel. AIK support covers operational requirements that the SCO would normally pay for with FMS Admin, FMF Admin, FMS case, or O&M funds. A bilateral agreement signed between the U.S. and the partner nation determines the range and scope of support AIK covers. Although AIK is not a Title 10 program, SCOs must account for and capture the cost the AIK support would otherwise cost.

### **Antiterrorism and Force Protection Funding**

Antiterrorism/Force Protection (AT/FP) funding is an area of great concern and some confusion. The DoS is responsible for funding AT/FP for most of the SA-authorized billets while the CCMD, by agreement, is responsible for AT/FP at selected SCOs and all personnel assigned there, i.e., the DCA officer. DoS is, therefore, the first place to look for funding of AT/FP requirements. If sufficient funds are not available from the DoS, then the SCO should submit an unfunded requirement (UFR) to the CCMD to pay for the short fall. In the UFR, the SCO should include a statement from the embassy Regional Security Officer (RSO) reflecting that the security requirement is valid and that DoS does not have funding to cover it.

### **Other Sources of Funding**

Morale, welfare, and recreation (MWR), overseas housing allowance (OHA), basic allowance for housing (BAH), and military pay are some of the other sources of funding.

In accordance with DoD Instruction 1015.10, the DoD avails MWR funds on a limited basis via the Executive Agent MILDEP to support U.S. military personnel at a SCO. The SCO often uses these funds for such items as weight-lifting and exercise equipment that will benefit the entire SCO.

SCO personnel typically receive housing in one of four ways. The first method is when the SCO member obtains a private lease. In this case, the member receives OHA in conjunction with BAH and uses those funds to pay for housing costs. The second method is a government lease, which the SCO pays for using FMS Admin, FMF Admin, or O&M funds, depending on which fund source owns the member's billet on the JMD. Sometimes, the embassy housing pool will manage the government lease; other times, the SCO will handle it separately. The third method of providing housing is via the DoS' embassy housing pool. This pool includes residences either purchased or on leases managed by the DoS. At comptroller levels, the SCO service member's MILDEP housing allowance passes from DoD accounts to DoS accounts to cover the associated housing costs of the housing pool property assigned to the SCO personnel. In these cases, having active and proactive SCO membership on the embassy housing board is critical for good morale. The fourth method of housing, DoD military quarters, is rare. These are quarters on a military installation located in or near a foreign capital, funded by the applicable installation MILDEP.

The SCO does not budget for active duty military pay. Each SCO member's military service pays this cost as reflected on the respective member's DFAS generated Leave and Earning Statement (LES). Though it is transparent to the SCO member, DFAS uses funds from different sources depending on the

billet description. U.S. Coast Guard (USCG) personnel working in the SCO belong to the Department of Homeland Security (DHS), and DSCA centrally funds and reimburses the USCG.

## FLOW OF FUNDING AUTHORITY FOR THE SECURITY COOPERATION ORGANIZATION

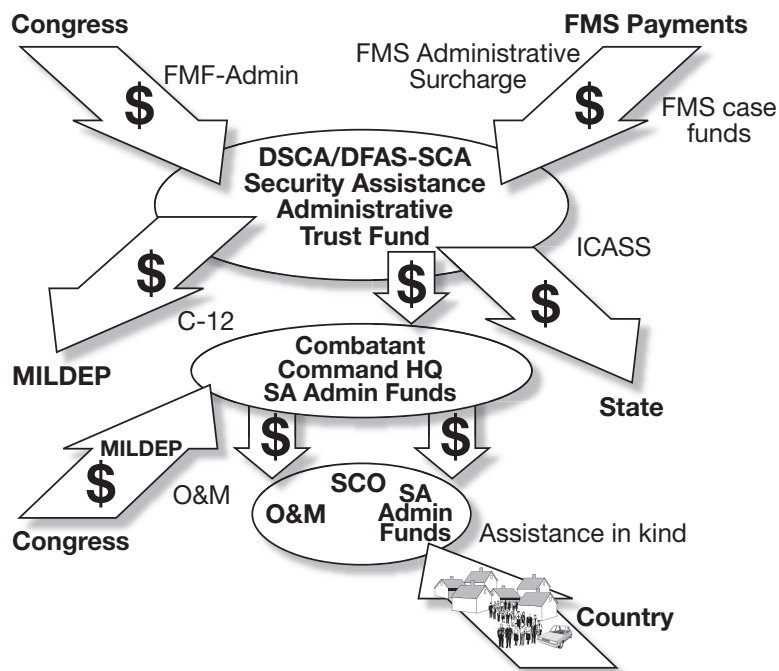
The flow of funding authority to the SCO is complicated due to the number of funds, the types of activities, and the number of organizations involved.

Figure 17-1 depicts the flow of funding authority from the sources of funding to the SCO. Starting at the upper center of the figure, the SCO uses the Security Assistance Administrative Trust Fund as their primary source of funding. The top left shows the flow of funding Congress provides for Security Assistance administration-related requirements supporting grant programs. The top right shows the flow of funds from the FMS administrative surcharge on FMS cases.

DSCA sends the CCMD funding authority for the CCMD's SA administrative functions, and the CCMD then distributes funds to the SCOs. From the Trust Fund, DCSA also disburses funds directly to DoS to pay for indirect costs that are centrally funded by DSCA (for SCOs worldwide) such as International Cooperative Administrative Support Services (ICASS).

The bottom left of the chart shows the flow of congressionally appropriated O&M funds to the CCMD and MILDEPs. The MILDEPs also distribute these O&M funds to the other SC organizations that require O&M funds. The CCMDs then provide the necessary O&M funds to the SCO.

**Figure 17-1**  
**Flow of Funds**



## SECURITY COOPERATION ORGANIZATION BUDGET ORGANIZATIONS

Before looking at the budget process itself, it is useful to understand the various players in the budget process. The following are nine major players involved in the SCO budget process:

1. Congress
2. DoS

3. DSCA
4. MILDEPs
5. CCMDs
6. SCOs
7. Embassies
8. Global Financial Service Centers (GFSC)
9. DFAS–SCA

Congress legislates the appropriated funds portion of the SA FMFP funding and the O&M funding the SCO will use. Congress separately legislates an annual dollar ceiling authority for expenditure of SA administration funds out of the trust fund at DFAS–SCA.

The DoS submits the budget request to Congress for the appropriated funds portion of the SA fund requirement in the annual congressional budget justification (CBJ) for foreign operations. Of note, many other Executive Branch entities submit their own CBJs to Congress.

DSCA administers the Security Assistance Administrative Trust Fund and provides budget policy and guidance on the use of FMS Admin and FMF Admin funds. DSCA also provides budget target levels to the CCMDs and reviews and approves their SA-related budgets. DSCA approves these SA budgets based on per-country amounts the CCMD compiles but issues the funding level to the CCMDs as a lump-sum dollar value. DSCA works with the DoS in preparing the budget request to Congress for the appropriated FMF Admin funds. DSCA disburses funds to the DoS for SCO ICASS costs and also centrally funds USCG salaries. Additionally, DSCA funds all or part of the C-12 aircraft program for SCOs with such assets, depending on the circumstance of use.

The MILDEPs, as executive agents to the CCMDs, provide budget policy and guidance on the use of O&M funds. They review and approve the O&M budgets for the CCMDs. They also prepare the annual Program Objective Memorandum (POM) submission for the DoD to obtain the funds required.

Combatant Commands issue policies and procedures that expand and clarify those issued by DSCA and the executive agents. They issue funding targets for the SCOs to use as a starting point in developing their budgets. CCMDs review and modify the individual SCO budgets as required and then submit consolidated budgets to DSCA for SA requirements and to the executive agent for O&M requirements. CCMDs then issue the obligation authority/fund certification authorization (OA/FCA) to the SCO as funding becomes available. This gives the SCO authority to obligate the USG to expend dollars. At the same time, the OA/FCA is issued to the SCO, the CCMDs notify DFAS–SCA, so they can record the OA/FCA values in the official accounting system. DFAS–SCA uses payment information submitted separately through the DoS accounting system (Momentum) to reconcile against records already in the DAI system.

SCOs prepare their proposed budgets and submit them to the CCMDs. If the budget request exceeds the target level provided by the CCMD, then the SCO will submit an unfunded requirement (UFR) for each item above the target level. The SCO, upon receipt of the OA/FCA, will execute the day-to-day budget requirements in accordance with the DFAS Memorandum, SAO Accounting Pamphlet, 28 September 2003. The SCO will enter all accounting records into the Defense Agencies Initiative (DAI) online application for all transactions. This information, plus payment information submitted through the DoS accounting system (Momentum) and received by DFAS–SCA, is used for reconciliation with records in the DAI system.



The embassy will provide contracting support to most SCOs. Generally, the DoS has the only bonded contracting officer available in country, so they provide this service to the other organizations. It is the exception for a SCO to have its own contracting officer. The embassy also provides certain administrative support services specified in the ICASS agreement. These services generally include fund disbursement for the SCO by the embassy and the Global Financial Service Center (GFSC). Again, a few SCOs perform this service in-house, but this is the exception. DoS representatives make financial reports available to the SCO, which capture the financial functions the embassy performed for the SCO.

The DoS disburses funds for U.S. embassies primarily via their two GFSC locations. There is currently one GFSC located in Bangkok, Thailand, and another in Charleston, South Carolina. The respective GFSC location reports SA disbursements directly to DFAS–SCA. The GFSC reports such disbursements to the corresponding embassy upon request.

DFAS–SCA is the financial and accounting activity for all FMS Admin and FMF Admin funds. DFAS issues general accounting policy and procedures. DFAS–SCA maintains the official accounting records. They post all obligations provided by the SCOs and disbursements provided by the DoS and others. DFAS–SCA, in conjunction with the SCO, reconciles the records posted from the DoS with those posted by the SCO. DFAS–SCA is also required to perform departmental reporting to the Office of Management and Budget (OMB).

## PRACTICAL APPLICATION OF DIFFERENT FUND TYPES

The following example, using the fictional country of Bandaria, shows the sometimes confusing use of various types of funds. This example only identifies a few of the funding sources that a SCO might have, and is not an all-inclusive list. Table 17-1 shows the makeup of SCO Bandaria by position.

**Table 17-1**  
**Security Cooperation Organization Bandaria**  
**Makeup and Funding Source**

JMD Position	Name	Grade	Type Funds
ODC Chief	COL Dave Encharge, USA	06	SA Admin (FMS)
Secretary (U.S. Civilian)	Ms. Mary Nositall	GS	SA Admin (FMS)
Budget Analyst (LE Staff)	Ms. She Counts	LES	SA Admin (FMS)
Training Assistant (LE Staff)	Mr. Kan Sendum	LES	SA Admin (FMF)
Armaments Cooperation	Lt Col Terry Helper, USAF	05	O&M (DCA)
Logistics-Plans Coordination	MAJ Don Supli, USA	04	O&M (CCMD)

This office has four basic funding sources to cover six positions. The following provides the funding background with greater detail and some recognized deviations for each of the office members.

Colonel Dave Encharge is married, with two teenage children, for a total of three sponsored dependents. His house is rented, not provided through a government lease, so he uses service-provided BAH and OHA to pay the rent on his house in Bandaria. FMS Admin pays the cost of his children’s private school; pays for the purchase of office supplies and equipment; and funds his SA-related travel. He and his dependents also receive funded environmental and morale leave (FEML) because their assignment is to a designated austere location. For their FEML, Colonel Encharge and his dependents can decide to go to the designated FEML location, normally a CONUS primary airport of entry. If they



decide on another location, they will receive funds only up to the constructed cost of traveling to the designated FEML location. The U.S. Army pays his salary.

Ms. Mary Nositall, the secretary, is a local hire. As such, she does not receive any housing, dependent education, or transportation entitlements. There are a few GS civilians that receive these entitlements, but only if they have a transportation agreement. FMS Admin funds pay her salary, her office supplies and equipment, and for any SA-related travel costs she may incur.

Ms. She Counts and Mr. Kan Sendum are local nationals. FMS Admin funds her position, and FMF Admin funds his. FMS Admin and FMF Admin pay for their respective support, including salary, office supplies, and equipment. As LE Staff, SCO funds cannot pay for their housing and dependent education.

Lieutenant Colonel Terry Helper has no dependents. The U.S. Air Force pays her salary and the BAH and OHA to rent her house in Bandaria. DCA funding pays for the purchase of her office supplies and equipment and for any DCA-related travel. FMS Admin pays for any SA-related travel.

Major Don Supli has one sponsored dependent, and the U.S. Army pays his salary. He uses BAH and OHA to pay the rent on his house in Bandaria. CCMD O&M funds pay for the purchase of his office supplies and equipment and CCMD-related travel.

The Bandarians have decided to provide vehicles for SCO use under an FMS case. This active Bandarian FMS case provides for the lease of four Jeep Grand Cherokees, including their maintenance. The SCO only pays for the fuel for these vehicles.

In all cases, there are two basic factors that determine which source of funds to use for any given purchase. The first is the mission. If a member is going to travel, the purpose of the travel determines which funding source to use. Security assistance travel will generally use FMS Admin, unless it is for IMET or EUM missions, which use FMF Admin funds. Travel orders can split costs across more than one fund source if the mission of the travel involves different purposes.

The second determining factor is the position. For each member, support should come from the source of funds that is designated for the position, as noted in the vignettes above. In those cases where the mission is not clear and the expense serves more than one position, such as the office copier or cleaning supplies, the SCO usually employs some form of cost averaging to correlate the source of funds to the composition of the office. In the above example, the SCO could pay for the annual costs of cleaning supplies by dividing the cost across the three funding sources as FMS Admin 50 percent, FMF Admin 17 percent, and O&M 33 percent.

## **SECURITY COOPERATION ORGANIZATION BUDGET PROCESSES**

As already described, SCOs deal with funding from different sources. Depending on the CCMD, the SCO will use the budget application of the respective MILDEP executive agent to track O&M funds. The Table 17-2 shows the funding systems of use.

**Table 17-2  
GCCMD Budget Applications**

<b>Combatant Command</b>	<b>FMS Admin FMF Admin</b>	<b>O &amp; M</b>
AFRICOM	DAI	GFEBs
CENTCOM	DAI	DEAMS
EUCOM	DAI	GFEBs
NORTHCOM	DAI	DEAMS
INDOPACOM	DAI	SABRS
SOUTHCOM	DAI	GFEBs

## **SECURITY COOPERATION ORGANIZATION BUDGET PREPARATION**

The budget preparation process starts with the annual budget call. DSCA provides fiscal guidance for each CCMD and notifies them of what information is required, when it is required, and with what details. The CCMDs then provide fiscal guidance for each SCO and notify them of required submissions and the due date. Typically, this process begins around January with the publication of the DSCA budget call. However, many of the CCMDs will start their budget preparation process by early December.

The CCMDs collect the data from the SCOs and input the data into the Comprehensive Cost and Requirements (CCaR) system. CCaR is the authoritative database of record used to develop, submit, and analyze program, budget, and execution data for the Foreign Military Sales (FMS) and Foreign Military Financing (FMF) Administrative budgets. All FMS and FMF Admin account holders are responsible for the accuracy and completeness of the data submitted via CCaR. DSCA Headquarters approves the Security Assistance Program Budget Review (SAPBR) guidance documents and saves the documents within the CCaR application. Adherence to these guidance documents will be critical for the successful development and submission of your organization's budgetary and execution requirements to the Defense Security Cooperation Agency (DSCA).

Any mission requirement that exceeds the budget target ceiling may be submitted as an unfunded requirement. The CCMD reviews and modifies the budgets submitted by each SCO. When the CCMDs are satisfied with their budgets, DSCA reviews the overall budget and prepares it for submission to DoD and Congress.

The budget approval and execution process works in reverse of the budget submission process. Congress provides the funding appropriation and authority to the DoS, which, in turn, provides the allocation of appropriated funding to DSCA. DSCA takes this allocated funding, along with the authorized funds from the administrative trust fund account, and provides the CCMDs with their

approved allotment on a quarterly basis. CCMDs issue OA/FCA amounts to the SCOs, authorizing them to obligate the USG to expend funds.

## **SECURITY COOPERATION ORGANIZATION BUDGET EXECUTION**

Receipt of the OA/FCA begins the budget execution process. This phase consists of day-to-day operations, and the SCO uses the Defense Agencies Initiative (DAI) program to aid in managing their resources wisely and to record the following transactions:

- Committing funds for SCO requirements
- Obligating funds for those requirements
- Recording receipt of goods
- Reconciling records with DoS and DFAS

SCOs can only procure authorized items required to perform their mission. These requirements will include everything from pens and pencils to dependent student education and TDY. For each requirement, the SCO will commit funds to reserve them in the budget for the planned payment. This is done in one of three ways: a purchase request (PR) when DFAS will pay the vendor; a MIPR when the SCO will transfer funds to another DoD organization for obligation; or an Interagency Agreement (IAA) to the DoS when the DoS will pay a vendor for a SCO requirement.

Once the SCO has established a commitment, the appropriate office process the paperwork to create an obligating document. This is usually done through the embassy and results in a purchase order (PO), contract, or a USG purchase card (GPC) purchase.

The vendor usually receives payment in one of following five ways:

1. The embassy Budget and Finance (B&F) office can pay the vendor by check or electronic funds transfer (EFT)
2. The DoS GFSC can pay the vendor by check or EFT
3. The embassy B&F office could provide the SCO with cash to pay the vendor
4. The SCO can use a GPC to pay the vendor
5. DFAS-SCA can pay the vendor by EFT

If the DoS is making the payment, the U.S. embassy processes the paperwork. Otherwise, DFAS-SCA processes the paperwork.

At the end of each fiscal year, the SCO reconciles its records of obligations and payments to ensure that recorded payments agree with actual expenditures, that the budget has sufficient funds to pay all the bills, and that excess funds are available for other obligations.

## **SECURITY COOPERATION ORGANIZATION SECURITY ASSISTANCE BUDGET CAUTIONS AND PROBLEMS**

Several items consistently cause problems for SCOs. Government-leased housing is a prime example, because any lease (plus annual utilities) over \$50,000 of the FMS Admin or FMF Admin funds requires CCMD approval. The CCMD can approve new and replacement leases for less than \$50,000 or delegate this approval to the SDO/DATT; however, the SDO/DATT may not approve the lease for his or her own quarters. The housing market in many foreign capitals can exceed this amount, and, when compounded by busy schedules, fiscal cycles, and lease renewal timeliness, SCO personnel might face situations when they want to take more authorities than granted.

Another SCO challenge area is the management of official vehicles. DSCA approves the purchase of all foreign-made vehicles to ensure the Buy American Act is adhered to; all other vehicles are approved by the CCMDs. The General Services Administration (GSA) is the sole approving authority for sources of armored vehicles.

Only the CCMD can grant authority for domicile-to-duty transportation (DTDT), the use of a government vehicle for transportation between home and the office. DTDT use of government vehicles requires all members of the SCO to understand its limitations. It is based on the threat in a country, is approved by the Secretary of Defense and is reviewed every six months. The Internal Revenue Service deems this transportation a fringe benefit, and the estimated monetary benefit should show on a person's W-2 form each year the member receives the benefit.

SCOs support a host of individuals that are not assigned to its organization. It is incumbent on the SCO to ensure the individuals' parent organization provides funding to cover the additional expenditures required for these personnel.

## **HUMAN RESOURCES**

One of the key resource areas in a SCO is human resources. Section 515 of the Foreign Assistance Act (FAA) within Title 22 of U.S. Code (22 U.S.C.) contains a variety of provisions dealing with the organization and roles of SCOs. These provisions limit the number of members of the armed forces permanently assigned to a SCO for the management of the United States security assistance (SA) to six, unless specifically authorized more by Congress. This provision does not apply to civilian billets or to CCMD SC billets within the SCO. The President of the U.S. may waive this limitation for SA-related staffing if he determines U.S. national interests require more than six such personnel. Changes to the SCO's authorized staffing must follow the procedures outlined in Attachment 17-2, Guidelines to Implement National Security Decision Directive Number 38 (NSDD 38), if the additional position(s) will be operating under Chief of Mission (COM) authority at the U.S. embassy. Operational and overhead support for the SA billets comes from the Security Assistance Administrative Trust Fund. For SC billets, O&M funds or other funds from the program that authorizes their presence support the respective billets.

### **Security Cooperation Organization Personnel Authorizations**

SCO staffing varies according to the SA and SC program workload, as determined by joint Defense Security Cooperation Agency (DSCA) and CCMD manpower surveys. The workload includes the volume of active Foreign Military Sales (FMS) cases, the number of students programmed for training, the volume of SC programs the SCO manages, and other factors. As a general rule, in order for the Security Assistance Administrative Trust Fund to fund a billet, more than 50 percent of that individual's workload must be in performing SA functions. Conversely, the CCMD O&M program objective memorandum (POM) process normally funds billets that primarily support SC programs and do not include SA responsibilities. Once DSCA and the Joint Chiefs of Staff (JCS) approve the authorized staffing, it is published to the CCMD's Joint Manpower Program (JMP). The CCMD maintains this document. There are a finite number of billets available worldwide, and, as new requirements arise for a SCO, the CCMD and/or DSCA may require shifting billets from one SCO to another or from one CCMD to another. A CCMD's JMP, authorized for the SA workload of the SCO, may reflect the following categories of billets:

- U.S. military personnel. As indicated above, the DoD reports the number of those performing security assistance duties to Congress annually, and the number is subject to congressional limitation.
- U.S. civilian direct-hires. The civilian personnel agency associated with the respective CCMD hires these DoD civilians.

Locally Employed Staff (LE Staff) is a general term used to describe foreign nationals and resident U.S. citizens a USG agency employs at a post under Chief of Mission (COM) authority. They receive employment under a direct-hire appointment, a personal services contract, or a personal services agreement. Typical jobs for LES within a SCO include: budget analyst, SA training manager, FMS case technician, administrative assistant, translator, and vehicle driver.

The CCMD's JMD does not reflect all billets in a SCO. A SCO may also have the following categories of billets:

- **Personal Services Agreement (PSA).** Personnel (local national personnel, third-country national personnel, USG employee family members, or local non-official U.S. personnel) hired under a limited-term (one year, extendable to ten years) contract to fill bona fide requirements in a SCO. PSAs can fill positions as noted above for LE Staff; however, the SCO cannot contract PSA personnel to perform duties that require a USG employee to perform, such as certifying funds. The primary advantage in hiring a PSA is that it does not require NSDD 38 approval, whereas hiring LE Staff does.
- **Assistance-in-Kind (AIK).** The partner nation government may, by way of a bilateral agreement, assign local Ministry of Defense (MOD) personnel to the SCO. These personnel perform administrative or management functions on the country's SA programs and work under the direction of the SCO. The partner nation may also assign liaison officers to the SCO by mutual agreement.
- **Case-funded personnel.** In a few countries, an FMS case pays for services of personnel (U.S. and non-U.S.) who work predominantly on the respective case. These billets are on a relatively permanent basis, but the individuals may change based on the length-of-tour rules included in the case.

The USG compensates U.S. military and civilian direct-hire personnel in accordance with relevant U.S. laws and regulations. The U.S. embassy compensates locally employed staff in accordance with the local compensation plan (LCP), the embassy's official system of compensation. Embassies establish LCPs in accordance with Section 408 of the Foreign Service Act of 1980, as amended United States Code 22 (22 U.S.C.), 3968. Each LCP consists of the salary schedule and rates, statements authorizing various types of benefit payments and premium pay rates, and other pertinent facets of local compensation.

### **Changes in Security Cooperation Organization Manpower**

The SCOs and CCMDs should review JMPs at least annually to ensure that SCO manning conforms to established policy for effectively managing SA and SC programs. If a SCO JMP requires change (or when a new SCO requires a JMP), the CCMD must submit such requests via DSCA to the JCS with detailed justification in accordance with DoD Instruction 5132.13, Staffing of Security Cooperation Organizations (SCOs) and the Selection and Training of Security Cooperation Personnel.

Additionally, the COM must concur with any changes affecting the size, composition, or mission of the SCO. The NSDD 38 (see Attachment 17-1), assigns primary responsibility for approval of changes in the size, composition, or mandate of any agency at a U.S. embassy to the applicable COM, in consultation with the DoS. In reviewing the JMP, the SDO/DATT has the ability to narrow or broaden the required or preferred background, skills, and prior training specified for any given billet. This often requires striking a balance between the needs of the SCO and the available pool of manpower. Making a requirement too specific may ensure an ideal candidate for any given position but at the cost of a gapped billet. Conversely, too general a requirement may help ensure timely personnel fills but with personnel who do not have the best qualifications for the job.



## Security Cooperation Organization Selection

Personnel receive nominations to SCO positions in accordance with DODI 5123.13. Requirements for nomination to a SCO may entail slightly different criteria from the norm with respect to:

- Civilian education
- Language qualifications
- Military schooling
- Experience
- Area familiarity
- Health
- Family considerations
- Appropriate SC education and training to match certification level(s) required in the SC Area of Concentration (AoC) the particular SC billet demands as identified within the Security Cooperation Workforce (SCWF)

This last requirement for nomination is relatively new and a direct result of requirements mandated by the U.S. Congress in the 2017 National Defense Authorization Act (NDAA FY17). However, certification and even nomination do not ensure the job, because the CCMD, the ambassador, and the SDO/DATT retain final selection rights.

## SPECIAL TOPICS IN SCO BUDGETING

SCO personnel use the three primary fund sources listed above (FMS Admin, FMF Admin, and O&M), for the various operating needs of the SCO. Notwithstanding the “Mission, then position” general guideline discussed above, the SCO has some specific areas of resource management requiring particular mention. This section discusses these areas. Unless specifically mentioned individually, the discussion in this section will refer to FMS Admin and FMF Admin collectively as Security Assistance Administrative Funds (SAAF).

### Representation Funds

USG organizations use representation funds to maintain the standing and prestige of the U.S. by extending official courtesies to authorized partner nation personnel. The SCO will receive such funds from both FMS Admin and O&M funding. The SCO representation fund budget is small, generally only a few hundred dollars, but it receives a great deal of management attention. Rules for SA representation funds will differ from those of CCMD O&M and those for use by the DAO. To assist in the funding of representational activities during VIP visits (senior flag officers, DoD civilians, and others), SCOs should—in advance during coordination of the schedule—request and obtain funds from the VIP’s point of contact to offset the costs of the activities.

Representation funds can cover the cost of luncheons, dinners, and receptions for authorized personnel, to include gratuities up to 15 percent of the cost of the services. Consistent with 22 U.S.C. Section 2694, Limitation on purchase of gifts for foreign individuals, the aggregate cost of gifts presented to any one authorized, honored guest and their spouse may not exceed \$415. The U.S. side should only present such mementos to non-USG officials. Additionally, these funds can cover the costs of non-personal invitations, such as an invitation from SCO Bandaria as opposed to one from Colonel Encharge. The SCO should refer to DODI 7250.13 and DSCAI 7005.01 of 11 December 2018 for additional guidance, including a list of prohibited items.



The U.S. entity using representational funds should limit the number of invited guests to the minimum number required to meet the representational mission. In any case, the number of distinguished guests must be at least 20 percent of the attendees when the number of attendees is no more than thirty people and at least 50 percent when the number of attendees is more than thirty people. The SCO should refer to CCMD regulations for any additional limitations.

SCOs must maintain detailed records of all expenditures of representation funds. These records include guest lists indicating invitees and attendees for each event, indicating the distinguished guests, and noting the ratio of distinguished guests to U.S. personnel. The SCO must also record all financial expenditures as well as maintain perpetual inventories of mementos and expendable items. These records include documentation of the date of presentation, the memento that was given, to whom it was given, and the reason for presentation.

### **LES Separation Pay**

Host Nation law dictates when and how Locally Employed Staff (LES) receive separation pay. In many countries, the SCO must contribute to a national fund or establish a local account through the embassy from which to disburse an LES' separation pay. In countries where the local law requires separation pay, the SCO calculates the amount based on information provided by the embassy and submits the amount to DSCA for disbursement. DSCA has established a separation liability account within the FMS Trust Fund and disburses separation pay from this account.

### **Dependent Education**

Family member education is a must-pay requirement. SCOs will budget for the educational costs for family members of SAAF-funded and some non-SA funded billets. The costs may include tuition, fees, transportation to and from school, and travel. For command-sponsored dependents who must attend school at a location other than the sponsor's assigned duty station, covered costs include dormitory (boarding school) costs. The billet of the sponsor will determine what source of funds will pay dependent education expenses. The Department of Defense Education Activity (DoDEA) pays for dependent education expenses of personnel in O&M billets; FMS Admin or FMF Admin pays the dependent education expenses of personnel in SAAF billets. The following sections will provide greater detail on dependent education expenses for SAAF billet dependents, as this will come out of the SCO budget and must be planned for in advance. For more information, the DoDEA employs representatives for the various regions of the world and can provide answers, regardless of the funding source of the sponsor or the mode of education.

For SAAF billet dependents attending Department of Defense Dependents Schools (DoDDS), the SCO will create obligations in the accounting system to reimburse the DoDEA for education expenses. Costs will be paid on a semester basis. Funds for the first semester will be budgeted for and paid in the current fiscal year (prior to 30 September). Funds for the second semester of the same school year will be charged to the next fiscal year.

For SAAF billet dependents attending international (Non-DoDDS) schools, SAAF support is limited to the Department of State Standardized Regulation allowance, either at the "at-post" rate for schools located within commuting distance of the sponsor's duty station or at the "away-from-post" rate for dormitory schools. The "away-from-post" rate for dormitory schools covers tuition costs, room and board, and three trips between the post and nearest locality where an adequate school is available. The sponsor will cover any costs exceeding these rates; SAAF will not supplement such costs. SAAF will cover authorized costs on a semester basis unless the school requires a full-year or other tuition payment plan. If an alternative payment plan is in use, the SCO shall budget the allocation of funds for the projected quarter of payment. The SCO must keep the Non-DoDDS school's written request for payment of full tuition or other variation from the semester payment plan on file.

Command-sponsored dependents attending high school away from the sponsor's duty station receive the entitlement of three round trips per year to the sponsor's duty location. Command-sponsored family members attending high school or college in CONUS receive the entitlement of one round trip per year to the sponsor's duty location, per Joint Travel Regulation (JTR) Volume Two, Chapter 5, Part C, Section C3, paragraph C5120.

Sponsors may also choose to home school their dependents. The DoDEA will authorize a stipend for the education, for which the appropriate sponsor's billet funding source pays, based on an itemized budget the sponsor provides.

### **Information Technology**

The CCMD manages the information technology (IT) program for all of their SCOs. They provide the funding for purchase, maintenance, and replacement of SCO computers and cell phones. As noted earlier, the billet (position) that the equipment serves determines the funding source for these items. For example, FMS Admin funds will pay for the purchase, the maintenance, and replacement of the FMS Admin-funded SCO Chief's computer. Depending on location, SCOs receive IT equipment maintenance via:

- Embassy IT office
- SCO personnel
- CCMD IT team
- Contracted out to local vendor

The Defense Logistics Agency Disposition Services provides disposition of SCO IT equipment. The replacement cycle policy for computers is typically five years.

### **Vehicles**

The CCMD establishes authorizations for the number and types of vehicles (e.g., car, SUV, light armor, or heavy armor) in accordance with regulations, to include armored vehicles, that each SCO requires. The CCMD must ensure that its approved Annual Funding Program covers all costs associated with its vehicle fleet. Non-tactical vehicle management must be in accordance with DoD Instruction 4500.36.

DSCA provides SAAF funding for vehicle support to include normal passenger, non-passenger vehicles, and armored vehicles, when such vehicles are designated as in support of the SA mission. MILDEPs acting as Executive Agent for the CCMD will provide funds for non-SA missions. Vehicle purchase and maintenance are normal recurring costs, and replacement vehicles should be forecasted and budgeted within the CCMD's approved Annual Funding Program. Depending on the CCMD, vehicle procurement can take from six months to two years; therefore, to account for long lead-times, each SCO should plan, program, and budget for vehicles through the annual budget request at least two years in advance.

When authorized, SCOs procure vehicles that require armoring and other special security measures from companies with approved DoD or DoS contracts. DSCA must approve, in writing and in advance of purchase, any additional authorizations for heavy armored vehicles (HAV) and light armored vehicles (LAV) for a SCO; this requirement extends to approval for replacement HAVs and LAVs.

As noted in AR 1-75/SECNAVINST 4900.49/AFJI 16-104, SAAF is not used to finance the purchase, long-term lease, exchange, or guarantee of a purchase of motor vehicles unless these vehicles are manufactured in the United States. The SCO submits requests for exception to this policy in writing via the CCMD to DSCA. The Secretary of Defense has delegated foreign-manufactured

vehicle approval authority to the DSCA Director, for approval for use in SCOs. The SCO must provide full justification, to include embassy and CCMD concurrence; security and economic justification factors are the most important considerations in the approval process.

Only the CCMD can authorize Domicile-to-Duty Transportation in accordance with AR 1-75/SECNAVINST 4900.49/AFJI 16-104. The CCMD reviews DTDT designation every six months, and, if warranted, renews it on an annual basis. This designation allows SCO members to take government vehicles home at night, rather than using a personal vehicle, typically for security reasons. If designated, the SCO will have and use the minimum number of vehicles consistent with safety considerations to provide DTDT.

## **Housing**

DSCA Policy 18-45, DSCA issued changes to policy on housing for SCO personnel with a phased implementation that started in FY 2019. DSCA recognized the logistical challenges that overseas assignments have on SCO personnel and their families and has sought to alleviate those challenges where reasonable. The respective Geographic Combatant Command (GCC) now has authorization to approve request for Embassy Leased Housing (ELH) for SCO personnel in FMS Admin and FMF Admin funded billets.

Nonetheless, DSCA also recognizes that each post operates within a unique environment that may impact the financial prudence of using ELH. If an entire SCO is under ELH, O&M funds will cover ELH costs for O&M funded billets.

In those cases where using ELH would cause financial strain on resources that exceed the benefits, the GCC is encouraged to continue using the overseas housing allowance. Because ELH costs are significant, appropriate management of housing is imperative.

## ***Overseas Housing Policies***

The 15 series Department of State Foreign Affairs Manuals (FAMs) govern overseas housing. These FAMs address issues such as dedicated housing, authorized housing, and space allocations. The policies and standards outlined in 15 FAM 211.2 apply to all U.S. Government property and agencies serving abroad that come under the authority of the COM and to all U.S. Government property, as well as to housing acquired under the living quarters allowance (LQA) and OHA programs. No other housing policy takes precedence over or alters these provisions.

In accordance with 15 FAM 212.2-2, the Post Interagency Housing Board (IAHB) is responsible for overseeing the implementation of the housing policy and standards of 15 FAM. Due to its representative composition and familiarity with local housing conditions, the Post IAHB is considered the best resource to administer the local housing program. It reviews LQA/OHA requests for residential quarters exceeding space standards or the established rental control ceiling, housing pool allocations/assignments, and related issues.

Per 15 FAM 235.2, dedicated housing is made available to the senior representative of each Foreign Affairs Agency, to include the Defense Intelligence Agency (DIA). 15 FAM 261 specifies guidelines for the allocation of U.S. Government-owned/long-term lease (GO/LTL) residential space. FAM 261 considers GO/LTL housing a pooled resource but with Foreign Affairs Agencies and DIA receiving first consideration of use. 15 FAM 261.4 states that “Department of Defense (DoD) personnel who are attached to the mission but assigned under foreign military sales or other similar DoD-funded programs are not normally entitled to U.S. Government-held housing. If housing is not provided by the host nation under the terms of a bilateral agreement, then housing is provided within the post’s U.S. Government leasing program, or under the living quarters allowance/overseas housing allowance (LQA/OHA) programs and funded by the program under which these personnel are assigned. Such

personnel are under the authority of the Chief of Mission (COM) and their housing remains subject to the policies and standards outlined in 15 FAM.”

In accordance with 15 FAM 237 and 238, rank of the employee and family size determine maximum residential space. Per 15 FAM 236, military and civilian personnel acquiring privately leased housing under the LQA/OHA programs must follow the same space standards as GO/LTL housing and must meet the residential security requirements contained in 12 FAM 330. In advance, the IAHB and the RSO approve any SCO housing proposed for private leases. This approach keeps safety at the forefront and promotes balance and good morale within the country team. A SCO is well served through good rapport with the RSO and proactive and positive representation on the IAHB.

### ***Senior Defense Official/Defense Attaché (SDO/DATT) Housing***

In State Department Cable 012933, Subject: Guidance for Posts on DoD’s Transition to a Senior Defense Official/Defense Attaché (SDO/DATT), dated 120347Z Feb 09, the housing issue is addressed: “The Foreign Affairs Manual authorizes the assignment of Government Owned (GO) or Long Term Leased (LTL) housing to DIA personnel assigned to embassies and consulates (15 FAM 261(2) and 15 FAM 261.4). The establishment of the SDO/DATT does not change or expand entitlement, which is based on long-standing legislative and budgetary processes. Any and all SDO/DATT personnel who are assigned from the various military commands or any DoD unit other than DIA are not/not entitled to GO or LTL housing. Only DIA personnel are entitled to Housing Board assignment to GO or LTL units. Post housing may be affected in cases where there is a GO/LTL ‘DATT House’ and the Security Assistance Officer is becoming SDO/DATT. Any current ‘DATT House’ should be returned to the housing pool upon departure of the current DIA-sourced incumbent, since Security Assistance personnel do not have access to GO/LTL Housing.”

DoDI C-5105.81, Enclosure 3, paragraph 2.b., Implementing Instructions for DoD Operations at U.S. Embassies, states that “DIA, DSCA, and the Combatant Commands will fund authorized housing costs for SDO/DATT billets assigned to them in accordance with policies and procedures currently in place. Housing subject to Embassy assignment processes is subject to appropriate DoS directives. SDO/DATTs receiving overseas housing allowances for privately leased housing will comply with Joint Federal Travel Regulations. Residential furniture, furnishings, appliances, and equipment may be provided if authorized in accordance with current DIA, DSCA, and Combatant Command policies and procedures. Embassy housing upgrades are not authorized for incumbents who assume SDO/DATT responsibilities on station.”

Submit to DSCA requests for ELH for newly established offices or for conversion from OHA to ELH for approval. The CCMD, after review and approval by the local Embassy Interagency Housing Board approves all other requests for replacement leases or for renewal of existing leases that exceed \$50K, to include utility costs. If the SDO/DATT requires a waiver to the DoS space standards, the SDO/DATT must obtain the waiver from the DoS before submitting a request for approval to the CCMD. The SDO/DATT or SCO must program in the budget submission and in advance any funds required for replacement leases or renewals. The same documents must separately identify and justify any additional new leases as an UFR.

### **Travel (TDY)**

Travel (TDY) is a necessary part of business in a SCO. Personnel may travel for various missions, and, as noted earlier, the mission of the TDY will dictate the source of funds the traveler uses. Some common examples are:

- Program Management Review (PMR): If it concerns a single FMS case, case funds should pay for the TDY. There will usually be a travel line on the case for this purpose.
- Security Assistance Management Review (SAMR): When the review concerns more than one



case for the country, then SCO FMS Admin funds will typically be used.

- Enhanced End Use Monitoring (EEUM) inspections: If the TDY serves solely for the purpose of the EEUM inspection, the costs will fall under SCO FMF Admin funding. If the traveler performs an EEUM inspection in conjunction with an existing TDY with only incidental costs for the EEUM inspection, all travel costs will usually fall under the funding of the primary mission of the TDY.
- Service requirement TDYs (TAP seminars, fitness tests, medical reviews, etc.): Since it is a Service requirement, the member's service is responsible for funding the TDY.

If the TDY is comprised of multiple missions and locations, i.e., the member is traveling to the CCMD (location A) for exercise planning and then to the National Capital Region (location B) for security assistance meetings with DSCA, the two funding sources can fund the TDY proportionally. The method is to calculate the cost of traveling to location A and back, to location B and back, and then determining the ratio between the two costs. Then, distribute the actual total cost of the round trip (Home to A to B to Home) according to that ratio, one can set the per diem fund source by each day, and also distribute the cost of transportation according to the ratio.

### ***Emergency (Humanitarian) Leave***

Per Joint Travel Regulations (JTR) Chapter 11, the SDO/DATT can request emergency leave (humanitarian leave) for SCO military personnel and their command-sponsored family members. If the DoD grants this leave, the member or family member receives round-trip commercial transportation at government expense, provided government transportation is not available, to the Continental U.S., Alaska, Hawaii, Puerto Rico, or U.S. possessions. In accordance with the JTR, the cost of authorized commercial transportation will not exceed the cost of government-procured commercial air travel from the nearest location of the SCO or the member's permanent duty station to the CONUS international airport to which a scheduled flight is available. There is no requirement to have a direct flight to the authorized airport, whether it is the airport nearest the location where the member was notified or to the airport nearest the member's permanent duty station. Round-trip transportation through Air Mobility Command Airlift Service is also authorized. SAAF covers the cost of transportation for SAAF-funded personnel and their dependents, and O&M does likewise for non-SA billets and dependents.

U.S. direct-hire civilians and their family members may use Air Mobility Command Airlift Service on a space-available basis when a bona fide family emergency arises. They will pay the transportation cost at the U.S. Government rate. These individuals also have an option to travel on a non-reimbursable, space-available basis on DoD-controlled aircraft (DoD 4515.13-R, C2.2.3.). Commercial travel in connection with emergency leave will be at the civilian member's expense for SCO personnel and their family members. In the event of TDY status, travel may be authorized as a government expense and would be paid by the billet-supporting fund.

### ***Funded Environmental and Morale Leave (FEML)***

The Funded Environmental and Morale Leave (FEML) program authorizes transportation from the permanent duty site of SCO personnel and command-sponsored family member's residence to an authorized FEML destination, but only if the overseas duty location is FEML-authorized. Not all duty locations qualify for FEML, and SCO personnel should verify with the CCMD if the FEML entitlement exists at their duty location. SCO personnel are entitled to one trip during a 24-month tour and two trips during a 36-month tour. Extensions beyond thirty-six months do not grant any additional FEML authorizations. The Joint Travel Regulation (JTR), Chapter 4, Section 0404, provides complete details for SCO members taking FEML. A member may not perform FEML travel within six months of the start or end of the tour. Family members must be command-sponsored but may travel unaccompanied. FEML duty locations and destinations are recertified biennially by the CCMD and approved by OSD

(P&R). Appendix S of the JTR identifies approved FEML countries and their designated destinations.

SCO personnel and command-sponsored family members may travel from the assigned duty location to other than a designated FEML destination and/or from other than a designated FEML destination to the FEML duty location. However, the total transportation cost to the government must not exceed the cost incurred if the sponsor or family members had traveled to and/or from a designated FEML destination, as appropriate. Finally, FEML events that do not consume the maximum funds authorized do not entitle the individual to additional FEML travel. Once the individual returns to the assigned duty location, the FEML terminates, and the entitlement is considered used, regardless of any remaining value. Also, cruise and tourist packages are not permitted under this entitlement.

### **Language Proficiency Pay**

While DSCA fully understands the positive impact of language proficiency in the partner nation language for SCO personnel and in foreign language proficiency in general for building partnerships, it is the responsibility of the CCMD and the MILDEP to ensure required personnel receive pre-assignment language training if the position, as reflected on the JMD, requires language training. It is the responsibility of the CCMD to determine if a position requires a specific foreign language, and subsequently, the MILDEP to develop and implement language training programs in accordance with the needs of the Service. Although DSCA has no authority to mandate language training, the Agency encourages the use of readily available Defense Language Institute Foreign Language Center (DLIFLC) and commercial-off-the-shelf (COTS) products for non-linguists. The CCMD must determine which billets require fluency of a specific foreign language and must ensure proper coding of the personnel requisitions to include the requirement for language training. The MILDEPs must ensure that the individual selected to fill a billet is either language qualified or is enrolled in a DLIFLC-certified course of instruction to attain required language proficiency.

Proven foreign language proficiency ratings can earn military personnel a foreign language proficiency bonus (FLPB). A FLPB is an incentive pay item and as such requires sustainment training or enrollment in continuing language study to improve one's level of expertise. Foreign Area Officers (FAOs) assigned to a SCO should use FLPB to enroll in local language courses, hire a local tutor, participate in embassy-sponsored language training, or participate in other suitable language programs. SAAF resources cannot fund sustainment language training for FLPB recipients.

DLIFLC's distance learning programs and COTS foreign language training programs provide good options for SCO personnel in non-language required billets. The individual will pay for any associated language training costs. In some situations, the respective CCMD may fund such training if deemed a valid mission requirement. Language training is not a valid use of SAAF resources. The majority of language-coded billets in the SCO are for FAOs who typically receive DLIFLC training in a representative language.

SAAF funds cannot pay for SCO family member language training. Respective MILDEPs often encourage family members to attend language training with their sponsor prior to arrival in country; family members may enroll in language training at the DLIFLC on a space-available basis. Upon arrival in country, family members may attend language training offered by the embassy at their own expense.

The SCO may use SAAF funds to purchase reusable self-paced language training material for use by all SCO personnel. For a SCO staffed with DoD- and SAAF-funded positions, the allocation costs of these materials should represent the makeup of the SCO as well. The SDO/DATT may make these media available for use by family members when not in use by SCO staff.

### **Business Cards**



DoD policy allows the printing of business cards for official purposes using existing equipment and software. A SCO may use SAAF for business cards in countries using the Arabic, Cyrillic, or other non-English alphabets. A SCO may also purchase keyboards with the Arabic, Cyrillic, or other non-English alphabets for the purpose of printing business cards or for other official uses. This exception is restricted to those individuals whose official dealings with government and business interests in those countries are frequent and critical to the interests of the U.S. and require Arabic, Cyrillic, or another non-English alphabets on the reverse; it is not for casual, social, or business courtesies unless determined by the SDO/DATT. The CCMD should issue implementing instructions and guidelines as required.

## **INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES**

The International Cooperative Administrative Support Services (ICASS) program is a system for reimbursing the DoS for providing administrative services to the various organizations comprising the U.S. mission in a partner nation. Key elements of ICASS include customer participation, local empowerment, and transparency.

The customer is defined as any organization using the various services available in the embassy. Although customers help select service providers, they can also select a provider other than the one selected through ICASS; however, this should be done only after careful consideration of the total impact on the USG and future availability of the alternate source. Although service providers can be either USG agencies or local vendors, the DoS or U.S. Agency for International Development (USAID) will provide the majority of the services.

The embassy generates and manages the local ICASS budget. Each embassy determines how much money it requires and how it will spend those funds. They identify what services to provide, how to manage them, and what to charge for the respective service.

Another element of ICASS is the total visibility of administrative services and cost elements. The customers help to establish performance standards for services provided. For example, the customers could determine that vouchers should be processed within fifteen days. The customers would then use these standards to rate the effectiveness of the service providers.

The embassy manages ICASS as a modified working capital fund. This fund consists of no-year funds to allow ICASS to carry unobligated funds from one year over to the next. These unobligated funds could be returned to all the participating agencies, reprogrammed for other ICASS needs, or retained to reduce the bills of all agencies for the next fiscal year (FY).

Each agency representative signs an ICASS memorandum of understanding (MOU), which defines the services provided and identifies the customers and service providers. The MOU spells out the objectives and service standards established by the ICASS council and details the program evaluation and review procedures. Each customer completes an ICASS agreement for services provided by an ICASS service provider for each type of fund.

The ICASS Council is the formal body of each embassy that develops the charter and approves the MOUs for the embassy. It is authorized to adopt bylaws suitable for local conditions. The council is composed of one senior manager from each Cabinet-level agency and each service provider, with the SDO/DATT representing all DoD agencies on the ICASS Council. The Council develops and approves the annual ICASS budget and has the authority to manage all services. The Council decides what services to provide, which organization will provide those services, and how those organizations will provide the services. It establishes performance standards with each service provider and then evaluates the performance and costs of each service provider. The Council will also resolve most disputes among participating agencies.

The Deputy Chief of Mission (DCOM) is an ex-officio member of the ICASS Council, providing

policy perspective to aid in resourcing decisions, but is not a voting member. The DCOM keeps the COM informed on ICASS issues.

The primary role of the COM is in resolving disputes between agencies. An agency can bring a dispute to the COM that the ICASS Council could not resolve or a dispute that the ICASS Council did decide upon but that a participating agency does not agree with.

The ICASS Executive Board in Washington, DC, provides the highest level of ICASS policy, and the Assistant Secretary of State for Administration chairs the board. Participating agency representatives are at the assistant secretary level. The Executive Board meets quarterly to review and make policy.

The COM can elevate unresolved disputes to the ICASS Executive Board for final resolution, but this is rare. Involved agencies should use this avenue only for major items and then only after exhausting all other avenues of grievance.

The ICASS Interagency Working Group provides policy on items the ICASS Executive Board delegates to it. It is made up of working-level representatives from each agency involved with ICASS and meets twice a month. It communicates policy developed within and from the Executive Board to ICASS member agencies. It reviews and approves non-post costs and factors and resolves issues the embassy councils elevate.

The ICASS Service Center is a full-time service organization that serves as the secretariat for the ICASS Executive Board and the ICASS Interagency Working Group. It is a permanent office consisting of interagency staff. It provides budget and financial services to the various ICASS Councils. It provides implementation guidance on ICASS budgets and procedures. It manages a cost distribution computer system and coordinates training on all ICASS issues. It provides customer assistance for post operations.

## **CAPITAL SECURITY COST SHARING**

Capital Security Cost Sharing (CSCS) is the DoS program designed to fund the construction of 150 new embassies and consulates worldwide. It authorizes the Secretary of State to determine the allowable cost share for each tenant agency under COM authority and seeks to generate \$17.5 billion over a fourteen-year period. Its authorization comes from Section 604 of the Secure Embassy Construction and Counterterrorism Act of 1999, as amended by the FY 2005 Consolidated Appropriations Act (P.L. 108-447). The Act also designed CSCS as an incentive for all tenant agencies to right-size their overseas staffs to the numbers essential for mission accomplishment.

The DoD is one of the largest tenant agencies; rightsizing is the mechanism by which the DoD can minimize its footprint in the embassies and thereby reduce overall CSCS costs. For FY 2014 through FY 2016, the DoS charged tenant agencies for billets at the following rates:

- Controlled Access Area (CAA) Office—\$ 141,466
- Non-CAA Office—\$ 19,607
- Non-Office (warehouse)—\$ 5,373
- Non-embassy space—\$0

Based on those rates, the DoD did and must continue to make every effort to scrutinize the number of billets within the CAA. The DoS may grant a waiver for some work spaces located apart from the embassy, if the host nation facility provides safety and security equal to or greater than that which is afforded within the embassy.

Annually, DoS sends a report to the Office of the Secretary of Defense (Comptroller) requesting verification of DoD staffing levels at all embassies. The DoS sends a copy of this report to DSCA and requests verification, which DSCA forwards through the respective CCMDs to the SCOs for action. Each SDO/DATT or his/her designated representative must review this document with the SCO joint manning document provided by the CCMD and verify that each entry in the DoS Post Administrative Support System (PASS), maintained by the Administration Section or Human Resources Office, is correct. SDO/DATTs should also check the organization title, job titles, numbers of personnel, location within the embassy (CAA, non-CAA, etc.), or external non-embassy space. The accuracy of this review is critical, since the DoD pays the DoS based upon what tenant agency data is in PASS. Corrections in PASS can only be made at each respective embassy; neither DSCA nor the CCMD can make these changes.

For DSCA, the purpose of the review is to ensure that the DoD pays the DoS for the correct number of DoD personnel assigned to the SCO and that within the SCO, the DoD is able to verify the correct numbers of personnel assigned to each represented fund source. Within each SCO, there are typically three types of funded positions, as noted above: FMS Admin, FMF Admin, and O&M. DSCA is responsible for the SA positions; the CCMDs or military services are responsible for the O&M billets. Additionally, PASS may show personnel assigned to a specialized training activity as members of a SCO. In reality, they are not SA personnel but belong to a military service, which would fund them and also be responsible for associated costs to include CSCS.

Upon completion of the review and verification, the SDO/DATT notifies the respective CCMD who, in turn, notifies the DSCA Comptroller. If any discrepancies arise and the SDO/DATT cannot resolve them locally at the embassy level, he/she should immediately forward them through the CCMD to the DSCA Comptroller for resolution.

Although the DoS conducts this CSCS review annually, it is in the best interests of the SCO to periodically review SCO staffing in PASS to ensure that PASS reflects all corrections and that it also shows any changes in personnel (increases and decreases due to NSDD-38 and Personal Services Agreement actions). SCOs' should address any questions to DSCA, Directorate of Business Operations, Comptroller.

## **SUMMARY**

The SCO faces a daunting task in managing its resources. Yet, the SCO is not alone; they must remember many different organizations support them. Conversely, SCOs must report to many different organizations due to the SCOs' use of multiple sources of funding and the need for services provided overseas in a DoS environment. Ultimately, through prudent management and proactive oversight, the SCO can avoid major pitfalls.

The SCO will generally receive SA Administrative funds for most of their SA budget requirements but will also receive some O&M funds for their non-SA programs. The SCO might also use FMS case funding or receive support from the partner nation through AIK. The SCO has several options available to them to fund AT/FP but will start by requesting funds from the DoS, then the FMS Admin, FMF Admin, or O&M budget, and, finally, the CCMD.

Various types of funds the SCO uses do not flow directly to the SCO. Depending on what service or item the monies fund, they flow from DSCA or the MILDEPs to the CCMD. With CCMD comptroller interface, the SCO receives funding authority to, then, obligate funds to cover respective, associated costs. DFAS-SCA accounts for and disburses the actual FMS Admin and FMF Admin funds.

There are many players in the SCO budget process. Congress appropriates some funds for the SCO. The DoS will submit the appropriated portion of the SCO's budget to Congress annually. DSCA

provides budget targets and fiscal oversight for FMS Admin and FMF Admin funds. The MILDEPs provide budget targets and fiscal oversight for O&M funds. The CCMDs provide intermediary support and fiscal oversight for all types of funds. The embassy provides accounting and finance support as the SCO requires and agrees to. The GFSC provides accounting support for DoS-processed transactions, and DFAS–SCA provides accounting support for all SA transactions. The SCO is responsible for developing its own budget and for effectively managing its funds. DAI is the online application that SCOs and CCMDs use to execute budgets.

The SCO will receive representation funds to maintain the standing and prestige of the U.S. by extending official courtesies to authorized personnel. Many rules and regulations govern the use, record-keeping, and limitations of these representation funds, and they are likely to receive more attention than any other single category of funds.

ICASS is a system for providing administrative services to the various organizations in a U.S. embassy. ICASS can be an effective tool for the SCO, and other U.S. agencies within an embassy, to control costs and manage the quality of services. Participation of service providers and customers is essential to the effective implementation of the ICASS program. Various levels of groups oversee the ICASS program and provide for conflict resolution.

SCOs must be vigilant in preventing problems in several areas known for their resource management challenges. An internal management control program will help prevent difficulties from negatively affecting the mission of the SCO. The SCO faces a daunting task in managing its resources but, through understanding, vigilance, and asking the right people the right questions, it can maintain a good resource management program.

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**Attachment 17-1**  
**National Security Decision Directive Number 38**



The White House  
Washington, DC  
June 2, 1982  
National Security Decision Directive Number 38

**Subject:** Staffing at Diplomatic Missions and Their Constituent Posts

This directive supersedes the directive of October 14, 1974 and subsequent directives governing the Monitoring Overseas Direct Employment (MODE) system.

In accordance with my letter to Chiefs of Mission, and the memorandum of September 22, 1981, conveying it to heads of Executive Departments and Agencies, all agencies with staffs operating under the authority of Chiefs of Mission will ensure that, in coordination with the DoS, the Chiefs of Mission's approval is sought on any proposed changes in the size, composition, or mandate of such staff elements. Departments and agencies wishing to initiate changes should transmit their proposals to Chiefs of Missions in consultation with the DoS. In the event the Secretary of State or his designee is unable promptly to resolve to the satisfaction of the parties concerned any disputes which may arise between Chiefs of Mission and Agency Heads or his designee, the Secretary of State and the other Agency Head concerned will present the differing views to me for decision through the Assistant to the President for National Security Affairs. Formal acknowledgement of changes approved by Chiefs of Mission or determined by me shall be transmitted to diplomatic missions by the DoS.

Overseas staffing of elements with U.S. diplomatic missions abroad shall conform to decisions reached in accordance with the above procedures and decisions made through the budgetary process.

Departments and agencies will keep the DoS informed as to current and projected overseas staffing authorizations for each diplomatic post, differentiating between the number of U.S. personnel and the number of foreign national personnel authorized for each post. The DoS shall maintain a current record of staffing authorizations for each overseas post. Agencies will cooperate with the DoS in providing data including any data needed to meet special reporting requirements.

The DoS, in consultation with concerned agencies, will develop guidelines by July 1, 1982 for my approval to implement this directive.

//SIGNED//

RONALD REAGAN



**Attachment 17-2**  
**Guidelines to Implement National Security Decision Directive (NSDD) Number 38**  
**July 13, 1982**

These guidelines are issued pursuant to the Presidential Directive of 2 June 1982 on Staffing at Diplomatic Missions and Constituent Posts. These guidelines replace all guidelines and other agreements previously in effect under the Monitoring Overseas Direct employment (MODE) system.

The purpose of the Directive and these guidelines is to allow the flexible, systematic and expeditious deployment and management of personnel of all USG agencies operating under the authority of Chiefs of Mission in support of U.S. foreign policy objectives.

These guidelines will ensure that the approval of Chiefs of Mission is sought by USG agencies on proposed staffing changes for activities operating under the authority of Chiefs of Mission. The Chiefs of Mission will transmit their views on overseas presence to the DoS, as department and agency representatives will communicate with their respective department/agency headquarters in this regard.

These guidelines also provide for the resolution of disagreements, should such arise between the Chiefs of Mission and department/agency representatives and between the DoS and department/agency heads.

**A. Requests for Changes in Staffing**

1. Preliminary or exploratory consultation by the requesting agency with the Chief of Mission regarding staffing changes is encouraged. Such informal proposals may be initiated in Washington or by agency overseas representatives.
2. Formal requests for approval of staffing changes as required by the Directive must be made by the cognizant agency to the Chief of Mission in consultation with the DoS. Copies of such requests will be provided to the DoS.
3. The Chief of Mission will convey his views on formal requests to the Department of State. The point of contact in the DoS for such matters is the Office of Management Operations (M/MO), Room 7427, (Since changed to the Office of Management Policy and Planning, M/P, Room 5214), Attention: Assistant for Overseas Positions. The Chief of Mission's response to the formal request should be addressed to that office for action. Copies of requests and responses will be given to the appropriate regional and functional bureaus in the DoS and the requesting agency.

**B. Resolution of Disagreements**

1. If there are disagreements over staffing levels between Chiefs of Mission and agency heads, the views of both parties will be forwarded to M/MO (M/P) for immediate presentation to the Secretary of State for decision within 15 working days of receipt from M/MO.
2. If the Secretary of State is unable to resolve the issue to the satisfaction of the parties concerned, the Secretary and the Agency head concerned will present their respective views to the President for decision through the Assistant to the President for National Security Affairs.

**Attachment 17-2 (Continued)**  
**Guidelines to Implement National Security Decision Directive (NSDD) Number 38**  
**July 13, 1982**

C. Formal Acknowledgement of Changes

1. Changes in staffing levels at individual posts reached in accordance with the above procedures will be provided by telegram from the DoS to the Chief of Mission, and the agencies concerned

D. Staffing Authorization Records

1. The DoS shall maintain a current record of staffing authorization for each overseas post. Staffing authorization is defined as all full-time, permanent, direct hire, United States government employees, including foreign nationals, and United States Military Personnel under the authority of a Mission Chief.
2. Departments and agencies will provide the current and projected overseas staffing authorization information, required by the directive, to the DoS, Office of Management Operations (M/MO), Room 7427, (Since changed to the office of Management Policy and Planning (M/P), Room 5214), Attention: Assistant for Overseas Positions. That official will solicit additional information from departments and agencies when necessary to meet special reporting requirements as established by statute or as levied by the NSC, OMB, or the Congress.

## Chapter

# 18

# END-USE MONITORING AND THIRD-PARTY TRANSFERS

## INTRODUCTION

Policies and procedures for the end-use monitoring (EUM) and third-party transfer of U.S.-origin defense articles and sensitive or classified defense technology are contained in the Arms Export Control Act (AECA), the Foreign Assistance Act (FAA), various other laws and policies, and the applicable regulations of the Department of State (DoS) and the Department of Defense (DoD). This chapter is designed to augment Chapter 8 of the Security Assistance Management Manual (SAMM) and provide additional details and guidance for the administration or oversight of EUM and third party transfers.

Congress enacted AECA, Section 40A (22 U.S.C. 2785), in 1976, and as amended, it requires the President to establish an EUM program to improve accountability with respect to defense articles sold, leased, or exported under the AECA or the FAA of 1961, as amended. The Director, Defense Security Cooperation Agency (DSCA), has been delegated authority by the Secretary of Defense and Under Secretary of Defense for Policy [USD(P)] to administer the DoD EUM program, known as Golden Sentry, to comply with Section 40A of the AECA.

The EUM program is designed to provide reasonable assurances that the recipient of U.S. defense articles is complying with the requirements imposed by the USG regarding the transfer, use, and protection of U.S.-origin defense articles and technology in the possession of foreign partners. The foreign recipients of weapon systems and their related technologies from the U.S. must agree to a variety of controls as discussed in Chapter 7 of this text. The release of defense articles or data to a non-USG entity must be properly cleared within the DoS and DoD coordination processes. The decision to transfer or not hinges to a great extent on the recipient's willingness to comply with the following three conditions:

1. **Transfer:** Will not transfer title or possession to anyone who is not an officer, employee, or agent of the purchaser unless given prior consent to do so by the USG;
2. **Use:** Will not use defense articles for purposes other than those authorized by the USG;
3. **Protection:** Will furnish substantially the same degree of security or protection that the USG would provide for the same article or information received.

In addition, the recipient must permit verification of the security measures and end use by representatives of the USG, typically the members of the Security Cooperation Organization (SCO).

These requirements are specified in the SAMM, Chapters 5 and 8, and the standard terms and conditions of every Letter of Offer and Acceptance (LOA), and they will be included in any document authorizing the transfer of U.S.-origin defense articles and services.

## DoD END-USE MONITORING

### Department of Defense's Golden Sentry Program

As previously mentioned, the DoD implements the requirements of the AECA with an EUM program known as "Golden Sentry." DSCA is responsible for reviewing requests or government-to-

government exports of defense articles and defense services, for the overall objectives of the Golden Sentry Program. DSCA provides policy guidance for the EUM program in Chapter 8 of the SAMM.

## **Golden Sentry Responsibilities**

Monitoring the use of U.S.-origin items is a joint responsibility of the receiving partner country or international organization (i.e., NATO) and the USG. USG representatives have full responsibility for monitoring defense articles until title is transferred to the partner. The partner country or international organization assumes monitoring responsibility based on the terms under which the transfers is made, including any restrictions on physical security and accountability. USG representatives retain a continuing responsibility under Golden Sentry to assist DSCA in verifying the appropriate end use and security of U.S.-origin defense articles and defense services sold or otherwise transferred on a government-to-government basis. Verification is authorized under the LOA Standard Terms and Conditions (Paragraph 2.7).

The responsibilities for the conduct of the Golden Sentry EUM program are found in the SAMM, Chapter 8, paragraph C8.2.3, and Table C8.T2. This paragraph and table jointly lay out the organizational responsibilities listed for DSCA, the military departments (MILDEPs) and implementing agencies (IAs), the geographic combatant commands (CCMDs), the SCOs (which can include elements of U.S. defense attaché offices or other elements of U.S. embassies as determined by SCO manning, duties, and other factors). In addition, responsibilities for the training and education of the security cooperation workforce in EUM through the Defense Security Cooperation University (DSCU) are also delineated in Chapter 8. All organizations listed in C8.T2 are required to maintain Golden Sentry POCs and must ensure EUM policies and programs cover the “cradle-to-grave” lifespan of transferred defense articles.

As part of their responsibilities, CCMDs and SCOs are required to develop EUM standard operating procedures (SOPs) to implement region and country-specific EUM policies and procedures. They must ensure these SOPs are uploaded to the SCIP-EUM database or forwarded to DSCA (DSCA.EUM-HELPDESK@mail.mil); C8.T3 of the SAMM describes the minimum standards and content for EUM SOPs. Each SCO is responsible for the administration or oversight of the Golden Sentry Program in its assigned country or countries and must follow the policy guidance outlined in the SAMM, Chapter 8 as well as any supplemental guidance furnished by the respective CCMD. Depending upon the scope of its responsibilities, a SCO may be able to request and receive request TDY assistance to conduct inventories and other EUM-related duties.

## **Two Levels of Monitoring**

There are two levels of EUM which may need to be carried out by the SCO and the recipient country or organization: routine and enhanced.

### ***Routine EUM***

Routine EUM (REUM) is required for the vast majority of defense articles and technology provided via government-to-government programs. Articles and information subject to REUM are typically less sensitive or unclassified in comparison items/data subject to enhanced end-use monitoring, and there are normally no special or additional security, use, or handling requirements specified in the LOA. Every SCO is required to conduct at least one REUM check quarterly, usually in conjunction with other assigned security cooperation duties. SCOs should perform these REUM checks in conjunction with other duties, using opportunities such as visits to partner installations, training or exercise observation, etc., or, credible reports provided by local media sources or other embassy, USG, or USG contract personnel.

To assist SCOs in conducting REUM, DSCA has developed, in the Security Cooperation Information Portal (SCIP) under the Routine EUM Options/Summary Report, a routine EUM Report feature that allows the SCOs to identify a “watch list” of specific routine EUM items in their respective countries.

The “watch list” displays specific categories of defense articles exported via FMS that includes, but is not limited to the following: battle tanks, armored combat vehicles, artillery systems, fixed and rotary wing aircraft, unmanned aerial systems, warships and military vessels, missiles and missile systems, military vehicles, bombs, crew served and individual weapons, platform-mounted night vision systems, and man-portable night vision devices (NVDs). To assist SCOs in documenting routine EUM checks, DSCA has developed a standardized template for recording and reporting REUM checks in SCIP under the Routine EUM Options/Routine Checks a Routine EUM Check Template; see Figure 18-1.

**Figure 18-1**  
**SCIP Routine EUM Report Template**

Routine EUM Check				
<b>Basic Information</b>				
<b>*Country:</b>	<b>*Defense Article:</b>	<b>*Generic Code:</b>	<b>*Date of Routine EUM Check:</b>	<b>Quantity:</b>
Select an option	Select an option	Select an option		
<b>*Official:</b>	<b>*Office:</b>	<b>*Duty Position:</b>		
Routine EUM Performed through the following:				
<input type="radio"/> Inspection/Observation by Reporting Officer: <input type="radio"/> Inventory by Reporting Officer: <input type="radio"/> Report by U.S. Government Employee/Military Member: <input type="radio"/> Report by U.S. Contractor: <input type="radio"/> Review of the Host Nation's Records: <input type="radio"/> Open Source Media (TV, Newspaper, Magazine, etc.): <input type="radio"/> Other:				
<b>*Location:</b>				
Circumstances of monitoring (Site visit in conjunction with official business, etc.): (minimum 50 characters)				
Optional		* Required		
<div style="display: flex; justify-content: flex-end; gap: 10px;"> <span>Cancel</span> <span>Next</span> </div>				

Of note, title to defense articles that are leased or loaned remains with the USG, as detailed in the terms of respective transfer document supporting the lease or loan; however, EUM requirements still apply while the leased or loaned articles or information is under the possession or control of the foreign partner. Additionally, there are instances in which particular items normally subject to routine EUM are transferred with notes restricting the conditions under which they may be transported, stored, or employed. SCOs should be aware of these restrictions and alert to indications or reports that suggest compliance failures See SAMM C8.3.2 for further information.

### ***Enhanced EUM***

Enhanced EUM (EEUM), based on the principle of trust with verification, is required for specific kinds of defense articles and services and certain individual transfers of articles or technology otherwise subject to REUM. These "individual transfers" may be designated for EEUM by MILDEP export policies, stipulations imposed by interagency release approvals, or through special conditions imposed on these particular transfers by DoD, DoS, or Congress All EEUM-designated defense articles are required to be sold on defined order lines using an EEUM-coded Military Articles and Services Listing (MASL) and are accompanied by specialized physical security and accountability notes found in the LOA or other document governing these transfers. The following items are currently EEUM-designated defense articles and listed in Table C8.T4 of the SAMM:

- Advanced Medium Range Air-to-Air Missiles (AMRAAM)
- Air Intercept Missiles-9X (AIM-9X)

- Advanced Threat Infrared Countermeasures (ATIRCM) System
- Communication Security (COMSEC) Equipment
- Harpoon Block II Missiles
- Javelin Missiles and Command Launch Units (CLUs)
- Joint Air-to-Surface Standoff Missiles (JASSM)
- Joint Standoff Weapons (JSOW)
- Large Aircraft Infrared Countermeasures (LAIRCM)
- Lethal Miniature Aerial Missile System (LMAMS) Switchblade
- Night Vision Devices (NVDs)
- Small Diameter Bomb, Increment Two (SDB-II)/GBU-53
- Standard Missiles-3 (SM-3)
- Standard Missiles-6 (SM-6)
- Standoff Land Attack Missiles-Expanded Response (SLAM-ER)
- Stinger Missiles and Gripstocks
- Terminal High Altitude Area Defense (THAAD)
- Tomahawk Missiles
- Tube-Launched, Optically Tracked, Wire-Guided Missiles (TOW-2B)
- Unmanned Aircraft Systems (UAS) designated as Category I by the Missile Technology Control Regime (MTCR) or as specified in the LOA

SCOs are responsible for maintaining an accurate baseline of all EEUM-designated defense articles exported to the partner nation by using the EUM application in the SCIP database. Maintaining this database, in turn, assists SCOs in monitoring duties and provides historical or operational continuity data. The SCIP-EUM database includes a reconciliation report of EEUM-designated defense articles by country that SCOs should use as a baseline for identifying enhanced articles.

SCOs are required to conduct EEUM through planned/coordinated visits to the partner nation installations. SCOs must arrange with their respective partner governments to verify in-country receipt of EEUM defense articles by serial number within 90 days of initial delivery. Subsequent inventories require serial number verification and physical security checks of the storage sites or other facilities where EEUM-designated defense articles are kept and verification that recipients are complying with the terms and conditions stated in the transfer agreements. Subsequent EEUM checks require serial number verification and physical security assessments of storage sites or other facilities where EEUM-designated defense articles are kept to verify that recipients are complying with the terms and conditions stated in the transfer agreements. SCOs are required to use the DoD Golden Sentry EEUM Checklist when conducting physical and accountability checks. The checklist are required to be linked to the inventories within the SCIP-EUM database. SCOs must visually inventory 100 percent of in-country EEUM-designated defense articles at least once per year (and potentially more frequently), except for those EEUM-designated defense articles not available for observation (deployed, returned to the United States for repair, etc.) or otherwise exempt by USG approval. Each



EEUM inventory must normally include a review of the recipient's records of internal inventories, changes in custody, losses, expendable item consumption, etc. as required by the LOA or other transfer documents. Deployed equipment must be inventoried within 90 days of returning from operational use or deployment. SCOs will provide the partner with the formal results or findings of each EEUM inspection and request that the partner, in turn, provide a summary of all measures taken to correct any noted deficiencies with 60 days of receipt of the inspection report. Note that any individual who conducts an EEUM inventory or related physical security inspection must be both an employee of the United States Government (e.g., U.S. military, DoD/State Department employee) and a U.S. citizen.

### **Country-Specific EUM**

Some countries have unique EUM requirements mandated by Congress. For example, several annual national defense authorization acts (NDAA) beginning with the National Defense Authorization Act of 2008 have required additional controls and verification requirements on REUM items transferred to certain countries. For example, Section 1228 of NDAA 2008, required the President to implement special controls for the export or other transfer of defense items to Iraq. This particular law led to the registration and frequent inspection of all small arms provided to the Iraqi Government as well as any Iraqi groups or individuals. Additionally, the law requires the USG to maintain detailed records of origin, shipping, and distribution for defense articles transferred under the Iraq Security Forces Fund. This law was implemented by DoD Instruction 4140.66, Registration and Monitoring of Defense Articles.

The National Defense Authorization Act of 2010, Section 1225, similarly provides the legal basis for the implementation of special controls for certain items transferred to Afghanistan and Pakistan. Guidance regarding the implementation of this law has been incorporated in the latest change to DoD Instruction 4140.66, published 24 May 2017 continues to require the maintenance of registration and monitoring systems for select REUM items transferred to Iraq, Afghanistan, and Pakistan.

DoD Instruction 4140.66 directs the SCOs in these countries to develop the necessary compliance plans and procedures to administer and maintain comprehensive systems of registration and monitoring for impacted defense articles services provided to Iraq, Afghanistan, and Pakistan, including maintaining auditable records sufficient to certify compliance with this instruction. These plans and procedures are required to detail controls and processes to ensure the registration of the serial numbers of all small arms provided to the governments of Iraq, Afghanistan, and Pakistan and to other groups, organizations, citizens, or residents within these countries. It further mandates the establishment and maintenance of special EUM controls for all lethal defense articles to provided to these governments and individual groups or parties subject to their laws.

### **EUM Funding Requirements**

DSCA oversees the fiscal budget planning, programming, and execution of the Foreign Military Financing (FMF) administrative funding of DoD-executed EUM activities and is required by law to report annually to Congress. SCOs ensure that all costs for conducting EEUM activities are captured during the fiscal budget programming and execution cycles. At the end of each fiscal year, the CCMDs and SCOs are required to submit reports of the actual annual costs and future two-year FMF administrative expense budget projections associated with conducting EEUM, including travel costs related to performing physical security and accountability inventories of in-country equipment, processing and recording initial equipment deliveries, and attending EUM training. To maintain accurate cost data and reporting, EUM managers should ensure that, upon completion of each EEUM visit, the cost is documented and entered into the Defense Agencies Initiative (DAI) Code 210.15. On a case-by-case basis, SCOs may request, through the CCMD, FMF administrative funding to meet unexpected requirements, such as performing out-of-schedule EEUM checks due to disposals or other unforeseen EUM-related activities for which funding was not requested in the regular budget cycle. Unfunded requirements must be submitted to the appropriate CCMD for approval. When CCMD FMF

administrative funds are not sufficient or available, CCMDs may request additional FMF administrative funding from DSCA's Directorate of Business Operations (DBO) to meet unforeseen SCO EEUM-related requirements.

### **Security Cooperation Organization SOPs**

The SCO must develop EUM SOPs that spell out the processes that will be followed to ensure that the requirements for both routine and enhanced EUM, as specified in the appropriate transfer documents, are met. These SOPs should include the following provisions:

- EUM responsibilities and procedures for conducting REUM and EEUM in the partner country/countries administered by the SCO
- Partner nation EUM points of contact and procedures for coordinating and conducting EUM-related visits
- Procedures for conducting timely physical security checks of the storage facilities and inventories of EEUM-designated defense articles and services in accordance with under the Golden Sentry Program, to include:
  - ◊ Use of the SCIP-EUM database to track inventories a, create accurate disposition records of EEUM designated items, and maintain records of REUM checks and EEUM inspections
  - ◊ Communication/notification procedures for conveying the results of EEUM inspections and soliciting corrective actions
- Procedures for maintaining an accurate baseline of EEUM-designated items transferred to the partner nation(s) as per the EEUM Reconciliation Report provided in the SCIP-EUM database, and obtaining partner nation reports of losses, firings/expenditures, or final disposal or current disposition of all EEUM-designated defense articles
- Procedures for verifying the demilitarization and disposal of EEUM-designated items; reporting inventories, losses, theft, unauthorized access, third-party transfers/disposal/damaged/expended defense articles, and possible violations
- Procedures for capturing and submitting to the CCMD and DSCA actual costs and projected FMF administrative funding requirements to perform EEUM functions

### **DSCA EUM Visit Program**

Visits to assess EUM compliance programs are an important part of the Golden Sentry Program. There are four types of visits that involve the SCO and the foreign partner (see SAMM, Chapter 8, paragraph C8.5). These are the Familiarization Assessment Visit (FAV), the Compliance Assessment Visit (CAV), the Investigation Visit, and the Focused Verification Checks (FVC):

1. Familiarization Assessment Visit (FAV): The purpose of the FAV is to assist the foreign partner, the SCO, and the CCMD in developing an effective EUM compliance program. The FAV can be requested by the SCO, the partner, or the CCMD and can be used to validate existing EUM programs or to help establish a new program or revise an existing one to accommodate new types of equipment or other new circumstances..
2. Compliance Assessment Visit (CAV): The purpose of the CAV is to review and evaluate the overall EUM program of the SCO and the host nation, and to assess that partner's compliance with the security and accountability provisos contained within the transfer agreements for

EEUM items. FAV and CAV time lines and requirements are detailed in SAMM, Tables C8.T5 and C8.T6.

3. **Investigation Visit:** An EUM investigation visit may be conducted when a possible violation of the AECA, Section 3, or the FAA, Section 505, is suspected. Because of the unique nature and political sensitivity associated with these visits, they are extremely rare, and handled on a case-by-case basis in concert with the DoS.
4. **Focused Verification Checks (FVC):** FVCs are ad hoc inspections directed at the discretion of the Director, DSCA, of select types of U.S.-origin defense articles which normally occur when concerns arise regarding their use, transfer, or physical security. FVCs provide the Director, DSCA, with greater visibility and real-time situational awareness on the status, disposition, and treatment of U.S.-origin defense articles; FVCs provide the Director with a way to assess and possibly resolve issues that could lead to significant end-use violations.

The SCIP EUM Community contains detailed information on items that have been transferred to a partner and it can be utilized to not only track the status of items and reporting for EUM purposes, but also for third party transfers. SCIP also offers the ability to create customizable reports on this and other information. To enroll in or access the SCIP EUM Community, visit the SCIP website: <http://www.scportal.U.S./home/>.

### **Compliance Assessment Visits**

CAVs review and evaluate the compliance of SCOs and other USG organizations with the Golden Sentry Program and related laws, policies, and regulations, and the partner nation's compliance with the terms and conditions for the transfer of defense articles and services, including specific physical security and accountability provisos pertaining to sensitive technologies. Activities during a CAV include facility visits, record reviews, assessments of routine and enhanced EUM policies and procedures, and inventories of U.S.-origin defense articles and/or services. EUM CAVs are coordinated well in advance with the CCMDs, SCOs, and partners concerned.

The EUM Community (EUM=>Support=>EUM Resources) in SCIP has defense article checklists to assist the SCO in conducting self-assessments, to help prepare the partner nation to receive EEUM defense articles, and to prepare for upcoming CAVs.

### ***Security Cooperation Organization CAV Criteria***

Compliance with the policies and procedures of the Golden Sentry Program and the SCO's responsibilities stated in the SAMM, C8.T2, include the following:

- Implementation of written standard operating procedures including the development of an EUM compliance plan to perform REUM and EEUM
- Implementation of physical security and accountability plan(s) i.e., compliance plans for the protection, storage, use, and accountability of NVDs or other sensitive/advanced war-fighting technology
- Maintenance of records verifying REUM and EEUM
- Verification of the accuracy of the EEUM-designated items baseline per the EEUM Reconciliation Report provided in the SCIP-EUM database
- Timely performance of physical security and accountability checks of all EEUM-designated defense articles and services in accordance with Golden Sentry checklists

- Use of the SCIP-EUM database to track inventories and to maintain an accurate disposition record of EEUM-designated items
- Verification and proper coordination with the Bureau of Political-Military Affairs/Office of Regional Security and Arms Transfers (DoS PM/RSAT) for the demilitarization, disposal, or destruction of EEUM-designated items and sensitive defense articles
- Timely and accurate reporting of expenditures, and destruction of EEUM-designated equipment
- Proper coordination with PM/RSAT regarding third-party transfer requests and approvals

### ***Partner Nation CAV Criteria***

Compliance with the conditions of the transfer agreements for U.S.-provided defense articles and services includes:

- Cooperation and coordination with U.S. officials to implement and maintain a viable EUM program, which support both REUM and EEUM, including the CAVs conducted by DSCA
- Substantial, good faith efforts to correct and otherwise address end-use violations found during SCO, CAV, and other assessments
- Implementation of compliance plans as required
- Implementation of physical security and accountability measures at storage sites/facilities maintaining EEUM-designated items in accordance with the special provisions stated in the LOA and other transfer agreements to prevent, report, and mitigate losses and other discrepancies
- Accurate and timely notifications of demilitarization, disposal, destruction, loss, expenditure, or other changes in end use of EEUM-designated equipment and sensitive defense articles

DSCA sends an annual message to all CCMDs and SCOs listing the countries that are subject to a CAV in the following two year period. The two-year CAV plan is revalidated or revised annually as necessary through coordination between DSCA, the CCMDs, and the SCOs.

## **DEPARTMENT OF STATE BLUE LANTERN PROGRAM**

The Blue Lantern Program fulfills requirements stipulated in Section 40A of the Arms Export Control Act (AECA) (22 U.S.C. 2785) concerning the transfer of defense articles and technologies via commercial channels. More specifically, the program monitors the end use of defense articles, technical data, services, and brokering activities concerning such exports through commercial channels and subject to Department of State licenses or other approvals under Section 38 of the AECA and the International Traffic in Arms Regulations (ITAR) (22 CFR Parts 120-130), which implement Section 38 of the AECA. The Blue Lantern Program is managed by the Regional Affairs and Analysis Division (RAA), Office of Defense Trade Controls Policy (DTCP), Directorate of Defense Trade Controls (DDTC), Bureau of Political-Military Affairs (PM).

Blue Lantern's mission is to help ensure the security and integrity of U.S. defense trade. Blue Lantern prevents diversion and unauthorized use of U.S. defense articles, combats gray arms trafficking, uncovers violations of the AECA, and builds confidence and cooperation among defense trade partners.

Blue Lantern end-use monitoring includes pre-license, post-license, and post-shipment checks to verify the bona fides of foreign consignees and end-users, confirm the legitimacy of proposed transactions, and provide reasonable assurance that:

- the recipient is complying with the requirements imposed by the United States Government with respect to the use, transfer, and security of defense articles and defense services; and, that
- such articles and services are being used for the purposes for which provided.

The U.S. chief of mission in a given foreign country can request assistance from the respective SCO or DAO to conduct Blue Lantern checks which may be required in his/her country. If there are expected temporary duty (TDY) costs, the SCO should request funding as an Unfunded Requirement (UFR) from the CCMD. For more information on this program, visit the PM DDTC website at [www.pmdtc.state.gov](http://www.pmdtc.state.gov).

## **DEPARTMENT OF COMMERCE EUM PROGRAM**

The U.S. Department of Commerce (DoC) also has a program driven by end-use monitoring requirements. DoC is tasked with EUM responsibilities related to articles listed on the Commerce Control List (CCL) and, more recently, items that have been moved off the U.S. Munitions List to the CCL. This includes so-called “dual-use” items (items that may have both normal, legitimate civilian and military uses) transferred by U.S. industry to foreign customers via the Export Administration Regulations (EAR). The DoC approves export licenses and primarily focuses on “pre-delivery” controls (licensing checks), but also has established a program for post-delivery inspections. Post-delivery inspections are performed by the DoC’s Bureau of Industry and Security (BIS) managed by the Office of Enforcement Analysis (OEA), BIS Attachés, “Sentinel Teams” from the DoC BIS, and U.S. Foreign and Commercial Service Officers. The Chief of Mission may also request the SCO’s assistance in the DoC EUM in-country program. If there are expected temporary duty (TDY) costs related to the SCO's support of this Department of Commerce program, the SCO should request funding as an unfunded requirement (UFR) from the CCMD.

## **THIRD-PARTY TRANSFER AND CHANGES IN END USE**

As noted at the beginning of this chapter, any deviation from the transfer, use, and protection requirements of the U.S. Government requires permission from the U.S. President (which, as an authority, is delegated to the DoS Political Military (PM) directorates: RSAT for FMS material transfers; DDTC for DCS material transfers). A third-party transfer (TPT) is any retransfer of title, physical possession or control of defense articles, training or technical data acquired under authorized USG transfer programs from the original authorized recipient to any person or organization not an employee, officer or agent of that recipient country (or international organization). Note that a change in end use is considered a third-party transfer. While it is the receiving partner's responsibility to properly request a third-party transfer, the SCOs routinely become assist in processing these requests.

The divesting government submits a must submit written third-party transfer request to the USG for consideration. The request may be submitted initially to the SCO or in-country U.S. mission (embassy), State PM/RSAT with information copies furnished to DSCA and the SCO of the proposed third-party recipient country. The divesting government may also send the request directly to the DoS PM/RSAT. All transfer requests must include a signed cover letter, a completed standard questionnaire (available online at <https://www.state.gov/third-party-transfer-process-and-documentation/#templates>), and end use, retransfer, and security assurances from the proposed recipient (unless the recipient participates in the Blanket Assurance Program). For further information, refer to the SAMM, C8.7.

Change of end-use is defined as any change in the usage of transferred defense articles, services, or technology that deviates from the original purposes for which they were provided. Since EUM is a “cradle-to-grave” activity, disposal also constitutes a change in end-use for which prior consent from the DoS is required for non-consumable items. Cannibalization is viewed as disposal only if the parts being removed will no longer be under the control of the ministry or agency that received them from the USG, or will be used for purposes other than for national defense. Examples of possible changes (not



an exhaustive list) of end use include:

- Withdrawal of military end items from the operational inventory for display at a government-run museum
- Use of unserviceable/non-repairable vehicles as targets on a firing range
- Transfer of demilitarized military end items or machinery from the armed forces to civil government or educational institutions
- Transfer of a U.S.-origin military vehicle from an operational military unit to be used as a police vehicle assigned to a non-military law enforcement agency
- Demilitarization and redistribution of defense articles among several host government agencies outside of the military/ministry of defense
- Scrapping U.S.-origin end items in order to reclaim and sell their components (e.g., copper wires, titanium)

Certain third party transfers also require a thirty-day Congressional Notification:

- Those which include major defense equipment (MDE) with an original acquisition value equal to or greater than \$14M for non-NATO recipients, or, equal to or greater than \$25M for members of NATO, Australia, Japan, the Republic of Korea, or New Zealand
- Those involving any other defense article or related training or defense service with an original acquisition value equal to or greater than \$50M for non-non-NATO recipients, or, \$100M or more for members of NATO, Australia, Japan, the Republic of Korea, or New Zealand

The DSCA EUM Team supports PM/RSAT in the TPT process, as required, by providing additional information related to the original transfer of the U.S. defense article, service, or technical data package in question. The DSCA EUM Team also supports PM/RSAT TPT efforts by allowing TPT requests to be formally submitted through the SCIP-EUM module. To ensure SCIP-EUM is properly accounting for the EEUM-articles, EUM Program Managers should regularly monitor the EEUM baseline in SCIP-EUM for each country involved in the TPT. Regular coordination with the SCIP-EUM Helpdesk will further enhance accountability for EEUM-designated defense articles involved in the third-party transfer.

### **Requirement for Prior Approval**

In accordance with the FAA, Section 505e (22 U.S.C. 2314), in considering a request for approval to retransfer any implement of war to another country, the State Department will not agree to the transfer unless the USG itself would transfer the defense article under consideration to that country. In addition, the DoS will not consent to the retransfer of any significant defense article on the United States Munitions List (USML) unless the item is demilitarized prior to transfer, or the proposed recipient foreign country commits in writing to provide appropriate security and transfer assurances.

The transferring (divesting) government must send a written request either directly or through the SCO by letter, fax, or e-mail to the Directorate of Regional Security and Arms Transfer, if the items were originally provided through a government-to-government program (see Attachment 18-1 of this chapter for more details). For previously USML articles and technical data exported commercially, per Section 123.9(c) of the International Traffic in Arms Regulations (ITAR), the original exporter or recipient may apply directly to the Directorate of Defense Trade Controls. Some Commerce Department Commerce Control List (CCL)-licensed items require a license for initial export, but they may be retransferred within the receiving country and, in selected cases, re-exported without further



USG coordination. For more information on CCL exports and transfers, refer to the website of the Bureau of Industry and Security, Department of Commerce (<https://www.bis.doc.gov/>).

Any request to retransfer a defense article or technology must be supported by end-use and retransfer assurances from the proposed recipient. If the initial recipient is not the final end user, the final end user must be identified, and appropriate end-use and retransfer assurances must be provided by both the intermediate and final recipients. If the proposed recipients are unable or unwilling to identify the final end user and end-use of the articles or data, the transfer will not be approved. In addition, if brokers are involved as intermediaries in the transfer, they must be clearly identified in the transfer request, and they must be registered with the DoS PM/DDTC as brokers.

If the receiving country has a “blanket” end-use and retransfer assurance agreement with the USG, end-use and retransfer assurances specific to individual transfers may not be required. Blanket assurance members under the Defense Trade Security Initiative (DTSI) program have the added benefit of limited advanced consent (see SAMM, C8.7.3.2).

The Department of State must notify Congress of proposed transfers that meet AECA, Section 32, Congressional reporting thresholds, as described in Chapter 2 of the SAMM.

### **Potential Violations**

An increasingly important role of the DoD security cooperation enterprise is to identify and take action on reports of potential EUM violations or incidents. The Department of State, PM/RSAT, is ultimately responsible for determining if a violation occurred and formulating the USG's response to confirmed violations. However, the CCMDs, SCOs, and the DSCA EUM Team are critical to developing and enforcing preventative measures to mitigate the risk of potential violations, sharing information with the State, assisting the State in gathering additional data and conducting investigations (as requested), as well as, assisting in developing and executing USG responses or courses of action, (as required). The DSCA EUM Team is responsible for maintaining a central repository of all reported and observed potential EUM violations related to FMS sales, including their status and ultimate disposition.

While performing end-use checks, SCOs should be alert for unauthorized use of defense articles, defense services, or technical data, including information provided during CONUS or in-country training. SCO checks and inspections should provide information for both the recipient country and the USG in determining whether or not a country's generally sound processes failed due to unusual circumstances, or because security and accountability procedures are not given sufficient priority, or because country interests diverge from those of the United States. Information gained could be useful in correcting immediate problems or improving future end-use controls, should be shared with the DoS and the DSCA Directorate of Security Assistance (DSA) Assistance and Monitoring Programs (DSCA-DSA/AMP).

In the past, the roles and responsibilities shared between the DoS and DoD, and internal, respectively, to the DoS and DoD, were unclear or under-defined, contributing to an inefficient, ineffective, and insufficient USG approach to EUM enforcement, potential violation investigation, and response. DSCA self-identified this issue during an extensive 2018 analysis of the Golden Sentry Program, and, in 2019, updated, Chapter 8 of the SAMM to better define EUM reporting policies. Additionally, DSCA and PM/RSAT established monthly synchronization meetings in an effort to improve information sharing, accountability, and communication.

### **Disposal**

When the recipient government no longer requires an item and there is no other partner or entity that wants it, disposal may be in order. Thus, disposal is the final change of end-use and requires State Department authorization prior to demilitarization. For equipment acquired through a grant program,

such as Military Assistance Program (MAP) or excess defense articles (EDA), passes to the recipient country. However, the U.S. retains reversionary rights to certain kinds of grant items, depending on the transfer program and authorities used. If required by these programs or authorities, the recipient must agree in advance and in writing to return the equipment to the USG when it is no longer required for its intended purpose.

If the Defense Logistics Agency (DLA) determines that the materiel can neither be redistributed nor employed any longer, the recipient is obligated to take responsibility for its proper disposal and seek the consent of the DoS prior to doing so. The net proceeds from any such disposal or sale of MAP and other grant equipment will be paid to the USG unless another cost-sharing arrangement has been previously approved by the DoS. For guidance on MAP equipment disposal, see the SAMM, Chapter 11, Section C11. HR.1.9.3 (note: the HR stands for “Historical,” which can be found by moving your cursor to the right side of the chapter list when pointing at Chapter 11 in the online SAMM chapter pulldown. The HR section has an entire chapter devoted to MAP). For items acquired through FMS with a country’s own funds, or through FMF or grant programs other than MAP or EDA, the USG has no reversionary rights; all proceeds of approved sales/transfers go to the host nation.

Title to DCS-acquired, U.S.-origin defense articles passes to the recipient country upon shipment. USG approval is required for third-party transfer and change of end-use only for those DCS-purchased require an that are subject to export license, (e.g., those items on either the USML or the CCL). Regardless of whether or not the export application was accompanied by a duly executed form DSP-83, all DCS USML exports must be approved for retransfer by PM/DDTC. All proceeds of approved sales/transfers go to the host nation.

If the partner nation has been granted the right to dispose of U.S. defense materiel or articles, its disposal procedures should follow, in form and content, those used by DLA Disposition Services, though local methods and channels may be used when deemed to be appropriate by the USG. The following areas of attention are those deemed most important for ensuring U.S. trade control requirements:

- Determination of demilitarization requirements
- Conduct of sale
- Bidder screening
- end-use and retransfer assurance
- Import certificate/delivery verification (as required)

In some instances, materiel can only be disposed of as scrap, but this does not negate the requirement to follow appropriate security procedures. The procedures and standards which must be followed in the conduct of local disposal, are found in DoD 4160.21-M, Defense Materiel Disposition Manual, and DoD 4160.28-M Volume 1-3, Defense Demilitarization Manual. For more on the EUM and the disposal see the SAMM C8.8.2.

## SUMMARY

To preserve the defense and economic technical advantages of the United States, foreign partners receiving weapons and weapons technology must agree to provide the same level of protection for the articles and information as would the USG itself. This requirement applies whether a partner receives material through commercial channels or through a government-to-government mechanism.

The DoD’s EUM program is the Golden Sentry Program, which applies to all defense articles, services, and training transferred via government-to-government channels. The DoS’ EUM program is the Blue Lantern Program, which applies to all defense articles, services, and training transferred

through commercial channels (e.g. Direct Commercial Sales). The Department of Commerce has an EUM program that focuses on the monitoring of items transferred by commercial channels that may have “dual-use” applications.

Under Golden Sentry, two levels of EUM are possible (routine and enhanced), depending on the sensitivity of the technology involved. The SCO and the partner nation must jointly develop an EUM control (compliance) plan that will ensure that procedures are taken to protect defense articles, services, and training transferred by the DoD.

Transfers of defense articles, services, and training to a third-party and changes of end-use always require prior approval from the USG. These transfers and changes in end-use terms are covered in the standard terms and conditions of the LOA, which are discussed in Chapter 8 of this textbook. Defense article or materiel disposal is always the final change in end-use and the final stage of EUM, and must conform to USG demilitarization requirements to safeguard the technology from possible misuse.

## REFERENCES

Arms Export Control Act of 1976 (AECA), as amended.

DoD 4160.21-M, Defense Materiel Disposition Manual.

DoD 4160.28-M, vol 1-3, Defense Demilitarization.

DoD Directive 4165.06, Real Property.

DSCA Manual 5105.38-M, Security Assistance Management Manual (SAMM). <http://www.dsca.mil/samm/>.

DSP-83, Non-transfer and Use Certificate (Office of Defense Trade Control).

International Emergency Economic Powers Act (IEEPA).

Export Controls Act of 2018.

Export Administration Regulations (EAR) (Title 15 CFR Parts 730–774).

Foreign Assistance Act of 1961 (FAA), as amended.

GAO/NSIAD-00-208, Changes Needed to Correct Weaknesses in End-Use Monitoring Program, August 2000.

International Traffic in Arms Regulations (ITAR) (Title 22, Parts 120–130).



## Chapter

# 19

# WHOLE OF GOVERNMENT SECURITY COOPERATION PLANNING

## INTRODUCTION

Planning is an essential step in all military operations or activities, security cooperation (SC) included. At its simplest, planning is the process by which one understands where they are, where they want to be, and how best to get there. The plan is the product; how one intends to get from “A” to “B.”

At the operational level, planning focuses on ends, ways, and means. Planning allows the military professional to clearly identify where the command wants to go—the ends. Through operational art and design, the planner pinpoints how best to get there—the ways. Finally, the resources are identified and applied—the means. While the plan directs action to achieve the ends, it also serves as the justification for resourcing; planning is how the Department of Defense (DoD) rationalizes SC.

What is different between operational planning and SC planning? In SC, the political and military realms are one, and the planner must be an expert in all aspects of the partner nation (PN) and on the U.S. Government (USG) policy towards it. Also, SC is not war fighting, and SC officers and NCOs are not traditional soldiers. The metaphorical weapons in SC are the SC programs—each with highly specific engagement criteria (i.e., the law).

This chapter does not represent doctrine, but it does reference current joint doctrine and DoD guidance and instruction documents to put together a process that can be used to conduct planning for SC. If unfamiliar with the Joint Planning Process (JPP), operational art, and design, readers should review JP 5.0, *Joint Planning* 1 December 2020 prior to reading further. If unfamiliar with Theater Campaign Planning, readers should review the *Theater Campaign Planning: Planners’ Handbook*, February 2012. If new to SC, review the various SC guidance and instruction documents listed at the back of this chapter. The purpose of this chapter is to present the highlights of whole of government security cooperation planning considerations and suggest a methodology.

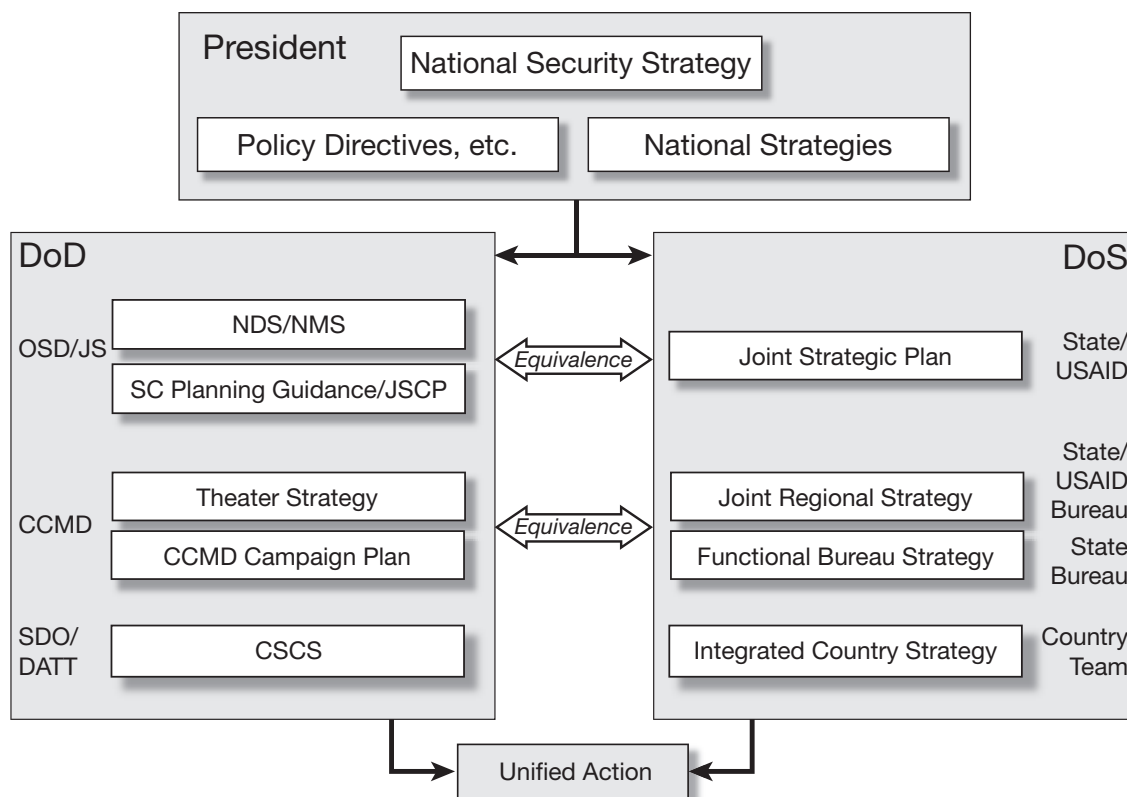
## THEATER-LEVEL SC PLANNING

### Introduction

Security cooperation planning, like all joint planning, is conducted using the JPP within the Adaptive Planning and Execution (APEX) system, as described in JP 5.0. For the Combatant Command (CCMD), strategic guidance is stipulated in national-level strategy and defense-planning documents. The intent of this section is to illustrate how national-level guidance from the President flows logically down the chain-of-command, through the various documents and plans, to direct security cooperation efforts with partner nations. These guidance documents provide the “ends.” CCMD planners determine how the CCMD is going to achieve these “ends.” During development of the Theater Strategy and the CCMD Campaign Plan (CCP), the “ways” are identified. Finally, the “means,” individual activities, events, operations, and investments are programmed by various planners and managers and laid out in the Country-specific Security Cooperation Section (CSCS) of the CCP.

Security Cooperation planning requires an understanding of the operational and security environment in the theater and the role the USG expects the different PNs to play. If SC funds are being expended on a PN, SC planning is required. CCMDs and Security Cooperation Organizations (SCOs) must prioritize requirements identified for SC activities and investments. The CCMD SC planners must justify the prioritization of SC activities for the collective group of PNs in the area of responsibility (AOR). Some PNs may receive more SC assistance than others across the theater. The funding process is the more challenging aspect of long-term SC planning since most SC funding is short term by statute. Once SC activities are authorized and funded through coordination with OSD and Department of State (DoS), SC planning for each PN takes the form of mission planning among the geographic CCMD, DSCA, the applicable SCO and country team, the Service and special operations component(s), and the PN representatives. The figure below shows the flow of national planning guidance.

**Figure 19-1**  
**DoD/DoS Side-by-Side Comparison**



## CCMD Campaign Planning

### *Analysis of Higher Level Guidance*

Security Cooperation planning begins at the national level with the National Security Strategy (NSS). The President periodically produces the NSS to inform Congress, the public, and foreign constituencies about the Administration's vision of how to deal with potential national security concerns. The NSS then drives a series of strategies and actions throughout the Executive branch, prompting development of various Department level strategic planning documents. Supplementing the NSS, the 23 April 2013 Presidential Policy Directive number 23 (PPD-23) on Security Sector Assistance (SSA) directs that executive branch agencies work together to maximize the effect of limited resources in achieving the NSS goals.



Three presidential guidance documents provide direction to the DoD. These are National Security Strategy, Unified Command plan, and the Contingency Planning Guidance. The Secretary of Defense provides strategic direction to the DoD and the Joint Force primarily through the National Defense Strategy, the Defense Planning guidance, and force employment guidance. The Office of the Under Secretary of Defense for Policy also provides SC planning guidance to the Combatant Commands (CCMDs). This strategic guidance provides the foundation for National Military Strategy (NMS) development.

The NMS is the Chairman's central strategy and planning document. It translates policy guidance into Joint Force action and assists the Secretary of Defense in providing for the strategic direction of the armed forces by providing guidance regarding plans, force employment, posture, and future force development. It provides the strategic framework for the prioritization of planning, resources allocation, and the distribution of risk.

Part of the Chairman's Title 10 responsibilities is to review contingency plans and prepare joint logistics and mobility plans. The Joint Strategic Planning System (JSPS) is the primary method by which the Chairman fulfills his Title 10 responsibilities, maintains a global perspective, and provides military advice to the Secretary of Defense and President. The JSPS document aligned with this function is the Joint Strategic Campaign Plan (JSCP).

The JSCP is a five-year global strategic plan (reviewed every two years) that operationalizes the NMS. It is the Chairman's primary document to guide and direct the preparation and integration of Joint Force campaign and contingency plans. The JSCP establishes a common set of processes, products, priorities, roles, and responsibilities to integrate the Joint Force's global operations, activities, and investments from day-to-day campaigning to contingencies. The JSCP directs development of four types of campaign plans: Global Campaign Plans (GCP), Regional Campaign Plans (RCP), Functional Campaign Plans (FCP), and Combatant Command (CCMD) Campaign Plans (CCP).

In his role as the global integrator, the Chairman determines which challenges require GCPs. A GCP will address the most pressing transregional and multi-functional strategic challenges across all domains. GCPs look across geographic and functional CCMDs seams. Each GCP has an assigned coordinating authority that is the Combatant Commander (CCDR) with the preponderance of responsibility for a GCP.

RCPs are assigned to geographic CCMDs and address regional threats or challenges that require coordination across multiple CCMDs.

FCPs are assigned to functional CCMDs and address functional threats or challenges that are not geographically constrained and require coordination across multiple CCMDs.

CCPs replace Theater Campaign Plans. These are the primary plans through which the CCMDs execute day-to-day campaigning. CCPs address theater objectives as well as objectives directed by GCPs, RCPs, and FCPs.

The JSCP also directs contingency planning, consistent with the Contingency Planning Guidance (CPG), which expands on the CPG with specific objectives, tasks, and linkages between campaign and contingency plans. The JSCP delineates support plans to foster Joint Force collaboration and coordination in time, space, and purpose.

Executive Branch guidance also flows to the DoS from the National Security Strategy (NSS), where the DoS, and USAID jointly develop their Joint Strategic Plan (JSP) and Joint Regional Strategies (JRS). The DoS also has Functional Bureau Strategies. These Department and bureau-level strategies, together with national level guidance and the strategies of interagency partners, inform the Integrated Country Strategy (ICS), produced by the country team under the direction of the Chief of Mission

(COM). Per PPD-23, the COM serves as the lead in-country integrator for Security Sector Assistance (SSA), overseeing the development of country-level plans and leading in-country bilateral discussions on SSA. Thus, the ICS is also the critical whole-of-government document for the SCO, as it details the direction for SC with the partner nation, and serves as the USG's whole-of-government strategy for engagement with that country. As U.S. foreign policy is the domain of the DoS, the well-informed planner will have reviewed the relevant DoS Joint Regional Strategy and Functional Bureau Strategy as part of the analysis. A fuller discussion of DoS planning can be found later in the chapter.

Per PPD-23, the Departments of Defense, Treasury, Justice, and Homeland Security as well as the U.S. Agency for International Development (USAID) participate in interagency SSA strategic planning, assessment, program design, and implementation processes and coordinate the content of their SSA programs with the DoS. The Department of Defense and the Department of State use the Joint Security Sector Assistance Review (JSSAR) as a principal inter-agency SSA program-level planning/program design coordination forum. The intent is to bring together DoS and DoD SSA stakeholders to discuss current and out-year programmatic plans and requirements in order to de-conflict activities, identify gaps and complementary efforts, highlight opportunities for our partners to burden share, and recognize requirements for DoS-DoD programmatic/program design coordination. Based upon the analysis of higher-level guidance, the CCMD develops a theater strategy. The theater strategy is a broad statement of how the CCMD intends to achieve planned goals and objectives and, thus, serves as a link between the national guidance documents and the CCMD Campaign Plan (CCP). It is only after the CCMD has developed the broad operational approach that the CCMD starts detailed planning for the CCP.

CCPs and CSCSs should integrate all SC activities, events, operations, and investments (inputs) with CCMD and component posture, resources, requirements, and plans in order to lay the foundations needed for any contingency plans. If the U.S. or PN has identified a "capability gap," and the U.S. wants or needs that PN to develop a certain capability as part of a contingency plan, then development of that capability needs to be part of the respective CSCS. Ultimately, the plan to interact with partner nations should guide the SCO in all SC activities with the PN.

### ***Initial Assessment of Operational and Security Environment***

When seeking to understand the operational and security environment, the theater-level planner should focus on regional dynamics. What are the challenges to the theater strategic end-states? What are the roles of regional actors in the strategic balance of power? What are some of the AOR relevant factors that could serve as restraints or constraints on the CCMD's efforts? Detailed looks at these issues are important and country-level expertise throughout the CCMD will be central to the planning team during this phase. Fitting these pieces together and figuring out the optimal strategy to influence the situation is the result of operational art and design. There are many different ways to identify challenges and opportunities, several of which are below:

- Strengths, Weaknesses, Opportunities & Threats (SWOT)
- Diplomatic, Informational, Military, Economic, Financial, Intelligence, and Law Enforcement (DIMEFIL)
- Political, Military, Economic, Social, Information, Infrastructure, Culture, Technological, and Physical Environment (PMESII-CTP)

In addition to the overall operational and security environment, planners need to look to the PNs for their desired role. This will be covered in more detail later.

Planners should also consider how the national interests of countries, both in and outside the AOR, compete with or support U.S. objectives in the AOR. Furthermore, planners should take into account

challenges found outside the AOR that can affect the achievement of theater strategic end-states, such as transnational threats (e.g., WMD proliferation, illicit trafficking, etc.). Real-world issues do not respect CCMD AOR boundaries. Thus, for a genuine whole-of-Government approach, during their analysis, planners must account for regional and transnational issues as well as U.S. and PN equities and sensitivities outside their respective AORs.

This initial assessment will not only provide a baseline against which to track progress in the development of capabilities and capacity, it is required by statute and is DoD policy. For more information on the DoD Assessment, Monitoring, and Evaluation requirements, see DoDI 5132.14 Assessment, Monitoring, and Evaluation Policy for the Security Cooperation Enterprise. For partner nations that have an existing Strategy to Capability, Level 1 Strategic Framework, or Level 2 Five-Year Plan(s), these documents will provide significant insights into the current SC relationship with the partner nations.

### ***Identify Key Planning Assumptions***

Planners will never have all the information required, and planning relies heavily on assumptions. To ensure planning can continue under these circumstances, planners need to fill in their “knowledge gaps” with explicit assumptions. Assumptions should be both valid and necessary. Valid assumptions must be logical and realistic. A necessary assumption is one that is essential to continue the planning process. The planner must ask, “Is it impossible to continue planning without the assumption?” Assumptions can span a wide range of topics, including the political conditions and military capabilities of countries in the region as well as timelines of events. Planners must continually review assumptions to ensure validity. Planners must also capture within their plan all assumptions so that future planners know what the previous assumptions were.

### ***Identify Resources Available***

Before detailed planning begins, planners should have an understanding of the resources available to the CCMD to support the implementation of the CCP. The CCMD campaign planning construct should provide a framework that allows commanders to identify and articulate resource requirements to execute the SC activities needed to implement the theater strategy. A thorough understanding of the types and quantities of resources available should inform, but not constrain, planning. Planners should proceed with developing a CCP that seeks to achieve the theater strategic end states and identify any discrepancies between current or projected resource availability and what is needed to implement the CCP. CCMDs should then communicate need for additional resources, and the risks associated with resource shortfalls, through the appropriate venues.

### ***Identify Intermediate Objectives/Focus Areas that Support Desired End States***

Conducting SC without connecting it to strategic objectives leads to uncoordinated programming and ineffective use of resources. The process of translating theater strategic end states into intermediate military objectives (IMO) as stepping stones and then further dissecting those objectives into activities and events is complex. Decision-makers and planners at all levels must understand this process to ensure successful integration of a wide range of activities.

SC Planning Guidance goals and objectives are the most specific description of the national strategic objectives presented to the CCMD or, in operational art parlance, the “ends.” Based on the SC Planning Guidance, the CCMDs develop IMOs. IMOs must demonstrably move the CCMD toward strategic end states. It may only take one IMO to reach a strategic end state, but, more commonly, there will be multiple IMOs over the three- to five-year time frame of the CCP. The planners should also develop ways to properly evaluate Measures of Performance (MOP), Measures of Effectiveness (MOE), or both as ways to determine achievement of the IMO.

In general, MOPS are quantitative, and can also apply qualitative attributes to task accomplishment. Simply put, MOPs measure what the partner nation is doing but encourage the planners to ask whether the partner nation is doing the right things to achieve the desired effect.

MOEs assess the impact of the actions of the partner nation on the effectiveness of achieving the IMOs. These measures assess changes in behavior, capability, or operational environment; MOEs do not measure task performance. MOEs measure what is accomplished and help verify whether objectives, goals, and end states are being met. MOEs are typically more subjective than MOPs and can be defined as either qualitative or quantitative measures. For instance, a MOE may be based on quantitative measures to reflect a trend and show progress toward an IMO.

IMOs must be specific and achievable to ensure that the CCMD measures progress. In preparing IMOs, the acronym “SMART” (Specific, Measurable, Achievable, Relevant and Results-oriented, Time-bound) should be observed:

- Specific: the reader knows exactly must be done
- Measurable: empirically measurable so the CCMD knows when it achieves the IMO MOP/MOE
- Achievable: practicable within the time and with the resources provided
- Relevant: focused on an objective that moves the CCMD toward the end states
- Results-oriented: focused on the results of actions, not on the process of doing the actions
- Time-bound: a clear deadline within the planning horizon

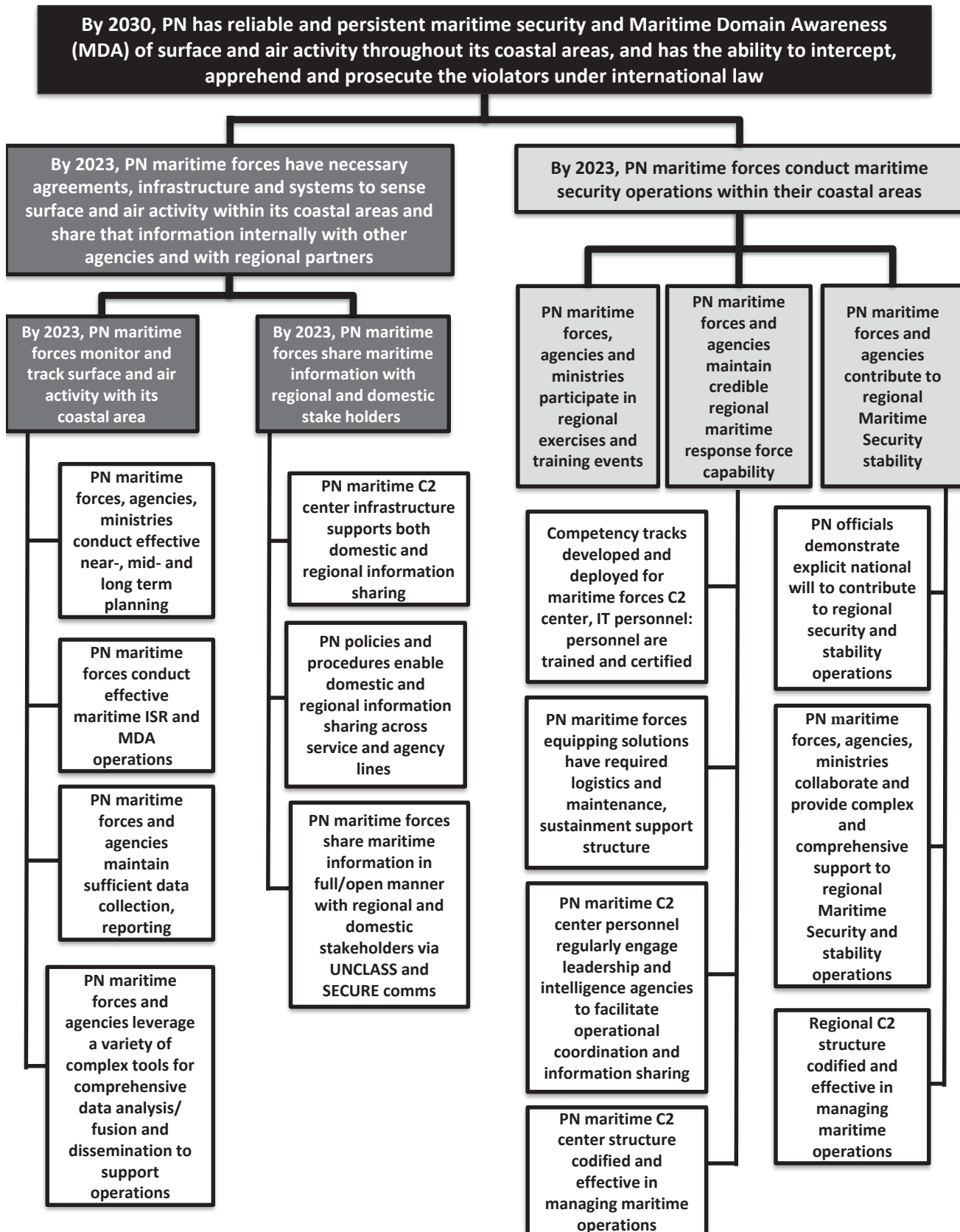
Lines of Effort (LOE) and Lines of Activity (LOA) are concepts referenced in other documents under a different terminology that align and synchronize the IMOs in logical sequence, driving toward a desired endstate.

### ***Theory of Change and Logic Framework***

While not yet fully implemented, and not yet required for all SC activities, the requirement for SC personnel to develop a theory of change and a logic framework for planned capability and capacity development of a partner nation is growing. A theory of change is a statement of expectations regarding the process by which planned activities will lead to stated objectives. It articulates assumptions and plans about how and why a set of activities and actions are expected to evolve in the future, including causal linkages through which early and intermediate outcomes will lead to long-term results. A theory of change is intended to make implicit assumptions more explicit, which describes why certain actions will produce a desired change in a given context, and clearly states what the intended outcome of the initiative will be and how it will be achieved. As SC personnel are monitoring the capability or capacity development, they will then be able to validate the theory of change to make informed decisions as to the likelihood that the partner nation will achieve the expected results. If the partner nation is not progressing as expected, then the theory of change can be used to help SC personnel make informed decisions on corrective actions.

The logic framework maps goals and “SMART” objectives to the activities necessary to achieve desired changes. The logic framework visually describes activities and the planned process of contributing to initiative goals and achieving objectives. Figure 19-2 is an example of a logic framework.

**Figure 19-2**  
**Example of Logic Framework**



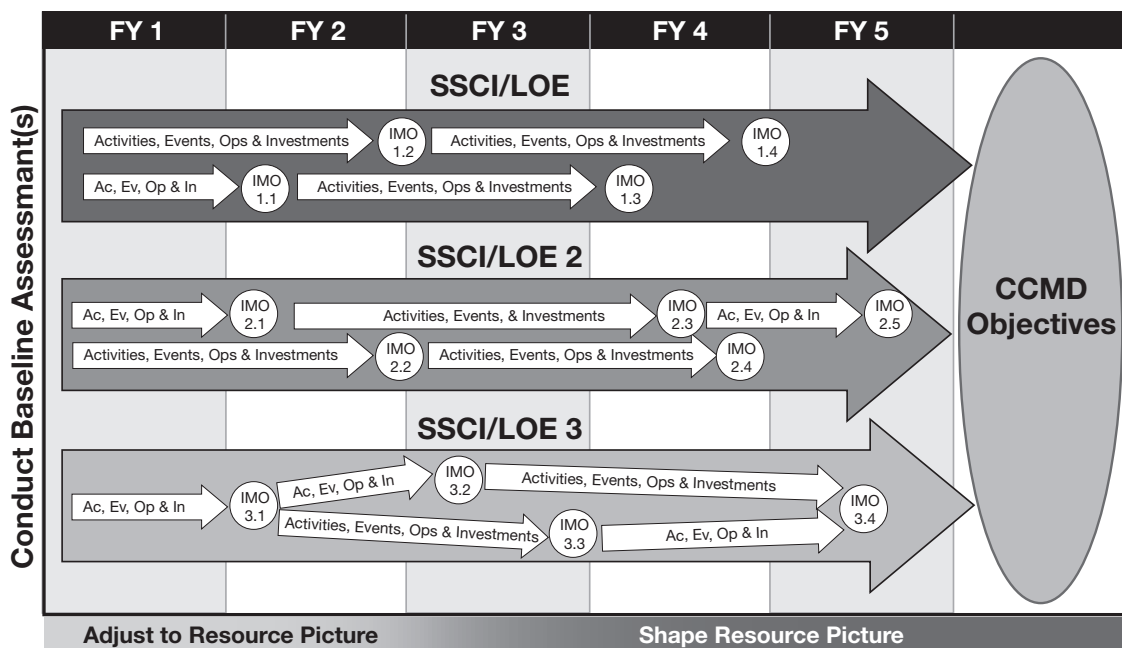


## Significant Security Cooperation Initiatives and Lines of Effort

Based upon SC goals and objectives, as outlined in SC planning guidance, Significant Security Cooperation Initiatives (SSCIs) are identified and generally led by the CCMDs. The SSCIs are coordinated with OSD Policy and Joint Staff and involve the application of multiple security cooperation tools and programs. SSCIs may be overseen and managed by various DoD components and the Department of State over multiple years to realize a country- or region-specific objective or functional objective such as maritime security or counterterrorism. An SSCI could even involve several interagency actors or other partner nations. Often, the SSCI is articulated as specific LOEs in the country-specific SC sections of a CCP.

An LOE or SSCI links related IMOs in order to focus efforts toward the SC Planning Guidance End State(s). This approach allows planners to bundle various activities, events, operations, and investments, thereby logically linking more specific planning details to strategic end states. Thus, within an SSCI or LOE, IMOs step, in demonstrable ways, toward the “ends.” SSCI/LOEs are useful to group near-term and long-term IMOs that must be completed simultaneously or sequentially. For an example of an SSCI/LOE, see Figure 19-3. For more information on the relationship between SSCIs and LOEs, see DoDI 5132.14 Assessment, Monitoring, and Evaluation Policy for the Security Cooperation Enterprise.

**Figure 19-3**  
**SSCI/LOE Time Phasing**



## Lines of Activity

Lines of Activity (LOAs) more clearly define the activities, events, operations, and/or investments supporting a particular IMO. LOAs become the “ways” to advance the strategy. Thus, LOAs, allow the planner to dive down in increasing detail to answer the question, “What activities, events, operations, and/or investments are needed to achieve the IMO?” The individual activities are, therefore, the “means” to achieve the LOA. Figure 19-3 illustrates the relationship between LOEs and LOAs.



## ***Ends—Ways—Means***

End states are achieved by moving along the SSCI/LOE, from IMO to IMO. IMOs are achieved by following LOAs (depicted as small white lines inside the larger SSCI/LOE in Figure 19-3) and are defined by a sequence of specific activities, events, operations, and investments. Just as this process of increasing detail provides the planner a logical way to think through the problem, the plan will provide the program manager justification as to resourcing specific events, i.e., how a particular three-day event fits into the overall plan to achieve strategic end states. Hence, the CCP (and, by extension, the pertinent CSCS) provides justification for the “means” of the “ways” to achieve the “ends.”

### ***Assess Theater Strategic End States and Intermediate Objectives***

At this stage, the planners need to go back and reassess the theater strategic end states and IMOs; they need to review their previous gap analysis. Planners need to assess what constitutes success in achieving the desired end state and re-determine the current “baseline.” Next, planners need to assess the IMOs, make sure the IMOs are properly sequenced, and ensure the cumulative effect of the IMOs will achieve, or at least make progress toward, the achievement of the desired end state.

## **COUNTRY-LEVEL SC PLANNING**

### **Introduction**

It is important to note theater-level and country-level SC planning are not conducted separately; they inform each other and are developed concurrently and in unison with each other. Without conducting an in-depth analysis of the PN, how can the CCMD develop IMOs and the SSCI/LOE?

Country-level planning refers to the planning for SC with a particular nation-state or international organization. Tempering the focus on DoD processes, in support of PPD-23, country-level planning must coordinate with interagency counterparts in the DoS, U.S. Agency for International Development (USAID), and other agencies with equities in the country of interest. Country-level planning does not necessarily mean “in-country” planning. Country-level planning can be done at the CCMD headquarters, in-country by the SCO, and, preferably, a combination of both. How and where country-level planning occurs depends on the CCMD; each is different. This section orients joint country-level planners, typically the CCMD J-5 country desk officers, to the overall process and suggests a methodology that has proven to be successful.

### **From CCMD Campaign Plans to Country Plans**

The CCP describes how the theater is going to achieve its ends, but, the CCP is too general to provide a starting point for scheduling specific SC events. With over fifty countries in some CCMDs, the CCMD will sometimes prepare sub-regional CCMD Campaign Plans to provide increasing detail on how it achieves the ends in a sub-region of the CCMD AOR. It is important not to confuse sub-regional CCMD Campaign Plans with the Regional Campaign Plans (RCP) assigned to geographic CCMDs. RCPs address regional threats or challenges that require coordination across multiple Combatant Commands.

Below the sub-regional CCMD Campaign Plans, the CSCS manifests concrete action. Theater planners should work with service components and SCO personnel when brainstorming and developing specific activities to achieve progress on lines of activity in a particular PN. The goal of country-level planning is not just the CSCS, but to develop the activities, events, operations, and investments that program budgets and schedule on events.

### ***Analyze Higher-Level Guidance***

For country-level planning, higher-level guidance comes from the SC Planning Guidance, JSCP, CCP, and, where applicable, Contingency Plans. In addition to DoD documents, planners should look at the DoS ICS, the USAID Country Development Cooperation Strategy (CDCS), and other agency/partner plans for PN. The ICS provides the Ambassador's goals, the relationships between Mission goals and broader USG regional goals, discusses of the current operating environment, and informs the DoS budget submission (FY+2). It is important to note that the ICS is an interagency document containing goals and objectives from every agency that has an interest or equity in a particular PN. As mentioned previously, planners should closely examine the CCP, objectives, and tasks contained in relevant contingency plans. These objectives may contain important implications and requirements for SC activities.

### ***Assessment of the Operational and Security Environment of the Partner Nation***

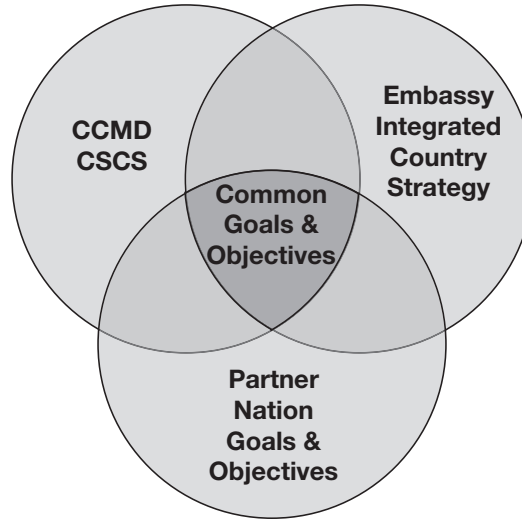
Planners should examine various aspects of the operational and security environment as it pertains to the PN for which the plan is being developed. Planners should study relevant geopolitical trends or conditions that influence key audiences in the partner nation. In fact, in the 2019 National Defense Authorization Act, reference 10 U.S. Code § 333 - Foreign security forces: authority to build, capacity, Congress wrote, "In developing and planning a program to build the capacity of the national security forces of a foreign country... the Secretary of Defense and Secretary of State should jointly consider political, social, economic, diplomatic, and historical factors, if any, of the foreign country that may impact the effectiveness of the program."

Planners should also assess significant internal and external threats to the partner and neighboring nations in the region. Another important consideration is the breadth and complexity of operational demands that these threats impose on partner nation national security capabilities. Planners should identify key security-related opportunities for cooperation, such as the partner nation's role in regional organizations. The planners should assess the capabilities and resources of the PN, including its force structure, defense budget, and expenditures on weapons system purchases from the international market. The planners also need to conduct an assessment of the various institutional capabilities of the partner nation. Finally, planners should consider the goals and activities of other USG agencies and other countries and the DoD's role with respect to their efforts. Planners may want to use some of the tools previously mentioned (SWOT, DIMEFIL, PMESII-CTP). Once again, this assessment will not only provide a baseline against which to track progress in the development of capabilities and capacity, it is also required by statute and DoD policy.

### ***Define the Desired Security Role(s) the USG Would Like the Partner Nation to Play***

Based upon higher-level guidance and assessment of the PN's environment, the planners need to determine what the USG wants and does NOT want the country to do. What is the desired end state? Does the USG want the PN to take (or not take) a certain political action? Does the USG need access to their territory, resources, information, and/or intelligence, research, and development? Does the USG want the PN to develop and use a certain capability or capacity? Does the USG need the PN to conduct peacekeeping, coalition, or expeditionary operations? Or does the USG need the PN to focus first on their own internal defense? Planners should determine and prioritize which of these (or other) roles a country needs to fulfill to support CCP objectives. Planners should identify the risks to the CCP and U.S. strategy if the partner does not play the desired role(s). Heavy consideration and nuanced understanding of the PN's political will to fulfill the identified role is fundamental to effective analysis; is it a goal or objective that the U.S. and the PN have in common?

**Figure 19-4**  
**Common Goals and Objectives**



Not every country can or should fill every role. Perhaps one country could play a role in its own internal stability while another might be looked at as a troop contributing country for the United Nations; it all depends on how the CCMD sees these various parts fitting together to achieve the ends. The country planner must also reach out to other country planners in the region to understand how strategies for one PN can affect another. Particularly, in light of current fiscal realities, careful consideration must be given to this question.

***Determine Required Condition of Partner Nation to Perform Desired Role(s)***

Planners must now look at the institutional and operational capacity and capability of the PN military to play the desired role. At this point, this does not require a detailed assessment, but a general military capabilities study: What is their operational history? Can the PN self-deploy? Can it even leave garrison? Does it have a joint planning staff? How robust is its logistics capability? Does the PN have a respect for rule of law and human rights? Can the United States work with this nation?

Planners need to assess the PN's political will and stability as well as capability required to perform the desired role(s). What is the necessary degree of consensus among the political leadership and, more broadly, among civil society for the country to contribute forces to coalition operations or to conduct operations to deter potential aggressors in the region? What operational capability and capacity does the PN require for it to perform these and/or other desired roles? Finally, what institutional capacity is needed to sustain the required operational capability and capacity? Specific institutional factors to consider include the following: degree of legitimacy and legal status; leadership and planning capability; decision making; resource management; human resources; equipment and logistics; and integrating mechanisms. Planners should use the DOTMLPF-P (Doctrine, Organization, Training, Materiel, Leadership and Education, Personnel, Facilities & Policy) framework to identify specific operational capability and capacity requirements. DOTMLPF-P will be explained in more detail later in this chapter.

***Assess Partner Desire to Play That Role***

Planners need to assess a PN's overall strategic willingness to play the desired role. Does the PN have both the political and civil society consensus? Critical factors include political leanings of political and military, public opinion vis-à-vis the role, national priorities, fiscal realities, security interests, military and political aspirations, and historic role in the region. Additionally, the degree of

political accountability of the government and civilian control of the military will bear on the problem. In an often ironic manner, the less accountable the government or military, the more likely it is to act in the desired role. Conversely, if the desired role is counter to the national interests of the PN (from the PN's perspective), the plan must take this into account; wishing will not change nation-states. There is no need to expend limited USG resources on roles for which the PN has no desire.

### ***Identify Resources Planned or Available***

The final step is to identify existing or programmed resources. While country-level planning is not "resource constrained," it must be "resource informed" if it is to have any basis in reality. Remember, there is always something currently planned. What are the current program budgets and manpower directed by the USG at the PN forces? What other resources are available? When considering this, look not only at DoD programs, but also at DoS Title 22-funded programs, and, in light of PPD-23, examine with the help of the SDO/DATT the activities of other executive agencies. Equally, what actions are the PN or third parties already planning? If another country is already planning to address a capability, then this should limit the resources the USG plans to expend. Perhaps more importantly, assess whether the PN has the resources and will to maintain the capability for the desired security role over the long term.

In accordance with PPD-23, it is important to remember that the DoS is the lead agency responsible for the policy, supervision, and general management of USG SSA to include integration of interagency efforts between related assistance activities. The DoS leads the processes for conducting interagency assessments, synchronizes SSA, and coordinates interagency planning at the country level. The Chief of Mission serves as the lead in-country integrator for SSA, overseeing the development of the ICS and leading in-country bilateral discussions on SSA. The DoD, the Departments of Treasury, Justice, and Homeland Security, as well as USAID, all participate in interagency SSA strategic planning, assessment, program design, and implementation processes and are required to coordinate the content of their SSA programs with the DoS. As such, the DoD is responsible for ensuring U.S. defense strategy and policy priorities are closely synchronized with SSA efforts, especially where a key objective is to strengthen the capacity and willingness of foreign security forces to operate alongside of, in lieu of, or in support of U.S. forces. Law enforcement, border security, and counterterrorism are just a few areas where the Departments of the Treasury, Justice, and Homeland Security are the presumptive implementers of SSA.

Keep in mind, the National Security Council (NSC) is the organization that oversees the interagency process. The Secretary of Defense and Chairman of the Joint Chiefs of Staff are both members of the NSC. During deliberations, OSD Policy and Joint Staff J-5 do most of the work for the DoD. Also, currently each CCMD has what equates to an interagency directorate. At the CCMD level, this is a very good place to start exploring opportunities to coordinate SSA activities. The embassy country team is the best place to start at the country level.

## **CAPABILITIES-BASED ANALYSIS**

Capabilities-Based Analysis (CBA), as presented here, is a modification of the doctrine used within the DoD, but significantly streamlined and re-focused on SC with foreign security forces, especially in light of new authorities granted by Congress. This is not, by any means, the only way planners analyze problems and recommend solutions, but this method has been successful.

For many SCOs, this may be (or seem to be) a daunting task. Indeed, many SCOs consist of only one or two military service members. It is entirely possible that the partner nation needs assistance with one of their services for which the SCO is understaffed. The first stop, of course, is to reach out to the SDO/DATT and the military attachés in the DAO who understand the partner nation's military and security forces. The SCO can also reach out to the CCMD and its components to bring in experts to help with analysis. The SCO may also need to reach out to interagency partners for those with

the needed subject-matter expertise. It is not uncharacteristic for U.S. military officers to have just a cursory knowledge of the other services. Trying to determine strengths and weaknesses requires a more finely tuned analysis. If part of the reason for their capability gap is resource management, most planners do not have the background to help a partner nation set up a Planning, Programming, Budgeting, and Execution system to improve their resource management. If the partner nation has a human resource management issue, most planners are not qualified to help a partner nation revamp their personnel system. Also, how many planners can design a Professional Military Education (PME) system for a partner nation? Often, planners will need to be able to bring in experts to help develop a plan.

## **Problem Analysis**

Problem analysis seeks to understand the situation in ever greater detail. It starts with clearly defining the “desired role” and asking what tasks are needed to achieve that role. In the problem analysis, the SCO needs to define the multiple roles that the partner must play to reach the desired end state. This includes defining the primary role. A primary role is the description of a partner organization or unit and the desired actions that directly impact the threat or U.S. ability to directly impact the threat. In addition, the SCO must define the supporting role, or roles, and governance/oversight roles. A support role describes the partner organization or unit and the actions they will take to support the partner organization’s performance of the primary role. For example, a unit may conduct intelligence, surveillance, and reconnaissance or rotary wing lift support to enable the partner organization or unit to conduct interdiction operations.

The analysis should also consider the governance/oversight role. The governance/oversight role describes those partner activities that take place at the institutional level that are essential to enabling the partner to absorb, employ, and sustain the capability across its life cycle. These can include such functions as the development of legal frameworks and staff organizations and the execution of enduring policies and procedures to do the following: conduct strategic planning; manage resources; acquire equipment; manage personnel; develop operational concepts; and conduct life-cycle sustainment. For example, to fulfill a primary role of conducting maritime security operations with a new class of patrol boat, a partner may need to establish new legal frameworks to allow for effective cooperation with its coast guard, design new organizations to effectively conduct the operations, develop new joint operational concepts with its Coast Guard, or create new logistics and maintenance systems to sustain a new system operating in a new environment. For further clarification on this concept, refer to the section on Executive, Generating, and Operating Functions in JP 3-20, Security Cooperation.

Perhaps the CCMD wants the PN to focus on providing peacekeepers to UN missions in the region. One military task for such a role may be “Conduct Stability Operations.” Next, capabilities needed to execute this task are listed in priority order. In order to accomplish this, the planners could follow the process laid out in the “Joint Mission Essential Task List (JMETL) Development Handbook.”

## **Needs Analysis**

Needs analysis takes the generic capabilities determined in problem analysis and determines the actual needs of a particular PN in a specific situation. This process begins with assessing current capabilities; comparing the generic needs to the current capabilities and identifies gaps.

### ***Assess the Current Capabilities and Identify “Gaps”***

While SCO and DAO personnel can provide general assessments, the service component commands play a central role assessing current capabilities. The Services have technical expertise and resources to provide detailed assessments of PN capability. During the planning process, a significant effort should be made to understand the operational environment, to include PN forces, but this usually takes a more academic look focusing on open sources and intelligence information. During these assessments, service component commands should apply detailed standards evolved from their own



operations (while recognizing varying tactics, techniques, and procedures) to conduct a detailed on-the-ground evaluation of each capability. The delta between required capabilities and those present in the PN forces are the “gaps.”

While assessments are often central to wise investment, the country-level planner needs to keep the scale of effort and priority of a particular country relative to the CCP in mind. First, it is common that U.S. forces apply U.S. standards (i.e., mirror-image) against the PN operations. Planners and SCOs must carefully determine the extent of the desired assistance in order to limit excessive resource expenditures. The needs, as determined in previous steps, drive the assessments. All operations by U.S. forces are expensive, to include assessments, and these assessments will usually consume the same program funds as the eventual assistance. Additionally, if the program is small, the planner must be wary of raising expectations of the PN too high, as if the USG was promising to address all the gaps. Lastly, assessments can wear on the patience of those being assessed; who likes inspections? If the scale of the overall effort is modest, it may not be cost effective or wise to conduct detailed, service-specific assessments. Perhaps, in these smaller cases, if the expertise exists in-country, the assessment could be left to the SCO and attachés resident in-country.

### ***Assess the Risks***

Once these gaps have been identified, a thorough assessment of risk must be performed. When looking at risk, the military planner must first assess the risk posed to the U.S. strategy, i.e., the planned role for the PN if the capability gap persists. If it presents little risk, there is little point in providing the capability, so limited USG resources should be applied elsewhere. If this capability gap presents a major risk to the success of U.S. strategy for the proposed PN role, this indicates a higher priority for resourcing.

In addition to this operational risk, the planner must also consider political risk. In the case of political risk, a planner must not only be concerned with the fallout from not providing a capability, but also the risk from providing one, e.g., future atrocities by “U.S.-trained” personnel. While the military planner might be reluctant to incorporate political concerns, the U.S. Ambassador to the PN will put these foremost when looking at how the CCMD’s country plan fits into the DoS overall strategy for U.S. relations with the PN.

This provides yet another example of the importance of country-level planning. It is at this level the military and diplomatic planning efforts come together and must be synchronized.

## **Solutions Analysis**

### ***Identify Alternate Solutions***

Solutions analysis is the longest phase of planning. There are two primary methods for working through a capability to identify alternative solutions to filling the capability gaps. The first is DOTMLPF-P (Doctrine, Organization, Training, Material, Leadership and Education, Personnel, Facilities & Policy).

The second relates to the Joint Functions (command & control, movement and maneuver, intelligence, fires, sustainment, protection, and information). In either case, each serves as a paradigm by which to logically work one’s way through each proposed capability. In each case, the results of this brainstorming effort will be a list of complementary or alternative activities, events, operations, and investments that improve PN capability and move the PN toward playing the role described during Step 1 of CBA. Both methods are outlined below.

### **DOTMLPF-P**

**Doctrine:** The doctrine analysis examines the way the military fights its conflicts with emphasis on



maneuver warfare and combined air-ground campaigns to determine better methods to solve capability gaps.

- Is there existing doctrine that addresses or relates to the business need? Is it joint, service specific, or agency specific?
- Are there operating procedures in place NOT followed, thereby contributing to the identified need?

**Organization:** The organization analysis examines how the military is organized to fight: divisions, air wings, Marine-Air Ground Task Forces, and other. It looks to see if there is a better organizational structure or capability that can be developed to solve a capability gap.

- Where is the problem occurring? In what organizations does the problem occur?
- Is the organization properly staffed and funded to address the issue?

**Training:** The training analysis examines how forces are prepared to fight tactically. The analysis may cover basic training, advanced individual training, unit training, joint exercises, and other training to determine if improvements are needed to offset capability gaps.

- Is the issue caused, at least in part, by a complete lack of or inadequate training?
- Does training exist that addresses the issue?

**Materiel:** The materiel analysis examines all the necessary equipment and systems that are needed by military forces to fight and operate effectively and if new systems are needed to fill a capability gap.

- Is the issue caused, at least in part, by inadequate systems or equipment?

**Leadership and Education:** The leadership and education analysis examines how leaders are prepared to lead from tactical to strategic levels, including overall professional development.

- Does leadership understand the scope of the problem?
- Does leadership have resources at its disposal to correct the issue?

**Personnel:** The personnel analysis examines availability of qualified personnel for peacetime, wartime, and various contingency operations to support a capability gap by restructuring.

- Is the issue caused, at least in part, by the inability or decreased ability to place qualified and trained personnel in the correct occupational specialties?
- Are the right personnel in the right positions (skill-set match)?

**Facilities:** The facilities analysis examines military property, installations and industrial facilities (e.g., government owned ammunition production facilities) that support military forces to see if these can be used to fill in a capability gap.

- Is there a lack of operations and maintenance?
- Is the problem caused, at least in part, by inadequate infrastructure?

**Policy:** Any DoD, interagency, or international policy issues that may prevent effective implementation of changes in the other seven DOTMLPF-P elemental areas.

### **Joint Functions**

**Command & Control**—develops and integrates those activities enabling a commander to balance the art of command and the science of control

**Movement and Maneuver**—tasks and systems that move and employ forces to achieve a position of relative advantage over the enemy

**Intelligence**—tasks and systems that facilitate understanding of the enemy, terrain, and civil considerations

**Fires**—tasks and systems that provide collective and coordinated use of Army indirect fires, air and missile defense, and joint fires through the targeting process

**Sustainment**—tasks and systems that provide support and services to ensure freedom of action, extend operational reach, and prolong endurance

**Protection**—tasks and systems that preserve the force so the commander can apply maximum combat power to accomplish the mission

**Information**—management and application of information and its deliberate integration with other joint functions to change or maintain perceptions, attitudes, and other elements that drive desired behaviors and to support human and automated decision-making

DSCU recommends the DOTMLPF-P method to provide the planner the most clear and concrete answers to providing a capability. To apply this paradigm, planners work through each part of DOTMLPF-P asking what is needed within each domain. For example, to provide a reconnaissance capability, “What additional doctrine is needed? Do PN forces need to be reorganized? What training is needed? What equipment is needed?” One major benefit of methodically working through DOTMLPF-P is that lower-cost solutions may be identified before resorting to sometimes costly and, perhaps, inappropriate hardware solutions. The U.S. military leverages Joint Capabilities Integration and Development System (JCIDS) for developing solutions to capability gaps, and DOTMLPF-P analysis is also required by DSCA (Chapter 15 of the SAMM) for all Building Partner Capacity (BPC) programs. If the desired partner role also requires the partner nation to develop additional defense institutional capabilities, this will also have to be addressed.

### ***Recommend Solutions***

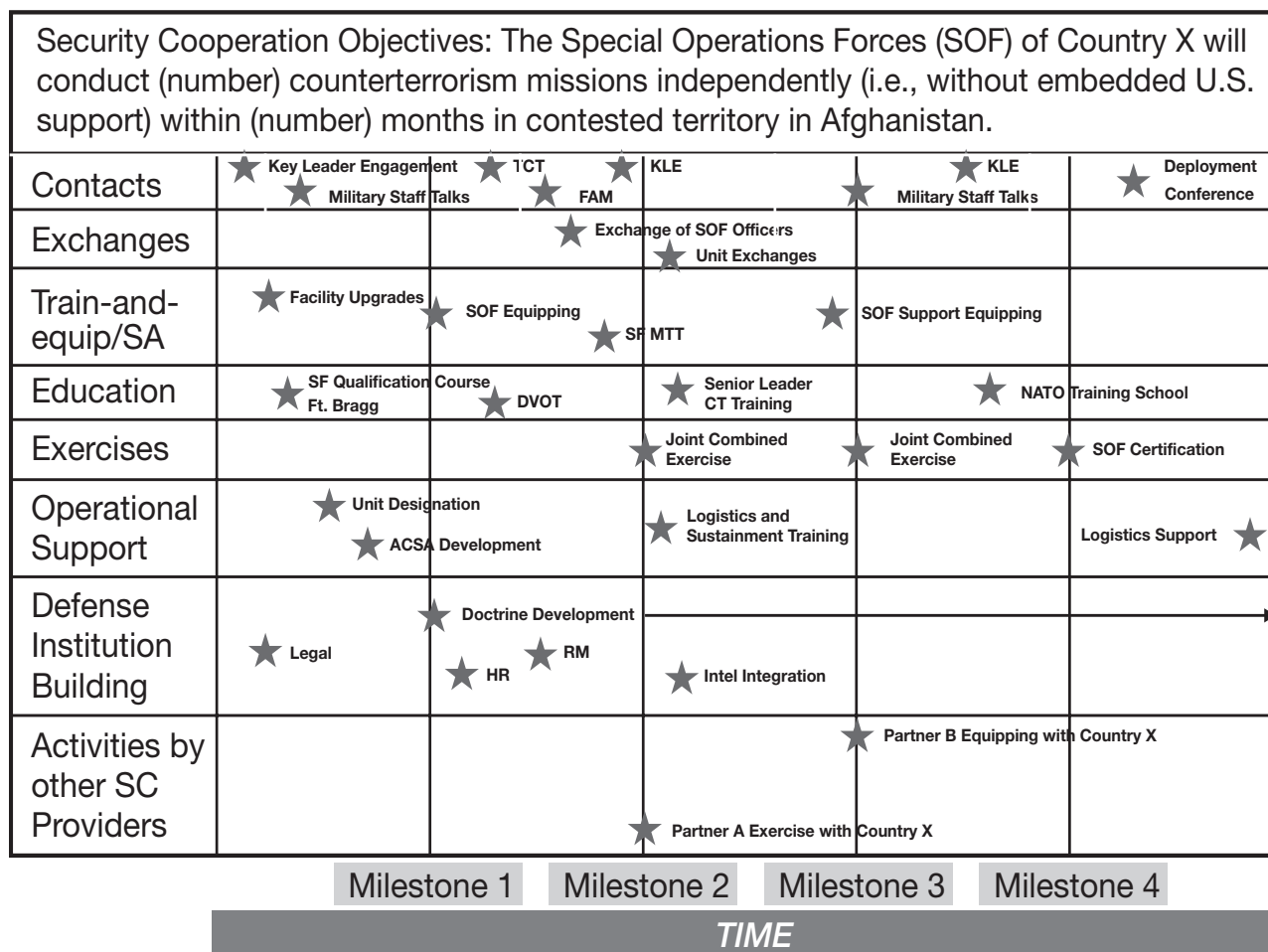
In analyzing alternative solutions, the planner must assess each solution to determine if it is affordable, feasible, and responsive. Thus, often in real-world application, this step becomes very iterative with the next step, resourcing, as possible solutions fail or succeed to secure funding or manpower.

In the end, the planner may find there is not an effective way to address the capability gap. In this case, two policy solutions may be available. First, change or drop the desired role of the PN in the CCP (i.e., change the CCP). Second, it might be necessary to change the rules for a program or create a new program to address the gaps over the long term (e.g., propose changes to legislation), which is how so many programs have now come to exist.

### ***Putting the Pieces Together in a CSCS***

Before reading further, please review the Figure 19-5. This is an example of a Synchronization Matrix. The figure provides a simplified example of how a country-level planner might pull together various SC programs into a synchronized plan to achieve a country-level objective (CLO). In this example, the CLO is seeking to help Bandaria secure its border. The matrix focuses only on that one objective, which was an identified gap in this scenario. Notice how it has incorporated Defense Institution Building programs so that the partner nation can sustain this capability in the long run.

**Figure 19-5**  
**Notional Synchronization Matrix**



In the example, initially the SCO, or SDO/DATT, and the Law Enforcement Working Group needs to build support among the players to support and participate in the effort to build this capability. To do this, they conduct a Key Leader Engagement (KLE) to make sure all sides have buy-in and to set realistic expectations. The USG may need interagency staff talks to get everyone “on board” and to gather more support or information. If not already accomplished, or not accomplished in enough detail, an additional assessment may need to be conducted. Can the selected unit pass vetting requirements? The country may need to change some policies or even laws. If the planner is contemplating using a BPC program, Congressional Notification will need to take place. Also, are there any foreign disclosure or technology transfer issues that will need to be addressed before moving forward? Finally, the planners might need to work with industry and the implementing agencies to determine production lead times.

During the second phase, the PN needs to continue with individual training, and equipment acquisition begins in earnest—FMF, FMS, DCS, BPC or from other agencies. The U.S. may need to conduct Distinguished Visitor Orientation Tours to get PN senior civilian and military personnel to understand the program and cement their buy-in. The PN may need human resources help to attract and retain quality personnel. The PN may need budgeting training to learn how to budget for this. This is where institutional capability building comes in. This could culminate with the PN participating as observers in a Joint Interagency Exercise.

During the third phase, the PN may need some advanced training. The PN may need logistics and sustainment training to sustain their force. Their support elements might need equipment and training. At this point, the USG and PN could set up exchanges. This phase could culminate with the PN participating, at a higher level, in another Joint Interagency Exercise.

Additional KLE and military staff talks are conducted during the fourth and fifth phases. These highlight the program's progress, sustaining support within the PN and the USG. Simultaneously, the U.S. continues working on interoperability as the PN goes through a certification process and conducts detailed planning for interagency operations.

All LOEs or Significant Security Cooperation Initiatives require this process. Please note that, in this example, the planners identified approximate costs and programs that they would like to use to achieve the desired end state five years out. It is a mix of interagency and PN funding. Planners need a baseline knowledge of the different programs in order to identify potential funding sources. If the planners are not sure of existing funding streams, they need to at least estimate potential costs and work with higher-level policy personnel to identify and forecast resources.

## **RESOURCING**

Resourcing is a highly iterative process where the country-level planners determine what will fill gaps. This can be very challenging due to competition from higher priority efforts, missed deadlines due to compressed submission timelines, or legislative limitations on lifespan of resources or because the program is simply a poor fit to the specified program. There are currently more than 100 SC programs to resource solutions to capability gaps. Each program is specifically designed to address a particular need. Each has its strengths and weaknesses, its authorities and prohibitions. It is critical that planners understand these programs and the timelines for submission in order to apply the programs effectively. These programs are the “weapon systems” of SC; if planners do not understand them, they will never employ them effectively.

### **U.S. Investment Considerations**

The DoD wants to achieve the greatest overall improvement in the specified capabilities with the lowest possible investment. When looking where to invest, the country planner must consider the factors listed below.

- **Prioritizing:** What shortfalls are most important and pressing? (based on risk and urgency)
- **Deriving:** What strategy and environment are the missions and capabilities designed to address?
- **Integrating:** Have all services made an investment, maximizing effectiveness as a joint force?
- **Balancing:** Are investments and attendant risk balanced across all the capabilities needed during the planning period?
- **Sequencing:** What is needed now? What can wait until later? Is there a logical order in which investments should be made?
- **Resourcing:** How much can the USG afford during the planning period?

Key among these factors is priority—priority based on risk and based on urgency. Risk represents the likelihood of an outcome with negative consequences for shared objectives if resources are not provided while urgency represents the importance of the resources based on time.

### **Requirements Coordination and Integration**

In the end, the PN must consolidate and prioritize these capabilities across all of the military services. The ability of PNs to conduct CBA and requirements integration varies widely across the

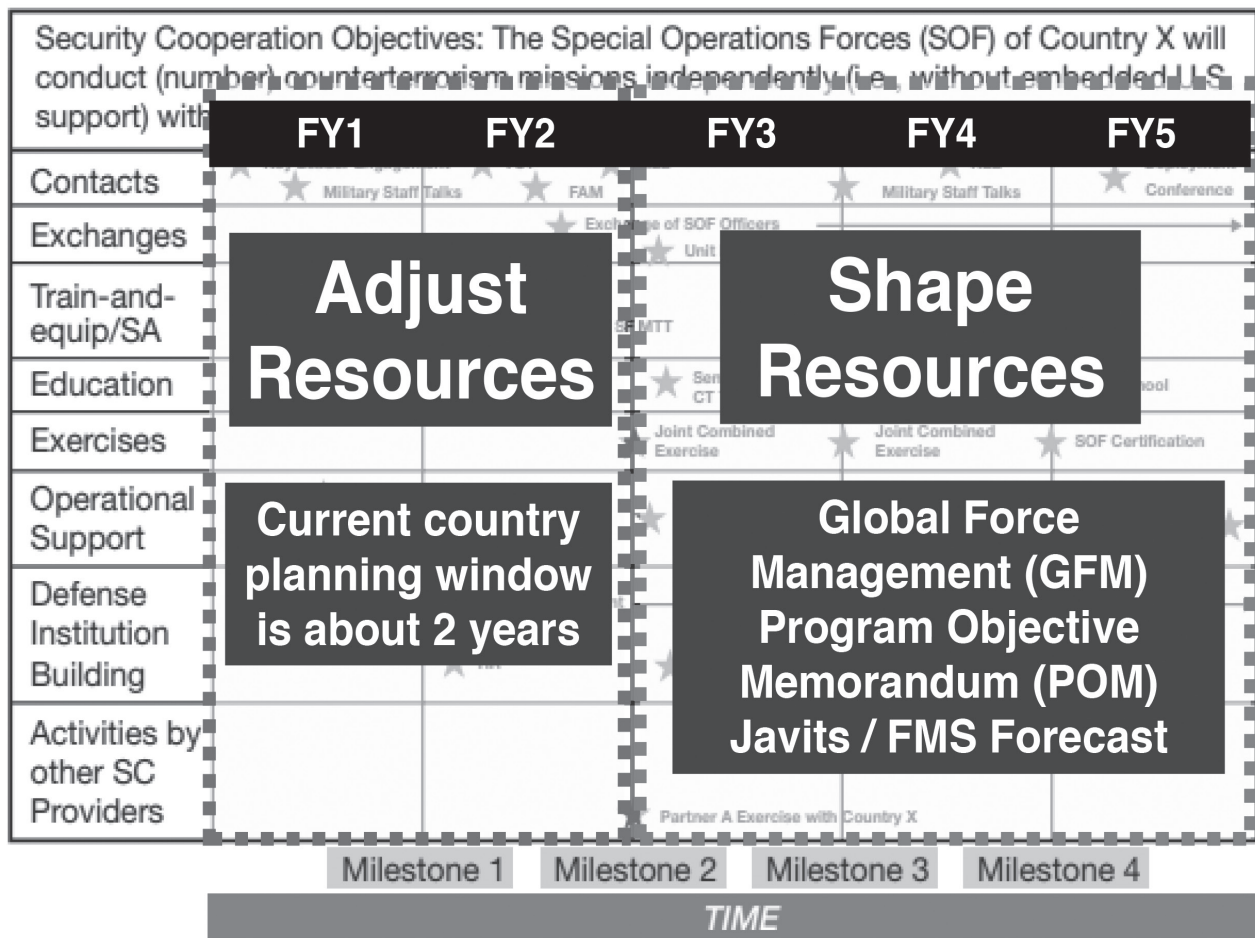
globe. Many PN will not present the SCO with a coherent plan and capability requirements. It will often be left to the country-level planner (CCMD or SCO) to integrate PN joint requirements and determine which best fulfills the strategic requirement.

Just as the PN has competing requirements and priorities, the USG also has competing requirements and priorities. To avoid competition, it is important for the country planner to remember the concept of the “sweet spot”—where the interests of the DoD, DoS (or other agencies), and the PN overlap. Which investments have the broadest payoff and, hence, the most support among the interested parties?

If the planning was done correctly and logically, it will also serve as solid justification for program requests as they move up the chain of command. The country planner should remember that this same prioritization takes place across the theater and at the national level. Over 100 SCOs all compete for scant resources.

At this point, proposed activities, events, operations, and investments need to be laid out (synchronized) over time, up to five years into the future. This synchronization serves many purposes. As a planner, it will help to determine sequencing and identify critical paths. For the program manager, it will help them request resources in the three- to five-year window, as illustrated in Figure 19-6.

**Figure 19-6**  
**Resourcing**





Ideally, the planning time lines will take Global Force Management time lines into account, but not always. Often, plans are made and events scheduled well after the point that forces are requested. Either the event adapts to available forces or, ideally, planning time lines are moved a year to allow for the Request for Forces (RFF) process.

### **Country-Specific Security Cooperation Section (CSCS) Development**

In many ways, CSCS development is relatively straightforward and not really that difficult. However, cutting corners during the initial assessment phase leads to serious conflicts with stakeholders not addressing the actual problem or by doing so in an unacceptable manner. This is particularly true in countries with developing militaries or a weak political system, leaving an assessment of the plan more open to interpretation.

Plan development is, at its heart, the simple act of writing the plan. Currently, joint doctrine does not exist for the format of a CSCS. A notional CSCS format developed by the former Joint Forces Command is Attachment 1 to this chapter. Typically, CSCSs are found as an appendix to the CCP. While currently there is no set doctrine for a CSCS, some of the recommended components of a CSCS are as follows:

- Country Assessment
- Country Objectives
- Reference to the CCP and Integrated Country Strategy (ICS) directly
- Concept of Engagement
- Synchronization Matrix
- Coordinating Instructions

PPD-23 requires SC planning to be fully integrated with other DoD agencies, the DoS, and the executive branch. The CSCS should both inform and be informed by the embassy's ICS, thus demonstrating interagency integration. Likewise, the DoD country-planning process forms a significant input to the embassy's ICS and supporting Mission Resource Request (MRR), which feed Title 22 program requirements into the Foreign Operations budget. Plans are assessed periodically for effectiveness and relevance. Updates are produced as strategic conditions or funding changes.

### **ANNUAL PLANNING MEETINGS**

While the frequency of updates to formal, written CSCSs generally occur on an annual basis, country-level planning is continual. Of particular importance is the series of planning meetings that take place during the course of the year. While the particulars of each meeting vary by CCMD and by country, each CCMD generally meets annually to accomplish the functions described.

#### **Theater Strategy Conference**

The CCMD hosts the Theater Strategy Conference to discuss policy direction and initiatives. It is attended by personnel from the embassies, typically the SDO/DATs and the Deputy Chiefs of Mission, as well as policy makers from the CCMD HQ, OSD, DoS, and the military services components who have a role as implementers of the strategy.

#### **Regional Working Group**

While the Theater Strategy Conference focuses on direction and policy, the Regional Working Group (RWG) focuses on SC activities. Attendees include personnel from the SCO, the service



components, OSD, CCMD, and the services. Work should focus on detailed event planning and program by program reviews.

### **Security Cooperation Education and Training Working Group**

The Security Cooperation Education and Training Working Group (SCETWG) is an annual meeting hosted by CCMD, usually between the months of March and June, to project training requirements one and two years out. Members of the SCO, DoS, and the services attend in order to coordinate and approve PN training requirements (see Chapter 14, “International Training,” of this textbook for further details).

### **Annual Planning Conference**

The exact nature of these conferences varies widely, but all coordinate activities directly with PN militaries. The conferences occur in-country or at the CCMD headquarters. These conferences typically focus on coordinating military-to-military events, but could also cover training. During these meetings, security cooperation plans are finalized and the PN agrees (See Chapter 1, “Introduction to Security Cooperation,” of this textbook for further discussion).

## **IN-COUNTRY EVENT PLANNING**

Military personnel find embassies different from their usual experiences in a DoD organization. For example, if one needs to move equipment, then the General Services Officer (GSO), the logistics officer equivalent, is the person to see; for a funds transfer, the Management Officer is the point of contact. Therefore, intimate knowledge of the embassy is vital to a SCO's event planning.

However, embassies are also normally small and ill-equipped to deal with large or specialized DoD forces working with a PN. That said, the embassy is still the focal point for in-country efforts, and a SC DoD planning event is designed to reinforce foreign policy. Therefore, in light of the multiple capabilities and/or limitations an embassy has in-country, SCOs must still work closely with the CCMD and other DOD components for operational planning to meet the Ambassador's desired ends.

In-country SC event planning requires the SCO to have detailed knowledge of the PN, its military, its bureaucracies, and USG policy considerations. Knowledge of the PN allows the SCO to have a deep understanding of how the PN military operates. This allows the SCO to play a central role in getting things done. For example, if PN battalions are to rotate through American training, the SCO knows to work with the PN and USG J-3 planners to ensure the deployment dates and third-country training all are coordinated.

SCOs also ensure political support continues within the PN and within the country team. The Ambassador is very important in this issue. It is critical he/she supports the concept and the details of the proposed event. Ambassadorial support is garnered by successfully coordinating with the rest of the country team. The country team “buy-in” paves the way for the Ambassador's consent. Ambassador transitions are especially challenging as the embassy organizational culture differs from a DoD unit Change of Command. New ambassadors need briefings on proposed activities. A lack of deference to the primacy of the DoS in executing foreign policy has spelled trouble for many a DoD hard-charger. It is a test of military diplomacy and good communication skills on the part of DoD personnel within the country team to ensure everyone is comfortable with supporting military activities as a means of this reference to an ambassador supported foreign policy end; not a military objective in a vacuum. See Chapter 4 for related examples on personnel, aircraft, and ship visits.

### **Common Considerations**

#### ***External Support***

One of the first questions a SCO must ask is “Can I, or should I, support this event internally within the office, or do I need DAO or embassy assistance?” Also, “What support is needed from the CCMD, (e.g., public affairs or contracting officers)?”

### ***Itinerary***

Itineraries have multiple lines of operation (LOO) and multiple phases. The itinerary must take into account the LOO for separate and simultaneous elements of the event, as well as preparations for future parts of the event. It must also consider logistical requirements for all phases of the effort. Plans must take into account overlapping phases: preparation, pre-advance party, advance party, main body, trail party, and cleanup.

### ***Local customs***

At every step, keep the local culture in mind; the SCO and SDO/DATT should be experts. The SCO may need to guide U.S. planning toward more locally acceptable implementation, e.g., avoiding local holidays or greeting the appropriate official.

### ***Office calls***

Even simple events will often require a certain amount of formalities and pleasantries. Talking points and notes on customs are required for planned and ad hoc office calls.

### ***Social events***

As with office calls, social events are often planned even for tactical-level activities e.g., an ice breaker social at the start of a course, or a cookout at the end of an exercise. Larger events may have a Distinguished Visitors (DV) day, which can add a higher level of complexity in arranging and managing DVs and their schedules.

### ***Media***

Have a proactive plan to deal with the media. Not only can unplanned press coverage create a problem, but lost media opportunities will cost the overall USG effort. Get the embassy Public Diplomacy Officer (or Public Affairs Office) and the CCMD public affairs office involved. Talking points for planned and ad hoc media events require clearance.

### ***Clothing/uniform requirements***

Be sure to determine uniform policies and requirements for each element of an itinerary. Consider when civilian attire is needed or required.

### ***Medical***

Keep local medical, hygiene, and food concerns in mind. Is drinking water safe?

### ***Interpreter support***

In many regions, Americans do not speak the local language. SCO personnel should not attempt to serve as an event interpreter. Not only is interpreting a particular skill that SCOs are not trained to do, but SCO personnel need to focus on the event. Likewise, if the senior military officer needs to participate in discussions, he/she should bring an extra person along to serve as a note taker, and preferably someone with the required language skills, as conversations through an interpreter can lead to misunderstandings.

### ***Logistics***

### ***Customs Clearance***

Often, equipment brought into country has to clear customs. Coordinating no-cost clearance with the proper PN authorities needs to be done in advance. Shipping goods in advance requires special attention. Arranging Customs Clearance is particularly critical when advance teams for DVs arrive with weapons (or any unit bringing weapons into the PN).

### ***Contracting Support***

Many in-country events require the contracting of PN goods and services. For large military activities, a CCMD contracting officer should be sent into country well in advance of the event. For smaller events or TDYs, the embassy may provide contracting support.

### ***Travel Services Support***

If the need for travel services is limited to that of typical TDY personnel, e.g., a rental vehicle or a room, the embassy travel office may be willing to support such routine travel. If the scale of the visit or event grows to the point where contracting services are necessary, the above contracting support applies.

### ***Funding***

If the embassy is going to procure any goods and services for the event, fiscal data is required as early as possible. Keeping this business relationship between the embassy and the events' participants cordial will go a long way in ensuring embassy support for the next event. SCOs must ensure TDY teams bring their own International Cooperative Administrative Support Services (ICASS) accounting codes so that the embassy does not assume or subsume the TDY costs into the SCO's annual bill. It is also important to confirm exactly which type of money the SCO or SDO/DATT can or should use to fund their participation (see Chapter 17, of the reference "Resource Management").

### ***Security***

#### ***Weapons Clearance***

If weapons are required, get the Regional Security Officer (RSO) involved early. Many countries will require permits for USG personnel to carry weapons in the country, particularly concealed weapons.

#### ***Local Law Enforcement***

Discuss any law enforcement liaison requirements with the RSO. In addition to weapons, issues of traffic control, security, and border control are often complex, depending on the PN.

#### ***Classified Information***

Carrying classified information requires unique handling and storage. Do visiting U.S. DVs and participants need access to classified computers for communication back to their headquarters?

### ***Contingencies***

- Remain flexible.
- Remain in communication. Charge your cellphone. Bring a two-way radio.
- Remain mobile. Have your own vehicle standing by.
- Delegate. For larger visits, create a team of action officers. Delegating frees the senior person to perform their function and enables a successful visit.

## DEPARTMENT OF STATE (DoS) PLANNING

The Department of State's Managing for Results (MfR) framework is designed to create important feedback loops among the Department's ongoing management processes. The process includes strategic planning, budgeting, program design, monitoring, evaluation, and learning through use of data and evidence. The MfR framework establishes bureau and mission strategic objectives as the building blocks against which resources are requested and activities are managed and reviewed. This integrated approach helps the DoS effectively manage its resources and inform taxpayers and Congress of progress towards carrying out its mission. The DoS Office of U.S. Foreign Assistance Resources (F), in partnership with the Bureau of Budget and Planning (BP), develops and administers the guidance and tools necessary for the Department to implement MfR.

**Figure 19-7**  
**Managing for Results**



Strategic planning ensures that U.S. foreign assistance helps to achieve the broad foreign policy objectives. It gives the Secretary of State the ability to evaluate effectiveness of U.S. foreign assistance and to make strategic decisions to advance diplomacy. The DoS, follows a three step, “top down” approach to planning:

1. Agency planning allows the DoS and U.S. Agency for International Development (USAID) to guide the direction and priorities of foreign assistance, and determines how the agencies will implement U.S. foreign policy and development assistance for the coming years.
2. Bureau planning provides the DoS and USAID Regional Bureaus a process for longer term planning that is predictable, uniform, and conceptually rigorous. Bureau planning informs budget decisions and mission strategic planning.

3. Mission planning provides a multi-year overarching strategy that encapsulates USG policy priorities and objectives, and outlines how projects and programs will use foreign assistance and other tools to achieve these goals.

Agency-level planning is the first of three steps in the Department's strategic planning process. The requirement to develop an agency plan is mandated by the Government Performance Results Act (GPRA) and the GPRA Modernization Act (GPRA-MA). For the DoS and the USAID, the agency-level plan is known as the Joint Strategic Plan (JSP). The planning process starts with the National Security Strategy, from which the DoS/USAID Joint Strategic Plan (JSP) (<https://www.state.gov/documents/organization/277156.pdf>) is derived and defines the national strategic priorities that guide global engagement jointly for DoS/USAID. The JSP is a four-year joint plan that serves as the primary State and USAID strategy setting forth the direction and priorities for both organizations presenting how the Department and USAID will implement U.S. foreign policy and development assistance for the coming years. Once published, the JSP informs the development of bureau level plans known as the Joint Regional Strategy (JRS) and Functional Bureau Strategy (FBS). DoD planners must be aware of the goals and objectives listed in the JSP, as many of the exigent objectives touch on areas in which the DoD will be engaged (e.g., stability/conflict resolution, human rights, rebalancing, security cooperation, among others). From JSP guidance, the regional bureaus at the DoS and USAID (e.g., the Bureau of African Affairs) prepare a Joint Regional Strategy (JRS), and the functional bureaus at the DoS prepare a Functional Bureau Strategy (FBS) laying out their plan to achieve their part of the JSP. Both types of bureau strategies are four-year plans designed to articulate priorities within a region, bureau or office and lay out specific tradeoffs necessary to bring resources in alignment with highest potential for impact. The strategies are also used to inform budget decisions, advise Integrated Country Strategies, and shape performance reviews. For the JRS, the Department partners with USAID to develop a joint strategy that articulates shared State-USAID priorities to guide missions as they prioritize engagement and resources, and respond to unanticipated events. Bureau strategies can be found at the DoS's Managing for Results intranet site: <http://cas.state.gov/managingforresults/>. The redacted versions of the regional strategies can be found in the CAC-enabled <https://max.gov/> website. The JSP, JRSs, and FBSs then collectively inform the development of mission-level strategies known as the Integrated Country Strategy (ICS).

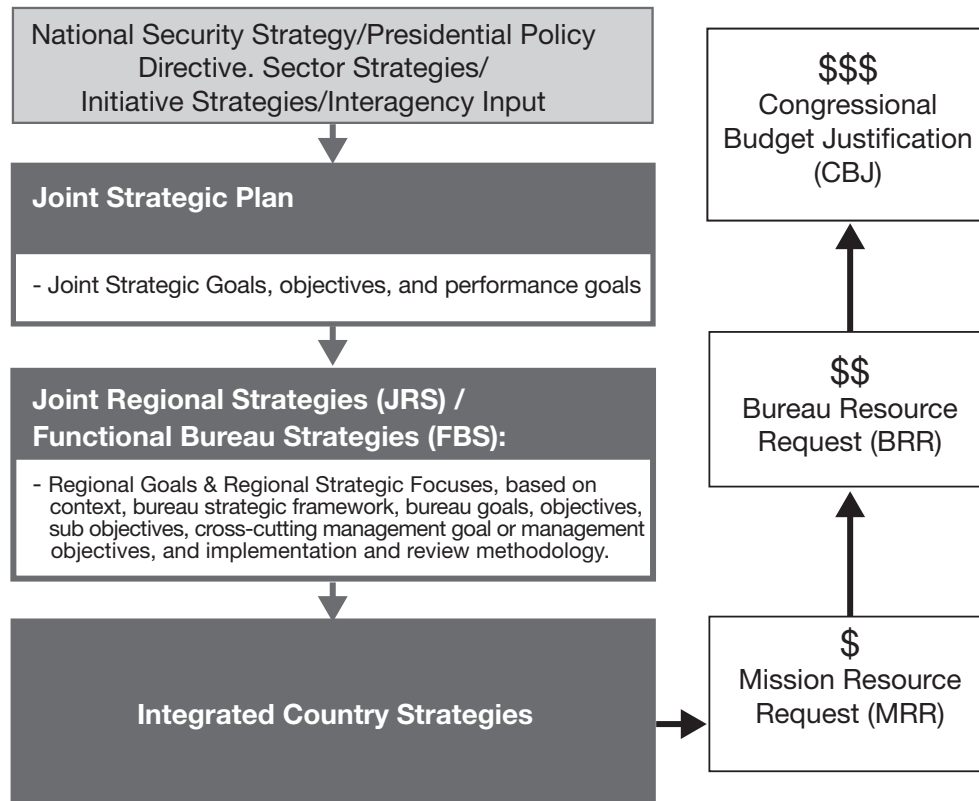
The country team, under the direction of the Ambassador, creates the ICS. The ICS is the four-year strategy that articulates the U.S. priorities in a given country and is led by the Chief of Mission. The ICS develops a common set of mission goals and objectives through a coordinated and collaborative planning effort among the DoS and other USG agencies with programming in-country. Once completed, the ICS frames and informs the annual Mission Resource Request (MRR) and mission-level performance management requirements. The ICS serves as an essential policy and management tool for missions, bureaus, and interagency partners and as the tool through which the mission directs office activities, measures progress, and conducts regular reviews. The SDO/DATT and SCO will, of course, be an integral part of the ICS and MRR, in both the development and implementation of the strategy. The following description of the DoS planning process is meant only as a cursory overview of the process, as it might impact the DoD elements in the embassy and in no way covers the full extent of the DoS activity.

Separately, USAID also prepares the USAID Policy Framework (<https://www.usaid.gov/results-and-data/planning>) to provide its staff and partners with USAID's core development priorities as well as operational principles. USAID also develops, for some countries, Country Development Cooperation Strategies (CDCS), which are typically a five-year strategy that defines a USAID's chosen approach in a country, providing the context for USAID-implemented programs and expected results. As appropriate, CDCS objectives are integrated into the ICS. These documents can be found at the USAID website: <https://www.usaid.gov/results-and-data/planning/country-strategies-cdcs>.



After the ICSs are completed, plans start to flow back up the “chain-of-command” as resource requests. Individual embassies and missions send consolidated MRRs to bureaus, who prioritize and prepare a Bureau Resource Request (BRR). At the department level, the DoS consolidates priorities and submits their budget requests to the Office of Management and Budget.

**Figure 19-8**  
**Strategy to Resources**



The DoS and DoD requests flow through the White House and become part of the President’s proposed budget which is submitted to the relevant committees in Congress for consideration. The document sent annually by the President is called the Congressional Budget Justification (CBJ)—DoS, Foreign Operations, and Related Programs: <https://www.state.gov/s/d/rm/c6112.htm>. The CBJ details the operating expenses of the DoS, and all of the foreign assistance accounts requested for the upcoming year. The SDO/DATT and SCO will most likely have a hand in drafting part of the embassy’s submission to the CBJ.

To supplement the multi-year strategies, the DoS publishes an Annual Performance Plan and Report (APP/APR) (<https://www.state.gov/s/d/rm/rls/perfplan/index.htm>), which describes the agency’s progress on achieving the goals and objectives in the JSP, including progress on strategic objectives, performance goals and Agency Priority Goals, and the level of performance expected against the performance goals and Agency Priority Goals for the next two years. In countries receiving foreign assistance from the United States, the SCO helps compile data for the embassy’s input to the APP/APR for the annual December data call for performance information. In the APP/APR, the Ambassador describes qualitative and quantitative results achieved against performance goals and associated measures and indicators. This information is submitted to the President, Congress, and the public. Additionally, halfway through the fiscal year, the SCOs will also be asked for data for the Operational Plan, which provides State and USAID with a tool for integrated planning and execution of foreign assistance funds and in-depth activity detail.



While DoS plans are coordinated with DoD plans (and vice-versa), it is important to remember that the planning process is only hard-wired together in the National Security Strategy and the ICS. It is vital all planners along both planning chains keep their counterparts aware of institutional direction and planning intentions.

For the SCO or SDO/DATT, this system places a heavy burden of responsibility on their shoulders. It can be said that these two formal planning chains come together at the SCO and the President. In regards to SC, SDO/DATTs and SCOs must be extremely adept at keeping all parties informed, facilitating cooperation, and deconflicting priorities of the various departments, agencies, and commands involved.

## **PLANNING TOOLS AND INFORMATION RESOURCES**

### **Security Assistance Network and the Combined Education and Training Program Plan**

The Security Assistance Network (SAN) is a multi-faceted database and resource. A portion of the SAN is used for managing international training; the Security Cooperation-Training Management System (SC-TMS) is discussed in Appendix 1 of this book. In the SC-TMS, the SCO prepares the Combined Education and Training Program Plan (CETPP).

For the country-level planner, the majority of actions taken with the PN will consist of education and/or training events or activities. The annual CETPP clearly spells out the timing of U.S. training courses, the attendees, and a wide variety of PN-related training information. The SCO Training Officer will have access to the CETPP, as should the SCO Chief, and the CCMD SC training officer. Most of the planning is simply the synchronization of multiple events; the CETPP provides the information to create such a training synchronization matrix.

This CETPP focuses on the goals and objectives for DoD-sponsored education and training for the PN. Guidance for preparation is contained in the SAMM, paragraph C10.5 and Figure C10.F3. The SCO uploads the draft plan electronically onto the SAN for CCMD review and approval. The approved plan is used each spring during the CCMD's Security Cooperation Education and Training Working Group (SCETWG). Further training program details are in Chapter 14 of this textbook, "International Training." It is critical that the SCO develop a solid working relationship with the training departments of the PN military services early in the tour so PN desires can be incorporated into the CETPP.

### **Security Assistance Program & Budget Web Tool**

The SAMM provides guidance on Security Assistance Planning in C2.1.3 to include discussions on FMF and IMET. If the PN receives, or is proposed to receive, appropriated funds through FMF or IMET, the SCO will also make an annual submission and justification for these funds. This request is submitted electronically through the Security Assistance Program & Budget Web Tool and can be found in the Security Cooperation Information Portal (SCIP). This document is forwarded upward through channels for endorsement and comment, i.e., to the CCMDs staff, the Joint Staff, DSCA, and Office of the Under Secretary of Defense for Policy (OSDP) offices, where a final DoD position is developed for each country. This position is then used by DoD representatives in round-table discussions with the DoS in the development of an eventual CBJ submission, as mentioned previously, by the Secretary of State to the relevant committees in Congress.

With that in mind, the SDO/DATT and SCO need a solid relationship with the embassy political section. The DoD submissions occur in the September/October timeframe, but the Ambassador's MRR is submitted in the February/March timeframe (four months after the DoD submission). Obviously, there must be some discussion between the two embassy elements in the month leading up to the DoD submission. For the embassy to present a unified front to the "round table," DoD and DoS elements must coordinate their submissions (both the amounts of aid requested and the justification) with those

in the MRR, because it is the MRR that will form the basis of the DoS' proposed budgets. The SAMM C2.1.3.4 offers points on constrained and unconstrained requests. SCO FMF/IMET submissions for the DoD should be in concert with DoS submissions or risk possible exclusion from the final budget.

Access to the SA Program & Budget Webtool is through the DSCA community in the Security Cooperation Information Portal (SCIP) and limited to the SCO Chief and those SCO-designees ready to assist in completing the database submission. The Documentation section of the Webtool is superb and not only offers guides on how to use the Webtool, but also offers examples of "good" FMF and IMET submissions. It also provides the annual associated guidance from the DoS and DoD.

SCO Chiefs must keep in mind that the Webtool displays all the Foreign Assistance funds received by the PN and indicate the amount of "uncommitted funds." SCO Chiefs must indicate each year the PNs plan for using the uncommitted funds. As stated in the SAMM, C2.1.3.4.3,

"Funding provided under FMF grant-aid is obligated upon apportionment and the funds remain available in the country's FMF Trust account indefinitely. However, annual budget submissions must explain the accumulation of uncommitted funds in the trust account. Uncommitted funds can weaken SCO justification for future FMF. SCOs should monitor and manage SA programs to insure against the accumulation of uncommitted funds."

### **Overseas Humanitarian Assistance Shared Information System (OHASIS)**

As noted in SAMM Chapter 12, humanitarian assistance (HA), foreign disaster relief (FDR), and humanitarian mine action (HMA) are SC programs designed to improve DoD access, visibility, and influence in a PN or region and build the capacity of the PN government while addressing a humanitarian need. Overseas Humanitarian, Disaster, and Civic Aid (OHDACA) funds are Title-10 funds administered by DSCA for these SC projects. OHDACA-funded activities are executed across the combatant commands, offering the DoD the ability to promote regional stability and security to achieve CCP objectives to reach theater strategic end states.

OHASIS is the DSCA "System of Record" for OHDACA-funded activities listed above, as well as the JCS-approved Humanitarian Civic Assistance (HCA) program and other project types. OHASIS is a cradle-to-grave tracking system that incorporates information flow from project initiators to approval authorities starting with the country team (e.g., the Ambassador and the USAID representative) and working its way through the CCMD to DSCA for funding approval. It offers a variety of exportable products for presentations. Planning and Execution cycles are found in the SAMM, Chapter C12.3.5. Access to OHASIS is found at <http://www.ohasis.org> and requires user registration.

The savvy country-planner will realize that access to partner nations is aided by building relationships. These OHASIS-tracked HA, FDR, HMA, and HCA projects are excellent methods of building a broad public appeal for U.S. action in country, which may lead to easier access for strategic goals and end states.

### **Security Cooperation Information Portal**

An increasingly powerful database in the SCO's planning toolkit is the Security Cooperation Information Portal (SCIP). The SCIP is a secure, controlled, unclassified DoD web-based computer information system that provides authorized users with access to FMS cases and BPC programs case-related data and reports to support management responsibilities for those cases.

The SCIP is an asset to the country-level planner, as it provides insights into the timing of the PN's FMS acquisitions, allowing the planner to develop training requirements for the pre- and post-equipment delivery. All SCOs should have SCIP accounts and access the system regularly or risk having their account suspended. Non-access for 180 days will result in account deletion. SCOs can find answers in SCIP to many questions raised by the partner nation regarding FMS cases. In addition,

the SCIP End-Use Monitoring (EUM) community needs to be accessed at least quarterly to upload routine EUM reports.

## **SCO ANNUAL FORECASTING DOCUMENTS**

SCOs are required to annually submit to DSCA, OSD, and the DoS a forecast for possible future arms transfers to the partner nation. It is important to note the distinction between planning documents and forecasting documents. The planning documents listed earlier all reflect a goal, which is intended to be achieved. Conversely, a forecasting document simply reflects the SCO's best estimate of what defense articles and services the PN may be considering for purchase from the U.S.

For the two separate forecasting reports below, DSCA sends a tasking message to SCOs (and other organizations) each April with input due in June submitted by the SCO to the CCMD en route to DSCA's Directorate of Strategy, then DOS, and, ultimately, to Congress. SCOs submit a single input covering the material necessary for the two separate reports. Then, DSCA extracts (and analyzes) the Sales Forecast Report and necessary Javits data from the single submission. As the criteria varies for the two reports, it is important for SCOs to be as thorough and as accurate as possible in this submission. SCOs should consider historical FMS activity by the PN, current economic trends, and the availability of unexpended and anticipated FMF grant monies. It may well be appropriate to contact PN counterparts to obtain their estimates of essential and likely FMS sales, but it is important to avoid any "false impression" that the USG will approve (or has already approved) a future request.

### **Javits Report**

Named after former U.S. Senator Jacob K. Javits, this report is required annually by the Arms Export Control Act. The classified Javits Report is the President's estimate to Congress of potential or proposed arms transfers during a given calendar year. The Javits Report is designed to identify potential sales by country, whether FMS or DCS. The two thresholds for reporting are \$7M of major weapons or weapons-related equipment or any proposed weapons or weapons-related sale of \$25M or more. DSCA will also ask the military services to submit lists of equipment that are expected to be declared Excess Defense Articles (EDA). The sum total of the Javits Report are the FMS, DCS, and EDA estimates. The DoS submits the Javits Report to Congress by 1 February each year. The Javits Report is not binding on PNs and is submitted to Congress as an advisory document. Congress uses the document to begin discussions on approval or denial of transfer requests.

### **FMS Sales Forecast Report**

A companion document to the Javits Report, the FMS Sales Forecast Report, helps DSCA determine the resource requirements for FMS implementing agencies. The document, when collated, is also kept in a classified status, though individual country input is unclassified (unless requested for classification by the PN). Its reporting requirements are separate from, but largely overlap, those of the Javits Report. This report is a two-year projection by fiscal year (vice one calendar year for Javits), but only addresses potential FMS sales. Unlike Javits, it has no dollar thresholds, so all highly probable FMS sales (which DSCA defines as a 90 percent likelihood of occurring) should be listed. DSCA collates the data submitted by the SCOs, briefs the DSCA Director, and, in January, sends the FMS data to the DoS for inclusion in the Javits Report to Congress in February. See Chapter 2.1.3.5 and Chapter 14 of the SAMM for more information on both reports.

## **SUMMARY**

Planning is an essential step in all military operations, including security cooperation. This chapter revealed how country-level SC planning flows from the NSS through the DoS and DoD. On the DoS side, strategic planning takes place within the Joint Strategic Plan. Correspondingly, the DoD turns the NSS and other strategies into the NDS, NMS, and the Joint Strategic Campaign Plan (JSCP). The SCO, working with the CCMD and embassy staffs, collates those overarching goals and objectives and

develops the SC portion of the Ambassador's ICS/MRR and the CCMD's country plan. Then country plan drives events, activities, programs, operations, and investments in order to make progress for USG strategy.

## REFERENCES

CJCSI 3010.02E Developing and Implementing Joint Concepts 17 Aug 2016

CJCSI 3100.01D Joint Strategic Planning System 20 Jul 18

CJCSI 3150.25G Joint Lessons Learned Program Jan 2018

CJCSI 5123.01H Charter of the Joint Requirements Oversight Council (JROC) and Implementation of the Joint Capabilities Integration and Development Systems (JCIDS) (31 August 2018)

CJCSI 3401.01 Joint Combat Capability Assessment May 2014

CJCSM 3130.01A Campaign Planning 25 Nov 2014

CJCSM 3500.04F Universal Joint Task Manual 1 June 2011

DoD Dictionary June 2018

DoD Guidance for Planning and Assessment, Monitoring, and Evaluation of Department of Defense Security Cooperation Activities 5 Jan 2018

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DoDD 5132.03 Policy and Responsibilities for Security Cooperation 29 Dec 2016

DoDD 5205.82 Defense Institution Building (DIB) 4 May 2017

DODI 5000.68 Security Force Assistance (SFA) 27 October 2010

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FY 2019 National Defense Authorization Act

Joint Mission Essential Task List (JMETL) Development Handbook Sept 2002

Joint Doctrine Note 1-13 Security Force Assistance (SFA) 29 April 2013

JP 3-0 Joint Operations 22 October 2018

JP 3-07 Stability Ops 3 Aug 2016

JP 5-0 Joint Planning 16 June 2017

JP 3-20 Security Cooperation 23 May 2017

National Security Strategy Dec 2017

Security Cooperation Planning and Assessment, Monitoring, and Evaluation Update 28 July 2017

Theater Campaign Planning Planners' Handbook February 2012

Title 10 U.S.C. Chapter 16

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# SECURITY COOPERATION AUTOMATION APPENDIX

## INTRODUCTION

This appendix provides an overview of some of the more common automation systems used by the security cooperation (SC) community. The overview includes the system description and functionality, as well as the procedures for requesting an account, if applicable.

### SECURITY ASSISTANCE NETWORK

#### System Description

The Security Assistance Network (SAN) is a portal through which the Security Cooperation–Training Management System (SC-TMS) and the International Affairs Certification Program (IACP) can be accessed. The SAN is for use by Security Cooperation Offices (SCOs), Combatant Commands (CCMDs), MILDEPs, DSCA, DFAS, DoD schoolhouses, Regional Centers (RCs), and other organizations involved in security cooperation.

The International-SAN (I-SAN) is a portal through which international host nation organizations can access the Partner Security Cooperation-Training Management System (PSC-TMS) discussed below.

#### Registration

Students attending the Defense Security Cooperation University (DSCU) Overseas Course (SCM-O) will automatically be registered as SAN users. Other requests for new SAN accounts can be accomplished by having an existing SAN user, acting as a sponsor, send a request electronically through the system. For detailed information on how to request a SAN account, please see the following web page: [https://elnath.idss.ida.org/SANweb/disp\\_doc.aspx?item=How%20to%20Request%20a%20SAN%20Acct.doc](https://elnath.idss.ida.org/SANweb/disp_doc.aspx?item=How%20to%20Request%20a%20SAN%20Acct.doc).

#### Training Management on SAN

The training section on the SAN provides the user with access to the various international military training databases such as the Training Military Articles and Services List (T-MASL) and the Standardized Training List (STL) via the Security Cooperation-Training Management System. SCO users can access this data for their individual countries. MILDEP and CCMD users can access data for multiple countries. Data updates are performed on a daily basis for all of the military services.

Depending on the user's role, International Military Student Office (IMSO) or SCO, different functions will be available to the user when logging into SC-TMS via the SAN.

#### *SC-TMS for the International Military Student Office*

Based on the IMSO role type, various functions are available within SC-TMS for use by IMSOs to manage international military students (IMS) assigned to their schoolhouse.

SC-TMS for IMSOs provides a means for the IMSO to identify international student quotas assigned to their training activity, receive arrival information on those students and report the student's



progress as they advance through the training program. SC-TMS also enables the IMSO to document detailed information about their location, schoolhouse, and point of contact information, which will then be available online for the training community.

### ***SC-TMS for the Security Cooperation Office***

Based on the SCO role type, various functions are available within SC-TMS for use by SCOs to manage their country's SC international military training program. In addition to allowing the SCO to view STL and T-MASL information online, the SC-TMS for SCOs has several other very important features. It is where the SCO enters IMS information and creates Invitational Travel Orders (ITO) for the students. The SCO is also able to look up schoolhouse and IMSO point of contact (POC) information. The SCO can also maintain SCO POC information within the SC-TMS so that it is available to the training community. SC-TMS is required to be used for submission of student nomination packages for the Combating Terrorism Fellowship Program (CTFP). The SC-TMS is also used by the SCO to submit the Combined Education and Training Program Plan (CETPP) to the CCMD for approval.

### **International Affairs Certification Program on the SAN**

The SAN currently hosts and provides access to the DoD International Affairs Certification Program (IACP) database. The IACP database is used by program participants to track and to provide a record of certification status.

The IACP was initially instituted by the Defense Security Cooperation Agency in the form of a policy memo in December 2001. This began the long-term process for members of the security cooperation workforce to attain appropriate levels of training, education, and experience to accomplish current-day requirements and better anticipate and prepare for the requirements of the future workforce. In May 2008, the guidance was more formally instituted within DSCA Directive 5012, "Department of Defense International Affairs Certification Program Guidelines."

The current IACP is a voluntary program available to all DoD civilian and military personnel (contractor personnel are not eligible). Personnel who desire to achieve and maintain certification within one of the three tiers of certification are required to complete specific training, education, and experience thresholds and meet basic core competencies associated with the particular tier. Those who attain Tier III certification must continue to earn Continuous Learning Points (CLPs) in order to maintain their Tier III certification.

### **INTERNATIONAL-SECURITY ASSISTANCE NETWORK AND PARTNER SC-TMS**

The International-Security Assistance Network (I-SAN) is a separate portal that is used by the partner nation to access the Partner Security Cooperation-Training Management System (PSC-TMS). Using PSC-TMS, the partner nation has access to much of the same U.S. international military training data that the SCO sees when they use SC-TMS. Thus, partner nation users can view T-MASL data to identify desired courses of instruction and view course descriptions. The partner nation has visibility of U.S. international military training that has been requested for their country and the status of that training by viewing the STL. PSC-TMS has the ability for the partner nation to enter a limited amount of student biographical information that is electronically passed to SC-TMS for acceptance by the SCO. International customers who would like access to the I-SAN and PSC-TMS should contact their SCO in country. The SCO can then initiate a request for I-SAN and PSC-TMS access for the partner nation user via the "Request New I-SAN User" function in the SAN. In addition, International Military Students (IMS) taking the DSCU course, "Security Cooperation Management International Purchaser Financial and Training Management Course" (SCM-IFT), will automatically be given their own I-SAN account with access to PSC-TMS if they do not already have an account. In this course, the student will learn how to operate the I-SAN and PSC-TMS. The I-SAN can be accessed at <https://elnath.idss.ida.org/iSAN>.



## FINANCIAL AND LOGISTICS DATABASES

Financial and logistics databases are maintained by the DFAS, Army, Navy, and Air Force security cooperation agencies. Access to these databases is read-only, unless special permissions are granted. Although it is recognized that SC personnel need access to the data, only those personnel responsible for actions have “write or change” capability. Also, the data viewed is just a snapshot of what is occurring. After viewing, it is considered a historical record, because, within days, or perhaps hours, the data can change.

### **Defense Integrated Financial System**

#### ***System Description***

The Defense Integrated Financial System (DIFS) managed by Defense Finance and Accounting Service Security Cooperation Accounting (DFAS SCA) in Indianapolis, Indiana, and supported by Enterprise Application Development and Support Division (EADSD) in Mechanicsburg, Pennsylvania. DIFS is the integrated DoD financial system for Security Cooperation cases. DIFS is also the interfacing accounting system that links implementing Agency (IA) financial and logistic records with the FMS Billing Statement (DD 645) and supporting financial documents (e.g., FMS Delivery Listing, etc.) issued to purchasing countries and organizations for the articles and/or services that the country has purchased through the security cooperation case processes.

#### ***Functionality***

For standard DIFS-system users, the following data is available:

- Country implementing agency (IA) summary totals
- Financial status-country, and financial status-IA for country-level data
- LOA detail summary and financial data
- Billing status data
- Payment schedules for LOA
- LOA line-level data
- FMS case inventories
- Case controls
- Budget
- Case closure certificate inventory
- Performance/FMS Detail Delivery History Search Reports (FK)
- Cash
- Financial summary totals
- DIFS tables

## ***Registration***

To register for DIFS access the user must submit a completed DD Form 2875, System Authorization Access Request (SAAR), to DFAS. The basic form is available online: <https://www.esd.whs.mil/Portals/54/Documents/DD/forms/dd/dd2875.pdf>.

DFAS has developed a special continuation sheet that explains what is required in block 27 of the form. To request the continuation sheet and submit the completed form, email DFAS-IN-DIFS-ACCESS-REQUEST@DFAS.MIL or contact the administrator at the following address and numbers:

DFAS-JAXDC/IN  
8899 E. 56th St.  
Indianapolis, IN 46249  
Fax: (317) 212-1917 (No DSN)  
Tel: (317) 212-0977/7396, DSN 699-0977

## **Management Information System for International Logistics**

### ***System Description***

The Management Information System for International Logistics (MISIL) is the U.S. Navy's logistics and financial tracking system for security cooperation.

### ***Functionality***

Some of the most useful screens and uses are as follows:

- The case management screen depicts material provided, summary case information, and the name and phone number of the case manager.
- The case/amendment/modification screen provides implementation dates of the latest amendments/modifications and the number of any pending case actions.
- The case line summary screen provides a description and dollar value for every line on an LOA and identifies lines supplying major defense equipment (MDE).
- The case line detail screen provides data such as material supplied, source of supply, disbursements, obligations, for a specific case and line.
- The case financial screen provides financial data for each line of a case as well as case totals.
- The case management history screen shows chronologically the impacts on a case by amendments and modifications.
- The requisition screen provides detailed information on the current supply, shipment, and delivery status of any requisition for a given case.
- The supply discrepancy report (SDR), or report of discrepancy screen, gives general and specific information on all SDRs submitted against a case.
- The FMS case listing report area enables the user to generate a complete listing of all cases for a specific country.

## ***Registration***

To obtain access to MISIL, the user must submit a completed DD Form 2875, System Authorization Access Request (SAAR) along with a MISIL IT User Agreement and forward it to the following:

NAVSUP WSS-N5231  
ATTN: NAVSUP.MISIL.ADMIN@NAVY.MIL  
Philadelphia PA 19111 Fax: (215) 697-0333  
Tel: (215) 697-2774, DSN 442-2774

## **Centralized Integrated System for International Logistics**

### ***System Description***

The Centralized Integrated System for International Logistics (CISIL) is the Army's automated system used to support the management of security cooperation programs. CISIL is the central repository for all Army security cooperation and provides a series of databases, which offer users of the system information needed to manage their specific program. The system is comprised of modules of data, which interact within the system and also interface with other external sites/activities for exchange of information. The SCO menu within CISIL provides access to various levels of information to assist the SCOs in managing the programs under their area of responsibility.

### ***Functionality***

CISIL provides the user access to logistical and financial information at case, line, and requisition levels specific to their programs. It also provides useful case management reports, case history, requisition, and supply discrepancy report (SDR) data. Much of the same data in CISIL can be viewed in the user-friendly, web-based Security Cooperation Information Portal (SCIP).

## ***Registration***

To obtain access to CISIL, the user must submit a completed DD Form 2875, System Authorization Access Request (SAAR) and a signed CISIL IT Users Agreement and forward them to the following:

USASAC-S ATTN: Security Manager  
54 M Avenue, Suite 1  
New Cumberland, PA 17070-5096  
(717) 770-4735 DSN: 771-4735 (Fax)  
(717) 770-7052/7845; (DSN) 771-7052/7845

## **Security Assistance Management Information System**

### ***System Description***

The Air Force Security Assistance and Cooperation Directorate (AFSAC) is responsible for administration of the security cooperation programs within the Air Force Materiel Command (AFMC). Security cooperation program activities start with the initial negotiation of agreements for AFMC-managed initial and follow-on support cases, continue with the delivery of logistics support and end with the completion of all financial aspects of the programs for which AFMC is responsible. The Security Assistance Management Information System (SAMIS) is the Air Force's primary logistics information system for security cooperation.

### ***Functionality***

The SAMIS maintains and reports comprehensive data on AFMC-managed security cooperation programs. This information comes from many different sources; however, most data originates

from various Air Force data systems. The SAMIS serves as a repository for FMS case information, requisitions, supply status, shipments, and billing information required by AFSAC to effectively manage security cooperation programs. The SAMIS provides the security cooperation community with accurate and timely information. To accomplish this, the SAMIS provides online, real-time data updating as well as batch processing functions.

### ***Registration***

The SAMIS is a password-protected system. A DD Form 2875, System Authorization Access Request (SAAR) is required for both U.S. Government (USG) (including SCOs) and international customers. Access to the SAMIS can be requested via the AFSAC Online website at <https://afsac.wpafb.af.mil/register.jsp>. Access to the SAMIS and AFSAC Online is granted based on a person's "need to know." Users are assigned specific permissions and privileges according to their FMS task requirements. Once the SAAR is approved, a user identification and password will be issued. There are different application formats based upon the category of the user:

- USG—Civilian/Military/Contractor
  - AFSAC Users—This category includes all personnel directly assigned to AFSAC.
  - External Users—This category includes ALC employees, AF and DoD supply source employees, USG employees, and contractors, which includes Security Cooperation Officer (SCOs) and employees working in overseas locations such as the Logistics Support Group (LSG).
- Foreign National—Representative/Military/Contractor. This category includes foreign nationals, foreign representatives, and contractors employed directly by the country (i.e., freight forwarder employees, Foreign Liaison Office/Officer [FLO] employees, embassy personnel, and any U.S. citizen employed by a foreign country). Personnel located outside of the U.S. must forward their request for access through their embassy in Washington, DC, unless AFSAC FLO has a delegation letter.

## **DEFENSE SECURITY ASSISTANCE MANAGEMENT SYSTEM**

### **System Description**

The Defense Security Assistance Management System (DSAMS) is a DoD standard system operating under a modern information technology infrastructure encompassing the migration and reuse of selected features of existing security cooperation systems. Incorporating an extensive analysis of the security cooperation business area and its processes, DSAMS provides a set of standardized, improved, streamlined, and optimized services. The major benefits of DSAMS are consolidated data, improved data quality, standard reports to the customer, faster building of cases, and a current implemented view when a case is opened in DSAMS.

### **Functionality**

#### ***Case Development Module***

The case development module (CDM) provides functionality from the entry of an initial request through the development of a FMS LOA and changes resulting in a modification or an amendment. The CDM also initializes centralized reference tables and workflow applications that are used in other modules. Enhancements over the past few years include additional functionality to enable electronic countersignature and support for other security cooperation programs such as leases.

## ***Case Implementation Module***

The case implementation module (CIM) covers the process from receipt of customer acceptance through issuance of implementing directions to the case manager and performing activity.

## ***Training Module***

The training module (TM) replaced the three MILDEP legacy training management systems, and includes automated interfaces with the SAN and TMS systems. This allows the automated upload of international student data into DSAMS, and automated the invitational travel order (ITO) funding process. DSAMS TM also allows the automated processing of cross-service training requirements across MILDEP channels.

## **Registration**

DSAMS is a password-protected system for use by USG personnel only. A DD Form 2875, System Authorization Access Request (SAAR) is required for access to DSAMS. Access to DSAMS applications is through a web-based Citrix application only. A SAAR for DSAMS and Citrix access should be completed by the applicant, verified by the applicant's supervisor and security manager, and submitted by the appropriate MILDEP DSAMS point of contact to the DSAMS help desk. The email address is [dsca.dsadc.servicedesk@mail.mil](mailto:dsca.dsadc.servicedesk@mail.mil) and the fax is DSN 430-9082.

Any additional questions should be directed to the following:

DSAMS Help Desk

[dsca.dsadc.servicedesk@mail.mil](mailto:dsca.dsadc.servicedesk@mail.mil)

717-605-9200; (DSN) 430-9200

DSAMS does not permit system access by international customers. There is a daily interface from DSAMS to the SCIP, which provides FMS customers access to selected DSAMS data.

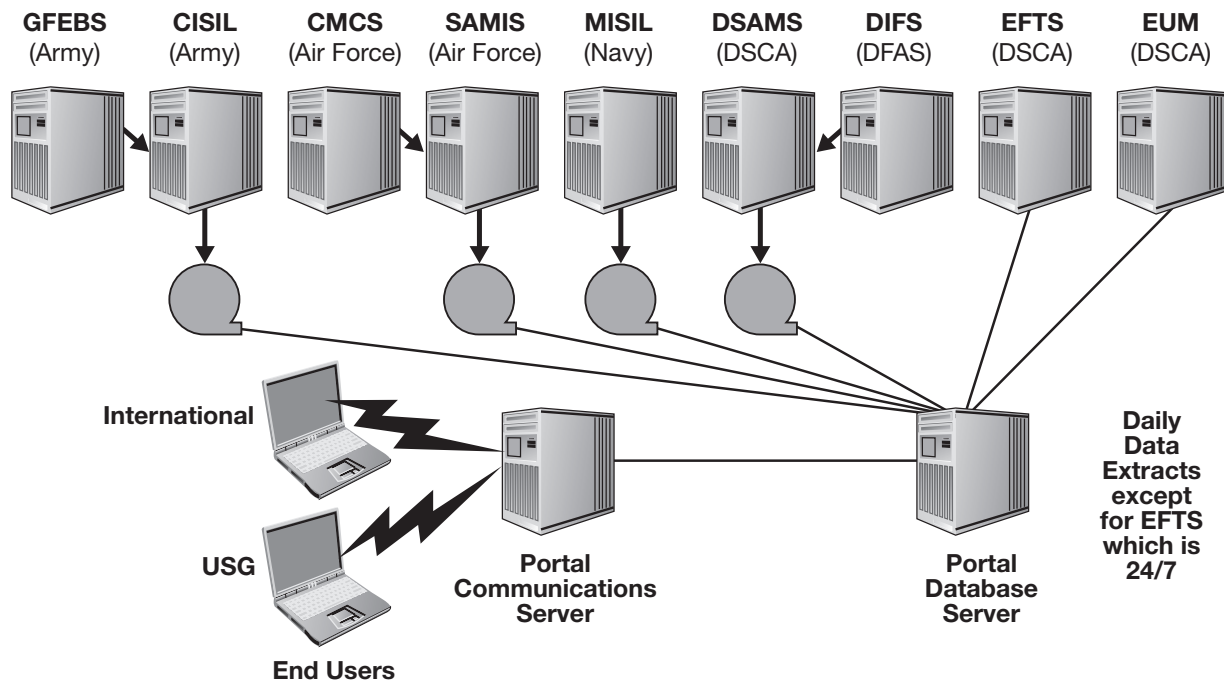
## **SECURITY COOPERATION INFORMATION PORTAL (SCIP)**

The Security Cooperation Information Portal (SCIP) is a secure, controlled, unclassified DoD web-based computer information system that provides authorized users with access to Foreign Military Sales (FMS) and Building Partner Capacity (BPC) programs' case-related data and reports to support management responsibilities for those cases. All USG personnel (including Locally Employed Staff (LES) and support contractors) and foreign purchasers (including their authorized freight forwarders) who have job responsibilities requiring access (i.e., need to know) to the SCIP system information are eligible to obtain SCIP accounts. The Defense Security Cooperation Agency (DSCA) encourages USG SC personnel to become familiar with SCIP's capabilities.

SCIP became operational in 2003 and has been significantly expanded and improved over time. SCIP system access (<https://www.scportal.us/home/>) is available worldwide from any computer (i.e., does not have to be from a USG or DoD domain) as long as there is adequate internet access and an active, authorized SCIP user account.

The SCIP data extracts are obtained (automatically for most of the data) from multiple authoritative DoD and U.S. military department (MILDEP) financial and logistics systems as illustrated in Figure A-1. The majority of data is updated daily via a batch process at 0700 U.S. Eastern Standard Time. Refresh status indicators and information are provided to users in the "Case Information Community" to document the date/time of the last data refresh from those systems.

**Figure A-1**  
**SCIP Authoritative Data Sources**



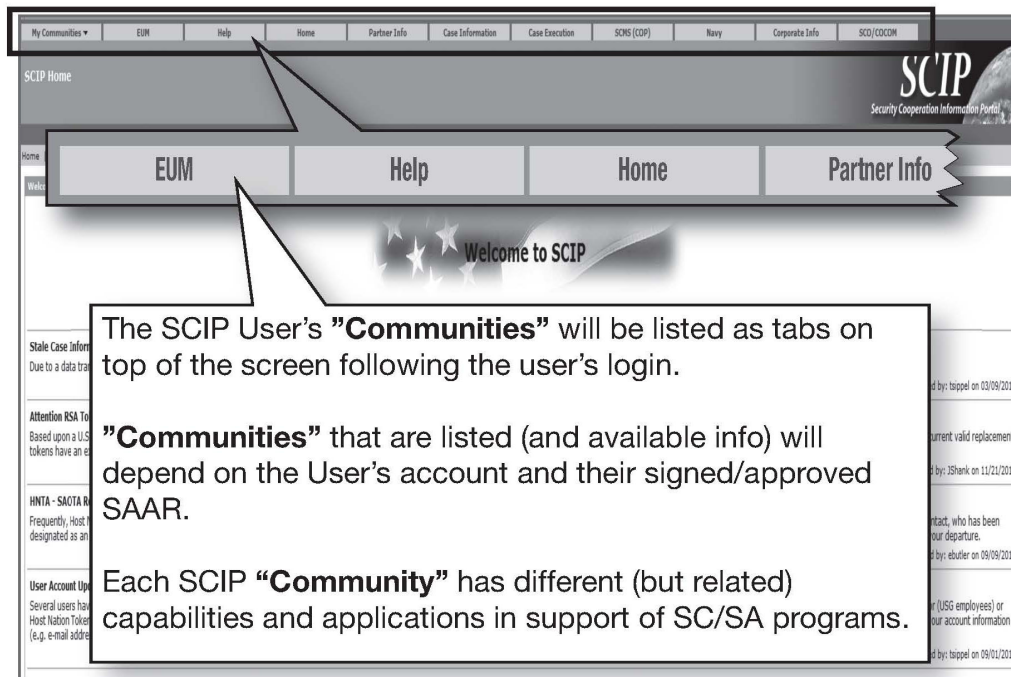
Prior to the development of SCIP, information relating to the DoD’s execution of security cooperation programs was individually available from each of the respective U.S. implementing agencies. The execution information had to be combined by the user to provide a comprehensive tri-service (Army, Navy, and Air Force) view or an entire overview of a country program. In addition, customers did not have access to the tri-service case development system known as the Defense Security Assistance Management System (DSAMS). With SCIP, customers can view DSAMS information relating to their FMS cases. This access allows customers to view DSAMS case status information from the day the case is first initiated in the system for case development work. Perhaps most importantly, SCIP information can be accessed by users worldwide with access to a web browser and the appropriate SCIP account permissions.

### **Functionality**

SCIP enables international customers, customer agents (e.g. freight forwarders, etc.), and USG personnel, with appropriate permissions, to access a variety of features, which are gathered into “Communities” (see Figure A-2). A brief description of the SCIP “Communities” currently available or under development for near term implementation are at [https://www.scportal.us/home/docs/SCIP\\_Background.pdf](https://www.scportal.us/home/docs/SCIP_Background.pdf)



**Figure A-2**  
**SCIP Community Menu Bar**



## Obtaining a SCIP Account

The online SCIP registration form for both U.S. and international users can be found by accessing the SCIP website (<https://www.scportal.us/home/>) and clicking the "Registration Info" link on that page. All USG Security Cooperation Office and Geographic Combatant Command students that attend the Defense Security Cooperation University (DSCU) "Security Cooperation Management-Overseas" (SCM-O) course are registered for their individual SCIP accounts while in class per the DSCA Policy Memo 11-58 (Policy Update Regarding Security Cooperation Information Portal [SCIP] Account Access for Security Cooperation Officers [SCOs]).

International (i.e., non-USG) SCIP applicants must be issued a secure SCIP token by their country's Host Nation Token Administrator (HNTA) prior to completing the registration form. DSCA Policy Memoranda 03-11 (Enrollment Process for the SCIP), 05-17 (SCIP Electronic Token Issuance and Replacement Processes), and 14-11 (SCIP Electronic Token Distribution and Replacement Policy) are the policy references for details regarding issuance and management of SCIP tokens. The SCIP International Customer Token Access Guide ([https://www.scportal.us/home/docs/SCIP\\_IntlCust\\_Access\\_Guide.pdf](https://www.scportal.us/home/docs/SCIP_IntlCust_Access_Guide.pdf)) provides further details on SCIP token operations and processes.

All other SCIP account applicants should follow the instructions in the SCIP "Registration Info" introduction to submit the registration for processing by the SCIP Program Office. For additional SCIP assistance, users and prospective users can contact the SCIP Help Desk at [dsca.sciphelp@mail.mil](mailto:dsca.sciphelp@mail.mil).

## Accessing SCIP Website

To access the SCIP system once a user has obtained a SCIP account, type <https://www.scportal.us/home/> in the Internet browser address line and click the "Login" link on top of that page. Various browsers can be used to access SCIP. This system is supported by Internet Explorer (IE), Google

Chrome, and Mozilla Firefox. The browser advanced security settings and DoD root certificates need to be correct to gain access. Also, ensure pop-ups are allowed. Contact the SCIP Help Desk regarding SCIP login issues.

If logging into SCIP with a USG Common Access Card (CAC) certificate, which is the usual means for USG DoD users to login to SCIP if the account has been CAC-enabled, select the non-email certificate. Logging into the SCIP system with a token will be via the subsequent SCIP login screens requiring entry of the SCIP user ID and passcode.

To keep the SCIP account active, users need to periodically logon. The current policy is to suspend user accounts for non-use at 30 days, requiring you to contact the SCIP Help Desk at [dsca.sciphelp@mail.mil](mailto:dsca.sciphelp@mail.mil) for account reactivation. At 180 days of non-use, your account will be terminated, requiring you to complete and submit a new registration form to obtain a new SCIP account.

### ***SCIP Training***

SCIP user guides and other training resources are available in the SCIP “Help and Training” community.

DSCU provides SCIP training in the majority of its courses. The DSCU classroom SCIP training maximizes the online demonstration of SCIP capabilities by the instructors. Students, then, go online to complete various practical exercises contained within the DSCU SCIP practical exercise handbook. A basic understanding of the SC process, logistics, and finance subjects is needed to understand and interpret the materials and complete the SCIP practical exercises. The SCIP practical exercise can be completed without a SCIP account by using the case examples in the handbook. The SCIP practical exercise handbook is available at [http://www.dscu.dsca.mil/documents/publications/scip\\_practical\\_exercises\\_and\\_handbook.pdf](http://www.dscu.dsca.mil/documents/publications/scip_practical_exercises_and_handbook.pdf).

Two online SCIP learning guides are available from the DSCU website under the “Online Learning/Learning Guides” tab. The two learning guides are the “Security Cooperation Information Portal (SCIP)” guide and the “SCIP Case Status Demo”.

## **SYSTEMS DESCRIPTION**

“Socium” (non-acronymous) is an activity lifecycle management system that plans, executes, monitors, and evaluates security cooperation activities. This system is owned and maintained by the Defense Security Cooperation Agency (DSCA) and is to be used by SCOs, GCCs, MILDEPS, IAs, Regional Centers, and other entity that looks to track the lives of security cooperation activities.

It’s original premise was to replace the Global Theater Security Management Information System (G-TSCMIS), however Socium’s scope is substantially broader than the legacy system. It expands upon G-TSCMIS’ event record management by 1) building and streamlining the approval process for Significant Security Cooperation Initiatives (SSCIs) or strategic alignment, (2) version control, collaboration, and development of the Training and Equipment Lists (TELs), (3) converting prose into structured data to enable business analytics, (4) archiving, uploading, and searching community documentation to aid knowledge transfer and records management, (5) centralizing an assessment, monitor, and evaluation (AM&E) framework to house pertinent data points to improve execution, and (6) interfacing with other Authoritative Data Sources to increase knowledge and reduce data-entry.

### **Functionality**

Socium’s functionality is determined by the user’s role within the application. Users can either view the data or edit the data. “Activity Planners” are tasked with creating and monitoring activities along with “Contributors” they choose to assist them along the way. “Reviewers” are charged with vetting activity data and determining its adequacy for progress along its lifecycle. Additionally, there

are additional user roles that simply allow users to view all the data that is there. This falls in line with the notion that all users within Socium can view all of its data.

## Registration

To obtain access to Socium, prospective users must first submit a completed System Authorization Access Request (SAAR) form. An “Organization Information Owner” (OIO) signature is needed before the request can be sent to the help desk for account creation. There are OIOs embedded into each organization with data within the application. If there is not, that organization must submit a request to the Socium Program Team for authority to designate a member the appropriate permissions to become an OIO.

## SUMMARY

Security cooperation personnel have access to numerous automated systems. Access has transformed from direct links for a few specific users to worldwide access via the internet. Newer systems such as the SAN and SCIP have been specifically designed with the needs of the end user in mind. SC users in the far-flung corners of the globe are freed from the constraints of time zone differences and slow mail delivery by virtue of internet connectivity and interaction. Use of these systems has greatly enhanced communication between the SCO, GCCs, and CONUS-based logistics and training activities, such as the MILDEPs and IMSOs, and the international customers. The impact the increased access to the systems discussed in this annex has been profoundly beneficial, not only to security cooperation activities, but, ultimately, to the international customer as well.

## REFERENCES

- DSCA Manual 5105.38-M. *Security Assistance Management Manual (SAMM)*. Chapter 13. <http://www.samm.dsca.mil/>
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- DSCA Policy 5-17. *Security Cooperation Information Portal (SCIP) Electronic Token Issuance and Replacement Processes*. June 24, 2005. <https://www.samm.dsca.mil/policy-memoranda/dsca-05-17>
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- SCIP International Customer Token Access Guide*. June 2017. [https://www.scportal.us/home/docs/SCIP\\_IntlCust\\_Access\\_Guide.pdf](https://www.scportal.us/home/docs/SCIP_IntlCust_Access_Guide.pdf).



# A

# ABBREVIATIONS AND ACRONYMS

## A

A&T	administrative and technical
AAC	acquisition advice code
AAR	after action review
AA&E	arms, ammunition, and explosives
ACAT	acquisition category
ACCP	accelerated case closure procedures
ACO	administrative contracting officer
ACRN	accounting classification record number
ACSA	acquisition and cross-servicing agreement
ACSS	Africa Center for Strategic Studies
AECA	Arms Export Control Act
AES	Automated Export System
AETC	Air Education and Training Command
AFLCMC	Air Force Life Cycle Management Center
AFMC	Air Force Materiel Command
AFRICOM	U.S. Africa Command
AFSAC	Air Force Security Assistance and Cooperation Directorate
AFSAT	Air Force Security Assistance Training Squadron
AFSC	Air Force Sustainment Center
AGATRS	ACSA Global Automated Tracking and Reporting System
AIA	Aerospace Industries Association
AIK	assistance-in-kind
ALC	Air Logistics Complex
ALESA	American League for Exports and Security Assistance
ALP	Aviation Leadership Program
AMARG	309th Aerospace Maintenance and Regeneration Group
AMC	Army Materiel Command/Air Mobility Command
AMCOM	Aviation and Missile Command
AM&E	assessment, monitoring, and evaluation
AMEMB	American embassy

ANA	Afghan National Army
ANZUS	Australia, New Zealand, and the United States (Security Treaty of 1951)
AOD	anticipated offer date
APACS	Aircraft and Personnel Automated Clearance System
APCSS	Asia-Pacific Center for Security Studies
APEX	Adaptive Planning and Execution (System)
APO	Air Force/Army Post Office
APOD	aerial port of debarkation
APOE	aerial port of embarkation
ARC	adjustment reply code
ASA(ALT)	Assistant Secretary of the Army
ASD	Assistant Secretary of Defense
ASFF	Afghanistan Security Forces Fund
ASIP	Aircraft Structural Integrity Program
ASN(RD&A)	Assistant Secretary of the Navy (Research, Development, and Acquisition)
AT	anti-tamper (measures)
ATF	Bureau of Alcohol, Tobacco, Firearms, and Explosives
AT/FP	antiterrorism/force protection
ATTR SSG	Arms Transfer and Technology Release Senior Steering Group
AWC	Air War College/Army War College

## B

BAC	billing advice code
BAH	basic allowance for housing
BAO	bilateral affairs officer
BIS	Bureau of Industry and Security
BL, BoL, or B/L	bill of lading
BO	back order
BPC	building partner capacity

## C

C3I	command, control, communications, and intelligence
C4I	command, control, communications, computers, and intelligence
C4ISR	command, control, communications, computers, intelligence, surveillance, and reconnaissance
CA	construction administration/contract administrator
CAA	competent authority approval/controlled access area
CAC	Common Access Card
CAD/PAD	cartridge actuated device/propellant actuated device
CAE	component acquisition executive



CAS	contract administrative services
CATP	Conventional Arms Transfer Policy
CAV	compliance assessment visit
CBA	commercial bank account/capabilities based assessment
CBJ	Congressional Budget Justification
CBL	commercial bill of lading
CBO	Congressional Budget Office
CBP	U.S. Customs and Border Protection
CBS	commercial buying service
CBW	chemical and biological weapons
CC	country code/customer-within-country
CCDR	combatant commander
CCIF	Combatant Commander Initiative Fund
CCL	Commerce Control List
CCM	command country manager/country case manager
CCMD	combatant command
CCP	combatant command (CCMD) campaign plan
CCO	Center for Complex Operations
CCSA	case closure suspense account
CD	counter drug
CDM	Case Development Module (DSAMS)
CDRL	contract data requirements list
CE	communications and electronic/civil engineering
CECOM	U.S. Army Communications-Electronics Command
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CETPP	combined education and training program plan
CETS	contractor engineering technical services
CEW	Civilian Expeditionary Workforce
CFIUS	Committee on Foreign Investment in the United States
CFR	U.S. Code of Federal Regulations/concept funding request
CFS	contract field services
CGSC	command and general staff college
CHDS	William J. Perry Center for Hemispheric Defense Studies
CI	counterintelligence
CICA	Competition in Contracting Act
CIIC	controlled inventory item code
CIM	corporate information management/Case Implementation Module (DSAMS)

CIP	Component Improvement Program
CISIL	Centralized Integrated System - International Logistics
CISMOA	communications and interoperability security memorandum of agreement
CJ	commodity jurisdiction
CJCS	Chairman of the Joint Chiefs of Staff
CLIN	(firm fixed price) contract line item number
CLO	country liaison officer/community liaison officer
CLSSA	cooperative logistics supply support arrangement
CM	case manager
CMCS	Communications Security (COMSEC) Control System/Case Management Control System
CMI	classified military information
CMO	contract management office
CN	counter-narcotics
CNAD	NATO Conference of National Armaments Directors
CNET	Commander, Naval Education and Training Command
CNO	Chief of Naval Operations
CO	contracting officer/commanding officer
COA	course of action
COD	cooperative opportunities document
COE	U.S. Army Corps of Engineers
COLA	cost of living allowance
COM	chief of mission
COMSEC	communications security
CONPLAN	contingency plan/concept of operations plan
CONUS	Continental United States
COR	contracting officer's representative
COTS	commercial off-the-shelf
CP	country plan/command post
CPD	country program director/country portfolio director
CPI	critical program information
CPM	country program monitoring/country program manager
CPX	command post exercise
CR	continuing resolution
CRA	continuing resolution authority
CRS	Congressional Research Service
CRSP	Coalition Readiness Support Program
CSCS	country-specific security cooperation section/Capital Security Cost Sharing Program
CSO	cognizant security office

CSP	concurrent spare parts
CSTO	country standard technical order
CTA	country team assessment
CTFP	Regional Defense Combating Terrorism Fellowship Program
CTR	cooperative threat reduction
CUI	controlled unclassified information
CUSR	Central United States Registry
CWD	Case Writing Division
CWP	Coalition Warfare Program
CY	calendar year/current year

## D

DAE	Defense Acquisition Executive
DAMES	DLA Transaction Services Automated Message Exchange System
DAO	defense attaché office
DAS	Defense Attaché System/Defense Acquisition System
DASA DE&C	Deputy Assistant Secretary of the Army for Defense Exports and Cooperation
DATT	defense attaché (see SDO/DATT)
DAU	Defense Acquisition University
DCAA	Defense Contract Audit Agency
DCC	direct commercial sales contract
DCM	deputy chief of mission
DCMA	Defense Contract Management Agency
DCN	document control number/design change notice
DCS	direct commercial Sales
DCSA	Defense Counterintelligence Security Agency
DD Form 250	Department of Defense Material Inspection and Receiving Report
DD Form 645A	Department of Defense Foreign Military Sales Quarterly Billing Statement
DD Form 2285	Department of Defense Invitational Travel Order (ITO) for International Military Student (IMS)
DD Form 2875	Department of Defense System Authorization Access Request (SAAR)
DDRE	Director of Defense Research and Engineering
DDL	delegation of disclosure authority letter
DDTC	Directorate of Defense Trade Controls
DDESB	Department of Defense Explosives Safety Board
DEA	Drug Enforcement Agency
DEF	Defense Exportability Features (Program)
DELP	Defense English Language Program
DEMIL	demilitarize

DEPSECDEF	Deputy Secretary of Defense
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DFAS-IN	Defense Finance and Accounting Service - Indianapolis (Center)
DGR	designated government representative
DHS	Department of Homeland Security
DIA	Defense Intelligence Agency
DIB	defense institution building
DIFS	Defense Integrated Financial System
DIILS	Defense Institute of International Legal Studies
DIRI	Defense Institution Reform Initiative
DISA	Defense Information Systems Agency
DISCO	Defense Industrial Security Clearance Office
DLA	Defense Logistics Agency
DLI	Defense Language Institute
DLIELC	Defense Language Institute English Language Center
DLIFLC	Defense Language Institute Foreign Language Center
DLIS	Defense Logistics Information Service
DLMS	Defense Logistics Management System
DLMSO	Defense Logistics Management Standards Office
DLP	Defense Language Program
DMSMS	diminishing manufacturing sources and material shortages
DO	defined order
DOC	Department of Commerce
DoD	Department of Defense
DODAAC	Department of Defense activity address code
DODD	DoD directive
DODI	DoD instruction
DoD IG	DoD Office of Inspector General
DOJ	Department of Justice
DON	Department of the Navy
DoS	Department of State
DOT	Department of Transportation
DOTMLPF-P	doctrine, organization, training, material, leadership, personnel, facilities - policy
DPAP	Defense Procurement and Acquisition Policy
DRI	defense reform initiative/diplomatic reform initiative
DSAMS	Defense Security Assistance Management System
DSC	delivery source code

DSCA	Defense Security Cooperation Agency
DSCU	Defense Security Cooperation University
DSCU	Defense Security Cooperation University
DSP	Department of State Publication
DTC	delivery term code
DTD	domicile-to-duty
DTIC	Defense Technical Information Center
DTM	directive-type memorandum (DoD)
DTR	Defense Transportation Regulation
DTRA	Defense Threat Reduction Agency
DTS	Defense Transportation System/Defense Travel System
DTSA	Defense Technology Security Administration
DTSI	Defense Trade Security Initiative
DU	dependable undertaking
DV	distinguished visitor
DVO	defense visit office
DVOT	distinguished visitor orientation tour
DWCF	Defense Working Capital Fund (see WCF)
DX	direct exchange

## E

ENDP	exception to National Disclosure Policy
EA	expenditure authority/each
EAA	Export Administration Act
EAC	emergency action committee
EADSD	Enterprise Application Development and Support Division
EAP	emergency action plan
EAR	Export Administration Regulations
ECL	English comprehension level
ECISAP	Electronic Combat International Security Assistance Program
ECP	engineering change proposal
EDA	excess defense article/European Defense Agency
EEI	electronic export information (form)
EEUM	enhanced end-use monitoring
EFT	electronic funds transfer
EFTS	Enhanced Freight Tracking System
E-IMET	Expanded International Military Education and Training (Program)
ELT	English language training

EML	environmental and morale leave
EO	executive order
EOQ	economic order quantity
ERC	exercise related construction/Enterprise Readiness Center
ERGT	expeditionary requirements generation team
ERP	Enterprise Resource Planning (System/Solution)
ERW	explosive remnants of war
ESD	estimated shipping date
ESEP	Engineer and Scientist Exchange Program
ESF	Economic Support Fund
ETSS	extended training service specialist
EUCOM	U.S. European Command
EUM	end-use monitoring
EW	Electronic Warfare
EX	explosives

## F

FAA	Foreign Assistance Act
FAD	force activity designator
FAM	familiarization visit
FAO	foreign area officer
FAV	familiarization and assessment visit
FAR	Federal Acquisition Regulation
FAST	fleet antiterrorism security team
FCC	functional combatant commander
FCG	Foreign Clearance Guide
FCP	functional campaign plan
FCT	Foreign Comparative Testing Program
FDR/ER	Foreign Disaster Relief/Emergency Response (Program)
FDMS	Foreign Disclosure Management System
FEDLOG	Federal Logistics (Addressing System)
FEML	funded environmental and morale leave
FF	freight forwarder
FFP	firm fixed price
FGI	foreign government information
FHC	final hazard classification
FICS	Foreign Military Sales Integrated Control System/financial integrated control system
FID	foreign internal defense



FIFO	first in, first out
FLIS	Federal Logistics Information System
FLO	foreign liaison office/foreign liaison officer
FMCS	foreign military construction sales/foreign military construction services
FMF	foreign military financing
FMFP	Foreign Military Financing Program
FMR	financial management review/Financial Management Regulation
FMS	foreign military sales
FMSO I	foreign military sales order number I
FMSO II	foreign military sales order number II
FMTR	(Joint DoS/DoD) Foreign Military Training Report
FOB	free on board free on board
FOCI	foreign ownership, control, or influence
FOIA	Freedom of Information Act
FOT	follow-on training
FOUO	For Official Use Only
FPG	Foreign Procurement Group
FPO	fleet post office
FR	Federal Register
FRB	Federal Reserve Bank (of New York)
FREEDOM	Freedom for Russia and Emerging Eurasian Democracies and Open Markets (Support Act)
FSC	Federal Supply Class
FSF	Foreign Security Force
FSN	Foreign Service national
FSO	Foreign Service Officer
FSSP	Fair Share Sustainment Program
FSP	Field Studies Program
FTS	field training service
FTX	field training exercises
FVS	Foreign Visit System
FY	fiscal year
FYDP	future years defense program
FYROM	former Yugoslav Republic of Macedonia

## G

G&A	general and administrative (expense)
G-TSCMIS	Global Theater Security Cooperation Management Information System
GAO	Government Accountability Office

GBL	government bill of lading
GCC	geographic combatant commander/ Gulf Cooperation Council
GEOINT	Geospatial-Intelligence
GET	General English Training
GFE	Government Furnished Equipment
GFEBs	General Funds Enterprise Business System (Army)
GFM	Global Force Management /government furnished material
GFSC	Global Financial Service Center
GPO	Government Printing Office
GPOI	Global Peace Operations Initiative
GPS/PPS	global positioning system/precise positioning system
GSA	General Services Administration/general security agreement
GSCF	Global Security Contingency Fund
GSOIA	general security of information agreement
GSOMIA	general security of military information agreement
GVHR	gross violation of human rights

## H

HA	humanitarian assistance
HAC	House Appropriations Committee
HASC	House Armed Services Committee
HAZMAT	hazardous materials
HCA	humanitarian and civic assistance
HDA	humanitarian demining assistance
HDR	humanitarian daily ration
HDTC	Humanitarian Demining Training Center
HFAC	House Foreign Affairs Committee
HMA	humanitarian mine action
HNS	host nation support
HNTA	host nation token administrator

## I

IA	implementing agency
ISP	initial spare parts
IAAFA	Inter-American Air Forces Academy
IAC	international armaments cooperation
IAEA	International Atomic Energy Agency
IATA	International Air Transport Association
ICASS	International Cooperative Administrative Support Services

ICB	institutional capability building
ICE	U.S. Immigration and Customs Enforcement
ICP	inventory control point
ICR&D	international cooperative research and development
ICS	integrated country strategy
ICUG	International Customer User Group
IDA	Institute for Defense Analyses
IDD	initiative design document
IDIQ	indefinite delivery, indefinite quantity
IEMP	International Engine Management Program
IEP	Information Exchange Program
IG	inspector general
ILCO	international logistics control office
ILCS	International Logistics Communications System
ILS	integrated logistics support
IM	item manager
IMDGC	International Maritime Dangerous Goods Code
IMET	international military education and training
IMF	International Monetary Fund
IMO	interim military objective
IMS	international military student
IMSO	international military student office/international military student officer
INCA	International Narcotics Control Act
INCLE	International Narcotics Control and Law Enforcement (Program)
INDOPACOM	U.S. Indo-Pacific Command
INFOSEC	information security
IPC	individual pricing component
IPD	issue priority designator/implementing project directive
IPO	(Navy) International Programs Office
IPR	in-process review
IPS	international programs security
IPSR	international programs security requirements
ISAF	International Security Assistance Force (in Afghanistan)
I-SAN	International Security Assistance Network
ISFF	Iraq Security Forces Fund (DoD)
ISOO	International Security Oversight Office
ISP	international standby practices/international security policy
ISS	in-service support/interim service support

IT	Information Technology
ITAR	International Traffic in Arms Regulations
ITM	international training management
ITO	invitational travel order
IVP	International Visits Program

## J

JCIDS	Joint Capabilities Integration and Development System
JCS	Joint Chiefs of Staff
JER	Joint Ethics Regulation
JFTR	Joint Federal Travel Regulations
JHCS	Joint Hazard Classification System
JMC	Joint Munitions Command /joint military commission/joint maritime conference/joint monitoring commission
JMP	Joint Manpower Program /joint maintenance plan/joint management plan/joint military program/joint mission planning/joint mobilization program
JPP	joint planning process
JSCP	Joint Strategic Campaign Plan
JSF	Joint Strike Fighter
JTR	Joint Travel Regulations
JVI	joint visual inspection

## L

LCMC	life cycle management commands
LE Staff	locally employed staff
LIFO	last in, first out
LOA	letter of offer and acceptance/line of activity
LOAD	letter of offer and acceptance data
LOC	location code/Library of Congress
LO/CLO	low observable/counter low observable
LOE	line of effort
LOO	line of operation
LOR	letter of request
LRIP	low-rate initial production
LSC	logistics support charge
LTD	language training detachment

## M

M2M	military-to-military
MAAG	military assistance advisory group

MAG	military assistance group
MANPADS	man-portable air defense system
MAP	Military Assistance Program
MAPAC	military assistance program address code
MAPAD	military assistance program address directory
MARAD	U.S. Maritime Administration
MARCORSYSCOM	U.S. Marine Corps Systems Command
MASL	military articles and services list
MC	George C. Marshall European Center for Security Studies/U.S. Marine Corps
MCSCG	U.S. Marine Corps Security Cooperation Group
MCTL	militarily critical technologies list
MDA	Missile Defense Agency/milestone decision authority/maritime domain awareness
MDE	major defense equipment
MET	mobile education team
MEU	marine expeditionary unit
MFA	ministry of foreign affairs
MFO	Multinational Force and Observers (in the Sinai)
MILCON	military construction
MILDEP	Military Department
MILGP	military group
MILPERS	military personnel
MILSBILLS	Military Standard Billing System
MIL-SPEC	military specification
MILSTRIP	military standard requisitioning and issue procedure
MILSVC	military service
MIL-STD	military standard
MIPR	military interdepartmental purchase request
MISIL	Management Information System for International Logistics
MISWG	Multinational Industrial Security Working Group
MLA	manufacturing license agreement
MNNA	major non-NATO ally
MOA	memorandum of agreement
MOD	ministry of defense
MOE	measure of effectiveness
MOI	ministry of interior
MOP	measure of performance
MOR	memorandum of request
MOU	memorandum of understanding

MRAP	mine-resistant ambush protected (vehicle)
MRO	materiel release order
MRR	mission resource request
MRRL	materiel repair requirements list
MSC	Military Sealift Command/Medical Services Corps
MSG	Marine security guard
MTCR	Missile Technology Control Regime
MTDS	manpower travel data sheet
MTT	mobile training team
MWR	morale, welfare, and recreation

## N

NAD	(U.S.) National Armaments Director
NADR	Nonproliferation, Anti-terrorism, Demining, and Related Programs
NAF	non-appropriated funds
NAMSA	NATO Maintenance and Supply Agency
NAMSO	NATO Maintenance and Supply Organization
NATO	North Atlantic Treaty Organization
NAVAIR	Naval Air Systems Command
NAVSEA	Naval Sea Systems Command
NAVSUP	Naval Supply Systems Command
NAVSUP WSS	Naval Supply Systems Command Weapon Systems Support
NAVWAR	Naval Information Warfare Systems Command
NIPO	Navy International Programs Office
NBC	nuclear, biological, chemical
NC	nonrecurring cost (also NRC)
NCB	(U.S.) National Codification Bureau
NCBFAA	National Customs Brokers and Forwarders Association of America, Inc.
NCIS	Naval Criminal Investigative Service
NCS	NATO Codification System
NDAA	National Defense Authorization Act
NDI	non-developmental item
NDP	National Disclosure Policy (interagency guidance document)
NDP-1	National Disclosure Policy Publication
NDPC	National Disclosure Policy Committee
NDS	National Defense Strategy
NDU	National Defense University
NETC	Naval Education and Training Command



NESA	Near East-South Asia Center for Strategic Studies
NETSAFA	Naval Education and Training Security Assistance Field Activity
NGA	National Geospatial-Intelligence Agency
NGO	nongovernmental organization
NICN	Navy item control number
NIIN	national item identification number
NIPRNET	Non-Secure Internet Protocol Router Network
NISP	National Industrial Security Program
NISPOM	National Industrial Security Programs Operating Manual (DoD Manual 5220.22)
NLL	Naval Logistics Library
NMCS	National Military Command System/not mission capable supply/non-mission critical system
NMS	national military strategy
NOA	notice of availability
NORTHCOM	U.S. Northern Command
NPA	NATO Participation Act
NPOR COI	non-program of record community of interest
NPS	Naval Postgraduate School
NRC	nonrecurring cost (also NC)/non-repayable credit
NSA	National Security Agency
NSC	National Security Council
NSDD	national security decision directive
NSDM	National Security Decision Memorandum
NSN	national stock number/NATO stock number
NSS	national security strategy/National Supply System
NVD	night vision device
NWC	National War College/Naval War College

## 0

O&M	operations and maintenance (funding)
OA/FCA	obligation authority/fund certification authorization
OAC	operating agency code
OBL	ocean bill of lading
OBS	observer (training)
OCONUS	outside the continental United States
ODC	office of defense cooperation
OED	offer expiration date
OEF	Operation Enduring Freedom (Afghanistan)
OEM	original equipment manufacturer
OGC	office of general counsel

OHA	overseas housing allowance
OHASIS	Overseas Humanitarian Assistance Shared Information System
OHDACA	Overseas Humanitarian, Disaster, and Civic Aid (Program)
OIF	Operation Iraqi Freedom
OJT	on-the-job training
OMA	operations and maintenance Army (funding)
OMB	Office of Management and Budget
OPI	oral proficiency interview
OPUDATA	Objective, Practical, Useful, Direct, Attributable, Timely, Adequate
OSC	office of security cooperation
OSCE	Organization for Security and Cooperation in Europe
OSD	Office of the Secretary of Defense
OSP	operations support package/offshore procurement
OT	orientation tour/observer training
OT&E	operational testing and evaluation/operational test and evaluation
OUSD (P)	Office of the Undersecretary of Defense for Policy

## P

P&A	price and availability (data)
PAO	public affairs office/public affairs officer
PAR	pre-letter of request assessment request
PBAS	Program Budget Accounting System
PBL	performance-based logistics
PC&H	packaging, crating, and handling
PCH&T	packaging, crating, handling, and transportation
PCF	Pakistan Counterinsurgency Fund
PCCF	Pakistan Counterinsurgency Capability Fund
PCO	procurement contracting officer
PCS	permanent change of station
PD	Presidential determination
PDD	Presidential decision directive
PDM	programmed depot maintenance
PEO	program executive office/program executive officer
PEO-STRI	Program Executive Office for Simulation, Training, and Instrumentation
PEP	personnel exchange program
PfP	Partnership for Peace (Program)
PICA	primary inventory control activity
PKO	peacekeeping operations/Peacekeeping Operations (Program)

PL	public law
PLT	procurement lead time
PM	Bureau of Political-Military Affairs/program manager
PM/DDTC	Bureau of Political-Military Affairs, Directorate of Defense Trade Controls
PM/RSAT	Bureau of Political-Military Affairs, Office of Regional Security and Arms Transfers
PME	professional military education/precision measuring equipment
PMESII	political, military, economic, social, infrastructure, and information
PML	program management line
PMP	performance monitoring plan
PMR	program management review
PN	partner nation/part number
POD	port of debarkation
POE	port of embarkation
POL	petroleum, oil, and lubricants
POLAD	political adviser
POL/MIL	political-military
POM	program objective memorandum
POTUS	President of the United States
POW/MIA	prisoner of war/missing in action
PPBES	Planning, Programming, Budgeting, and Execution System
PQDR	product quality deficiency report
PR	purchase request
PROS	Parts and Repair Ordering System
PSI	Presidential security initiative/program security instruction
PSVR	payment schedule variance report
PVST	port visit
PWS	performance work statement

## Q

QA	quality assurance
QAT	quality assurance team
QDR	quadrennial defense review/quality deficiency report
QRR	quarterly deficiency report

## R

R&D	research and development
R&R	repair and return/repair and replace
RAD	required availability date/routine aerial distribution
RCM	Foreign Military Sales Case Reconciliation and Closure Manual (Department of Defense Directive 5105.65)

RCN	record control number
RCP	regional campaign plan
RCSS	Regional Centers for Security Studies
RD&A	research, development, and acquisition
RDD	required delivery date
RDT&E	research, development, test, and evaluation
RFP	request for proposal
RIC	routing identifier code
RIK	replacement in kind
RIM	retainable instructional material
RIRO	repairable item replacement option
ROM	rough order of magnitude
ROR	repair and return/repair of repairables
RPA	remotely piloted aircraft
RSI	rationalization, standardization, and interoperability
RSN	record serial number
RSAT	Office of Regional Security and Arms Transfers
RSO	regional security office/regional security officer

## S

S/FOAA	State/Foreign Operations Appropriations Acts
S&T	science and technology
SA	security assistance
SAAF	security assistance administrative funds
SAAM	special assignment airlift mission
SAAR	system authorization access request (Department of Defense Form 2875)
SAARMS	Security Assistance Automated Resource Management Suite
SAC	Senate Appropriations Committee
SAF/AQ	Assistant Secretary of the Air Force for Acquisition
SAF/IA	Deputy Under Secretary of the Air Force for International Affairs
SAFR	security assistance foreign representative
SALO	security assistance liaison officer
SAMD	Security Assistance Management Directorate
SAMIS	Security Assistance Management Information System
SAMM	Security Assistance Management Manual (Defense Security Cooperation Agency Manual 5105.38)
SAMR	security assistance management review
SAMRS	Security Assistance Manpower Requirements System
SAN	Security Assistance Network

SAO	security assistance organization/security assistance officer
SAP	simplified acquisition procedures/special access program
SAPM	security assistance program manager
SASC	Senate Armed Services Committee
SAT	security assistance team/survey assessment team
SATFA	Security Assistance Training Field Activity
SATMO	Security Assistance Training Management Organization
SATODS	Security Assistance Technical Order Distribution System
SATP	Security Assistance Training Program
SBA	special billing arrangement
SBLC	standby letter of credit
SBU	sensitive but unclassified
SC	security cooperation
SC-TMS	Security Cooperation-Training Management System
SCES	Security Cooperation Enterprise System
SCET	security cooperation education and training
SCETWG	security cooperation education and training working group
SCIP	Security Cooperation Information Portal
SCML	small case management line
SCMS	Security Cooperation Management Suite
SCO	security cooperation organization
SDAF	Special Defense Acquisition Fund
SDDC	Surface Deployment and Distribution Command (Army)
SDO/DATT	senior defense official/defense attaché
SDR	supply discrepancy report (Standard Form 364)
SECDEF	Secretary of Defense
SECNAV	Secretary of the Navy
SECSTATE	Secretary of State
SEED	Support for East European Democracy (Act)
SET	specialized english training
SFA	security force assistance
SFRC	Senate Foreign Relations Committee
SIPRNET	Secure Internet Protocol Router Network
SLC	shelf life code
SLS	standard level of service
SMART	specific, measurable, achievable, relevant, time bound
SME	significant military equipment
SNR	senior national representative

SNAP	Simplified Nonstandard Item Acquisition Program
SOF	Simplified Nonstandard Item Acquisition Program
SOFA	status of forces agreement
SOLIC	special operations/low intensity conflict
SOLO	special operations liaison officer
SOO	statement of objective
SOP	standard operating procedure
SOUTHCOM	U.S. Southern Command
SOW	statement of work
SPAN	Security Policy Automation Network
SPO	system program office
SPOD	seaport of debarkation
SPOE	seaport of embarkation
SPP	State Partnership Program
SRC	security risk category
SSA	security sector assistance
SSC	supply and services complete
SSCI	significant security cooperation initiative
SSE	system security engineering
STARR/PC	Supply Tracking and Repairable Return/Personal Computer
STL	standardized training list
SVI	single vendor integrity
SWOT	Strengths, Weaknesses, Opportunities, Threats
SYSCOM	systems command

## T

T&E	test and evaluation
T-MASL	training military articles and services listings
TA	type of assistance/technology assessment
TAA	technical assistance agreement/Trade Agreements Act
TAC	type of address code/type of assistance code/transportation account code/training analysis code
TACOM	(U.S. Army) Tank-Automotive and Armaments Command
TA/CP	technology assessment and control plan
TAFT	technical assistance field team
TAT	technical assistance team/tactical analysis team
TBC	transportation bill code
TCA	traditional combatant commander activity (funding)
TCG	technical coordination group



TCN	transportation control number/third-country national
TCO	termination contracting officer/transnational criminal organization/test control officer
TCP	technical coordination program/theater campaign plan/technology control plan
TCT	traveling contact team
TCTO	time compliance technical order
TDP	technical data package
TDR	transportation discrepancy report (Standard Form 361)1
TDS	technology development strategy
TDY	temporary duty
TECOM	(U.S. Marine Corps) Training and Education Command
TIP	trafficking in persons
TL	termination liability
TLA	temporary lodging allowance/travel and living allowance
TMS	Training Management System
ToC	theory of change
TO	technical order/training officer
TP	transportation plan
TPA	total package approach
TPT	third-party transfer
TRADOC	Training and Doctrine Command
TRANSCOM	U.S. Transportation Command
TS&FD	technology security and foreign disclosure
TSCP	theater security cooperation plan
TSFDO	Technology Security and Foreign Disclosure Office
TTP	tactics, techniques, and procedures
TTX	table top exercise
TUP	transfer, use, and protection

## U

UAV	unmanned aerial vehicle
UCA	undefinitized contractual action
UCMJ	Uniform Code of Military Justice
UDHR	Universal Declaration of Human Rights
UFR	unfunded requirement
ULO	unliquidated obligation
UMMIPS	Uniform Materiel Movement and Issue Priority System
UN	United Nations
UND	urgency of need designator

UNFICYP	United Nations Forces in Cyprus
UPS	United Parcel Service
USA	U.S. Army
USAF	U.S. Air Force
USAFRICOM	U.S. Africa Command
USAID	U.S. Agency for International Development
USASAC	U.S. Army Security Assistance Command
USASATMO	U.S. Army Security Assistance Training Management Organization (also SATMO)
USC	U.S. Code
USCENTCOM	U.S. Central Command
USCG	U.S. Coast Guard
USD (A&S)	Under Secretary of Defense for Acquisition and Sustainment
USD (C)	Under Secretary of Defense (Comptroller)
USD (I)	Under Secretary of Defense for Intelligence
USD (P)	Under Secretary of Defense for Policy
USDOT	U.S. Department of Transportation
USDR	U.S. Defense Representative (see SDO/DATT)
USEMB	United States Embassy
USEUCOM	U.S. European Command
USD	Undersecretary of Defense
USG	U.S. Government
USINDOPACOM	U.S. Indo-Pacific Command
USJFCOM	U.S. Joint Forces Command
USMC	U.S. Marine Corps
USML	U.S. Munitions List
USMTM	U.S. Military Training Mission (Saudi Arabia)
USN	U.S. Navy
USNORTHCOM	U.S. Northern Command
USPS	U.S. Postal Service
USSOCOM	U.S. Special Operations Command
USSOUTHCOM	U.S. Southern Command
USTR	U.S. Trade Representative

## W

WCN	worksheet control number
WebFLIS	Web Federal Logistics Information System
WIF	Warsaw Initiative Fund
WIP	work in progress/work in process

WMD	weapons of mass destruction
WPOD	water port of debarkation
WRSA	war reserve stock for allies
WSLO	weapon system logistics office/weapon system logistics officer
WWRS	Worldwide Warehouse Redistribution Service (USAF)



## Annex

# B

# GLOSSARY OF SELECTED TERMS

## A

**Above-the-line cost.** Charges included within a materiel and/or services line and calculated into the net estimated cost of the letter of offer and acceptance (LOA). This term is a holdover from the rescinded LOA form (DD Form 1513) which contained a line dividing or separating the direct charges (contained in standard case lines) from the accessorial costs (normally collected as percentage-based charges on select case lines or the LOA's net estimated cost).

**Acceptance.** The act of an authorized representative of a foreign national government or international government organization by which the representative assumes, as an agent of a government, ownership of existing and identified supplies tendered or approves specific services rendered as partial or complete performance of the contract on the part of the contractor. See also letter of offer and acceptance.

**Acceptance date.** The date that appears on the cover page of the LOA indicating the calendar date on which a foreign buyer agrees to accept the terms and conditions of transfer and articles and services provided in the exchange as contained in the FMS offer.

**Accessorial cost.** The costs of packing, crating, and handling (PC&H) and transportation, which are incidental to issues, sales, and transfers of materiel not included in the standard price or contract cost of the materiel, not applicable to working capital fund (WCF) items.

**Accrued costs.** The financial value of delivered articles and services and incurred costs reported to DFAS-IN via delivery transactions with incurred costs representing disbursements for which no physical deliveries have yet occurred; examples include progress payments and government furnished material/equipment (GFM/GFE) provided to contractors, and nonrecurring costs.

**Act.** The term for legislation once it has passed both houses of Congress and has been signed (enacted) by the President or passed over his veto, thus becoming law.

**Actual cost.** A cost sustained in fact, on the basis of costs incurred, as distinguished from forecasted or estimated costs.

**Adjustment reply code (ARC).** A code that identifies the type of action being taken in response to an FMS customer supply discrepancy report (SDR). ARCs are transmitted to DFAS-IN by an FMS case implementing agency in FMS delivery/performance Reports.

**Administrative contracting officer (ACO).** The U.S. government contracting officer who is assigned the responsibility for the administration of U.S. government contracts.

**Administrative cost.** A cost associated with the administration of the FMS program. The prescribed charge or percentage applied in determining each of these costs is explained in the LOA; these expenses do not include those charged directly to a case (i.e., line-item costs).

**Administrative lead-time.** The time interval between the initiation of a procurement action and the subsequent letting of a contract or placement of an order.

**Aerospace Maintenance and Regeneration Group (AMARG).** A joint service aircraft and aerospace vehicle storage, regeneration, reclamation, and disposal facility located at Davis-Monthan AFB.

**Allocation.** An authorization by a designated official of a DoD component making funds available within a prescribed amount to an operating agency for the purpose of making funding allotments (i.e., the first subdivision of an apportionment of funds).

**Allotment.** An authorization granted within and pursuant to an allocation for the purpose of incurring commitments,

obligations, and expenditures in the accomplishment of an approved budget. Therefore, an allotment is a subdivision of an appropriation that provides the funding authority to accomplish a specific function or mission.

**Amendment.** A revision of an FMS case that constitutes a scope change to an existing LOA.

**Apportionment.** A determination made by the Office of Management and Budget that limits the amount of obligations or expenditures that may be incurred during a specified time period. An apportionment may limit all obligations to be incurred during a specified period or it may limit obligations to be incurred for a specific activity, function, project, or a combination thereof.

**Appropriation.** A portion of an appropriation act that provides a specified amount of funds to be used for designated purposes. Each appropriation has a finite period of time during which obligations may be incurred.

**Appropriations act.** Legislation initiated by the House and Senate Appropriations Committees that provides authority for federal agencies to incur obligations and to make payments out of the U.S. Treasury for specified purposes. An appropriation act is the most common means of providing budget authority, and there are normally 12 annual, regular appropriation acts passed in each fiscal year along with several supplemental appropriation acts.

**Armaments.** Military weapons and equipment.

**Armed Services Board of Contract Appeals.** A neutral, independent board established to hear and decide post-award contract disputes between the Department of Defense (and other other government agencies) and government contractors.

**Arms Export Control Act (AECA).** The basic U.S. law providing the authority and general rules for the conduct of foreign military sales and commercial sales of defense articles, services, and training. The AECA came into existence with the passage of the Foreign Military Sales Act (FMSA) of 1968; an amendment in the International Security Assistance and Arms Export Control Act of 1976 changed the name of FMSA to the AECA. Published as 22 USC Sec. 2751 et seq.

**Attrition.** The loss, temporary or permanent of a resource, including manpower or materiel, or the reduction in the strength or effectiveness of personnel or materiel; or, as defined in international training policies and regulations, the total destruction of a DoD capital asset (e.g., a training aircraft) when caused by a foreign student through loss of physical control or as a result of negligence.

**Attrition (international military training).** The total destruction of a DoD capital asset (e.g., a training aircraft) when a foreign student was in physical control of the asset or as a direct result of negligence, simple or gross.

**Audit.** The systematic examination of records and documents to determine one of the following:

- a. The adequacy and effectiveness of budgeting, accounting, financial, and related policies and procedures
- b. Compliance with applicable statutes, regulations, policies, and prescribed procedures
- c. The reliability, accuracy, and completeness of financial and administrative records and reports
- d. The extent to which funds and other resources are properly protected and effectively used

**Auditor (procurement).** A cognizant audit office or official designated by the Defense Contract Audit Agency (DCAA) or military service audit activity to review the records, budgets, procedures, processes, or policies of a contractor or federal organization for compliance with governing or applicable agreements, statutes, regulations, or policies.

**Authorization act.** Basic, substantive, legislation that establishes or continues the legal operation of a federal program or agency, either indefinitely or for a specific period of time, or that sanctions a particular type of obligation or expenditure.

## B

**Back order (BO).** The quantity of an item requisitioned by ordering activities that is not immediately available for issue but is recorded as a stock commitment for future issue.

**Bandaria.** The imaginary country used by DSCU for illustrating an example security cooperation situation. This country is not located in any real region of the world, nor is it modeled after any real country. For training and related purposes, this fictitious country is represented by country code BN.



**Base year (BY).** A reference period that determines a fixed price level for comparison in economic escalation calculations and cost estimates; the price-level index for the base year is 1.000.

**Below-the-line-costs.** Accessorial fees and/or surcharges not included within an LOA line-item value, which may be referred to as “below-the-line” charges (e.g., transportation surcharge and packing, crating, and handling).

**Bill.** A legislative proposal originating in either the House or Senate, which, if passed in identical form by both houses and signed by the President, becomes an enacted law. Bills are designated by “HR” in the House of Representatives or “S” in the Senate, according to the house in which they originate plus a number assigned in the order in which they are introduced during the two-year period of a Congressional term. Appropriations bills always originate in the House.

**Bill (or billing) code.** A DFAS-IN country assigned code that divides FMS customer country billings into management levels lower than a U.S. implementing agency or in-country service. This code often correlates to an FMS customer paying office. It appears in Block 3 of the DD Form 645, and basic alpha codes are derived from the LOA.

**Billing statement.** The official claim for payment, represented by a DD Form 645 billing statement issued by the U.S. government for materiel and services furnished under a transfer agreement between a foreign purchaser and the USG (e.g., a letter of offer and acceptance). It also furnishes an accounting to the foreign purchaser for all costs incurred on behalf of the purchaser by the USG under each agreement.

**Blanket order case.** An agreement between a foreign customer and the U.S. government for a specific category of items or services (including training) with no definitive listing of items or quantities. This type of case specifies a dollar ceiling against which orders may be placed.

**Budget authority.** The authority Congress gives to government agencies, permitting them to enter into obligations that will result in immediate or future outlays (expenditures). Such budget authority does not include the authority to ensure the repayment of loans held by another person or government.

**Budget year.** The fiscal year following the current fiscal year, and for which the new budget estimate is prepared.

## C

**Canceled case.** An FMS case that was not accepted or funded within prescribed time limitations or was accepted and subsequently terminated by the requesting country or the U.S. government prior to complete fulfillment. The U.S. government or purchaser initiating or otherwise responsible for the cancellation of a case prior to the delivery of defense articles or the performance of services, whether the cancellation is in whole or in part, shall be responsible for all termination costs.

**Capability.** Refers to a foreign partner’s ability to execute a given task, mission, or function.

**Capacity.** Refers to the depth, extent, amount, or number of times that a foreign partner is able to self-sustain and self-replicate a given capability.

**Carrier.** A military or commercial ship, aircraft, barge, train, truck, other conveyance, or commercial transport company that moves or is able to move material from one location to another.

**Case.** A binding agreement, along with all subsequent supporting amendments and modifications to the original agreement, for the transfer defense articles, services, and/or training from a Department of Defense (DoD) implementing agency to another eligible party. The eligible receiving or benefiting party may include a single foreign national government or group of foreign national governments, an international organization, or another DoD or U.S. government agency.

**Case description.** A short title specifically prepared for each FMS case by the implementing agency.

**Case designator.** A unique designator assigned by the implementing agency to each FMS case. The designator originates with the offer of a sale, identifies the case through all subsequent transactions, and is generally a three-letter designation, comprising the last element of the case identifier.

**Case identifier.** A unique six-digit code assigned to an FMS case for the purpose of identification, accounting, and data processing of each LOA. The case identifier consists of the two-letter country code, a one-letter code for the implementing agency, and a three-letter case designator.

**Case modification.** A change or revision to an accepted letter of offer and acceptance or established FMS or BPC case, which constitutes an administrative or price change to the current LOA or case, without revising its scope.

**Cash prior to delivery (FMS).** A term of sale in which the U.S. government collects cash in advance of the delivery of defense articles and/or the performance of defense services from DoD resources.

**Cash with acceptance (FMS).** A term of sale in which U.S. dollar currency, check, or other negotiable instrument is submitted by the customer concurrent with acceptance of an FMS sales offer for the full amount shown as the estimated total cost on the LOA.

**Closed case.** An FMS case for which all materiel has been delivered, all services have been performed, all financial transactions (including all collections) have been completed, and the customer has received a final statement of account.

**Co-development.** A joint development project between the U.S. government and foreign government to satisfy a common requirement.

**Collections.** Receipts in U.S. dollars, checks, or other negotiable instruments from a foreign purchaser to pay for defense articles, training, or services based on an accepted case or other transfer agreement.

**Combatant Command Campaign Plan/Theater Campaign Plan.** An official, written joint document developed by a functional or geographic combatant command to guide a series of related, major operations or investments aimed at achieving a strategic end state within given parameters.

**Combating Terrorism Fellowship Program (CTFP).** Formerly known as Counterterrorism Fellowship Program, and also currently known as the Regional Defense Combating Terrorism Fellowship Program, it is a DoD security cooperation tool that provides education and training to international security personnel as part of the U.S. global effort to combat terrorism. CTFP is authorized by section 2249C of Title 10, U.S. Code, which allows DoD to use up to \$20 million per year to pay any costs associated with the attendance of foreign government personnel, including civilians, at selected DoD schools, conferences, centers, and other training programs or venues.

**Combined Education and Training Program Plan.** An annually prepared or revised plan created by each SCO in coordination with host country counterparts that consolidates the partner country's training needs for the current budget year and the following planning year. Includes program objectives and justifications, which assist in determining and prioritizing country allocations of grant program assistance for defense training.

**Commercial commercial sale.** A sale of defense articles, training, or services made under a Department of State-issued license by U.S. industry directly to a foreign buyer and is not administered by the DoD through FMS procedures.

**Commercial-type items.** Any items, including those expended or consumed in use, which, in addition to military use, are used and traded in normal civilian enterprise and may be imported/exported through normal international trade channels.

**Commitment.** Any communication between a responsible U.S. official and a representative of any country or international organization that could reasonably be interpreted as being a promise that the U.S. will provide a foreign government or international organization with either funds, credits, loans, goods, services, or information; or, financially, a firm administrative reservation of funds based upon procurement directives, orders, requisitions, or authorizations to issue travel orders, requests, or similar agreements or documents that authorize the recipient to create obligations without further recourse to the official responsible for certifying the availability of funds. The act of entering into a commitment is usually the first step in the process of spending available funds.

**Compatibility.** The characteristic or ability of two or more defense system parts, components, weapons, or organizations to integrate and/or function as elements of a larger system or environment without mutual interference.

**Competent Authority Approval (CAA).** An approval from the agency responsible under a country's national law for the regulation of hazardous materials transportation. For the U.S., the "competent authority" (CA) is the U.S. Department of Transportation.

**Completed case.** An FMS case for which all deliveries and collections have been completed but for which a final accounting statement has not been furnished to the purchaser.

**Concurrent resolution.** A resolution adopted by both houses of the U.S. Congress (the Senate and House of Representatives), which does not require the approval or signature of the President. Such resolutions are used to express the common, general opinions of Congress on various national policy issues, but do not carry the force of law.

**Concurrent resolution on the budget.** A resolution adopted by both houses of the U.S. Congress, which does not require the signature or approval of the President, setting forth, reaffirming, or revising specified congressional budget totals for

the federal government for a fiscal year.

**Concurrent spare parts (CSP).** Spare parts programmed as an initial stockage related to the acquisition of a major item or system. CSPs are normally shipped in advance of the release of the major item or system.

**Conference committee.** A temporary, ad hoc panel composed of U.S. House and Senate conferees formed to reconcile differences in legislation that has passed each chamber. Conference committees are usually convened to resolve bicameral differences on major or controversial legislation.

**Congressional amendment.** A proposal by a member of Congress to alter the language, provisions, or stipulations in a bill or in another amendment. An amendment is usually printed, debated, and voted upon in the same manner as a bill.

**Congressional Budget Justification for Foreign Operations.** The document presented annually by the Executive Branch to Congress describing the President's annual proposals for security assistance and other foreign assistance programs, along with the budgets for these programs, for the following fiscal year (budget year) as a request for the necessary authorizations and funding appropriations from Congress. The document is jointly produced by the DoD (DSCA) and DoS (PM), previously referred to as the Congressional Presentation Document (CPD).

**Congressional committee.** A congressional committee and subdivision of the House or Senate that is tasked to handle a specific duty or function of Congress. These groups prepare legislation for action by the parent chamber or makes investigations as directed by the parent chamber. Most standing committees are divided into subcommittees, which study specific types of legislation, hold hearings, and report bills, with or without amendments, to the parent committee that, in turn, may submit legislation to the House or Senate.

**Consignee.** The person or organization to whom a shipment is to be delivered, whether by land, sea, or air.

**Constant year dollars.** A method of relating dollar values for various years by removing the annual effects of inflation and showing all dollars at the value they would have had in a selected base year. See also "current year dollars."

**Constructive delivery (FMS).** Completion of delivery of materiel to a carrier for transportation to a consignee or delivery to a U.S. post office for shipment to a consignee. Delivery is evidenced by completed shipping documents or listings of delivery at the U.S. Post Office. The delivery of materiel to the customer or the customer's designated freight forwarder at a point of production, testing, or storage at dockside, at staging areas, or at airports constitutes actual delivery. Also referred to as physical delivery.

**Consumption rate.** The average quantity of an item consumed or expended during a given time interval, expressed in quantities by the most appropriate unit of measurement.

**Continental United States (CONUS).** United States territory, including the adjacent territorial waters, located within North America between Canada and Mexico. Does not include Hawaii or Alaska.

**Continuing resolution (CR).** Appropriations legislation enacted by Congress to provide temporary budget authority for federal agencies to keep them in operation when their regular appropriations bill has not been enacted by the start of the fiscal year.

**Continuing resolution authority (CRA).** The authority to obligate funds against the FMFP, IMET, ESF, or other related security assistance appropriation for the new fiscal year under a CR granted by Congress in a joint resolution making temporary appropriations available prior to passage of the regular appropriations act or in lieu of such an act. Normally, however, the CRA is for a designated period lasting less than a fiscal year, and it does not usually allow funding for the start of any new programs.

**Contract.** An agreement between two or more persons who are legally capable of making a binding agreement, which involves a promise (or set of promises); a consideration (i.e., something of value promised or given); a reasonable amount of understanding between the persons as to what the agreement means; and a legal means for resolving any breach of the agreement.

**Contract administration.** All the activities associated with the performance of a contract, from pre-award to closeout.

**Contract administration services (CAS).** All those actions accomplished in or near a contractor's plant for the benefit of the U.S. government that are necessary to the performance of a contract or in support of the buying offices, system/project managers, and other organizations, including quality assurance, engineering support, production surveillance, pre-award

surveys, mobilization planning, contract administration, property administration, industrial security, and safety.

**Contract administration services (CAS) charge.** A surcharge applied to all FMS purchases sourced from procurement to cover the cost of contract administration, quality assurance and inspection, and contract audit. The percentage basis and elements included in this charge depend upon any contract administrative reciprocal agreements with a particular purchasing country.

**Contract authority.** Budget authority contained in an authorization bill that permits an agency of the federal government to enter into contracts or other obligations for future payments from funds not yet appropriated by Congress. The assumption is that the necessary funds will be made available for payment in a subsequent appropriations act.

**Contract award.** The official act of a contracting officer to grant a contract, by signing and distributing it, to a contractor.

**Contract field services (CFS).** Services performed for the USG by commercial or industrial companies. These services provide instruction and training on the installation, operation, and maintenance of DoD weapons, equipment, and systems.

**Contract requirement.** Any stated or acknowledged performance requirement, task, action, forbearance, good, or materiel that must be performed or provided by a specified party to a contract. These may be included in the statement of work, specifications, standards, and related documents, the contract data requirements list, management systems, and contract terms and conditions.

**Contract termination.** Cessation or cancellation, in whole or in part, of work under a prime contract, or a subcontract there under, for the convenience of, or at the option of, the U.S. government, or a foreign purchaser (FMS), or due to failure of the contractor to perform in accordance with the terms of the contract.

**Contracting officer (CO).** A person with the legal authority to enter into, administer, and/or terminate contracts and make related determinations and findings.

**Conventional arms transfers (CAT).** The transfer of non-nuclear weapons, aircraft, equipment, and military services from supplier states to recipient states.

**Cooperative logistics.** The logistics support provided a foreign government/agency through its participation in a United States Department of Defense logistics system, with reimbursement paid to the USG for the support provided.

**Cooperative logistics supply support arrangement (CLSSA).** Military logistics support arrangement designed to provide responsive and continuous supply support at the depot level for U.S.-made military materiel possessed by foreign countries and international organizations. The CLSSA is normally the most effective means for providing common repair parts and secondary-item support for equipment of U.S. origin that is in allied and friendly country inventories.

**Cooperative research and development.** A method by which governments cooperate to make better use of their collective research and development resources, including technical data exchanges and codevelopment of new weapons systems.

**Coordinating Authority.** A commander or individual with the power and responsibility to consult and coordinate specific functions or activities between two or more U.S. services, joint force components, or different forces or organizations within the same service or agency. Excludes the authority to compel agreement.

**Coproduction.** A program implemented by a government-to-government or commercial licensing arrangement that enables a foreign government or firm to acquire the technology or legal authority to manufacture, assemble, repair, maintain, and/or operate, in whole or in part, a defense item.

**Cost contract.** A contract that provides for payment to the contractor of allowable costs, to the extent prescribed in the contract, incurred in performance of the contract.

**Community liaison officer (CLO).** A U.S. citizen appointment-eligible family member (AEFM) of a direct-hire employee of a U.S. embassy charged with providing pre-arrival assistance, post-arrival orientation, morale and welfare services, crisis management and support services, and education and employment information and referrals to post employees and family members.

**Country liaison officer (CLO).** An officer or non-commissioned officer (NCO) of a foreign military establishment selected by his or her government and attached to a MILDEP or DoD agency for the primary purpose of helping to assist international military students from his or her home country.

**Country-specific security cooperation section (CSCS).** Subelement of a geographic combatant command (CCMD)

theater campaign plan that serves as the core organizing document for articulating precise, “tactical” DoD objectives for security cooperation at the partner country level. Designed to inform and be informed by a corresponding integrated country strategy (ICS) prepared for the same partner country by the Department of State. Each country-specific security cooperation section will identify specific lines of effort that represent the significant security cooperation initiatives planned for the country, and articulate specific, measurable, attainable, relevant, and time-bound objectives in support of such initiatives.

**Country team.** Group of senior representatives from select U.S. government agencies assigned to a U.S. diplomatic mission overseas, and subject to the direction and supervision of the chief of mission (normally an ambassador). Normally, such members meet regularly (i.e., weekly) to coordinate and supervise USG political, economic, and military activities and policies in the host country.

**Credit case (FMS).** The use of U.S. government-appropriated funds from the FMFP account to finance a foreign country’s FMS purchases of U.S. defense articles or services. Credit funds may be in the form of repayable loans or non-repayable grants.

**Credit guaranty.** A pledge or promise to any individual corporation, partnership, or other recognized legal entity doing business in the United States (excluding USG agencies other than the Federal Financing Bank) against political and credit risks of nonpayment arising out of that party’s financing of credit sales of articles and defense services to eligible countries and international organizations.

**Cross-servicing.** That function performed by one military service in support of another military service for which reimbursement is required from the service receiving support.

**Current fiscal year.** The fiscal year in progress but not yet completed (i.e., the time between and including 1 October and 30 September of the present period of time).

**Current year.** The fiscal year in progress. See also budget year.

**Current-year dollars.** Dollar values of a given year that include the effects of inflation (escalation) or deflation for that year, or which reflect the price levels expected to prevail during the year at issue. Also referred to as escalated dollars or then-year dollars.

## D

**Defense article.** Any item designated on the U.S. Munitions List (USML), Section 121.1, of the International Traffic in Arms Regulation, or, defined as a defense article by Section 644 of the Foreign Assistance Act (22 USC 2403) or Section 47(3) of the Arms Export Control Act (22 USC 2794), or any technical data, model, mock-up, etc. that reveals technology relating to the items designated on the USML or in the FAA or AECA. Includes weapons, weapon systems, system components and parts, munitions, aircraft, vessels, vehicles, supplies, commodities, facilities, and tools used as or supporting implements of war.

**Defense attaché office (DAO).** A DoD organization assigned to a U.S. diplomatic mission overseas for the purposes of overt gathering of military information, representing the U.S. Department of Defense in the conduct of military liaison activities, and performing as a component of the U.S. country team.

**Defense Contract Management Agency (DCMA).** An agency under the direction of the Under Secretary of Defense for Acquisition, Technology and Logistics, which provides unified contract administration services to DoD components and NASA for all contracts except those specifically exempted.

**Defense industrial cooperation.** U.S. activities performed in conjunction with selected foreign countries, which are intended to stimulate the development of foreign defense industrial capabilities, particularly in emerging technologies, for the mutual benefit of all participants.

**Defense Logistics Agency.** A DoD inventory management agency responsible for approximately 95 percent of consumable items and approximately 85 percent of all spare parts in the DoD supply system.

**Defense Security Cooperation University (DSCU).** The centralized DoD school for the consolidated professional education of personnel involved in security cooperation management. DSCU has locations at Arlington, Virginia and Wright-Patterson Air Force Base, Ohio, and provides an array of resident and nonresident instruction for both USG and foreign government military and civilian personnel as well as for defense contractor and industry personnel.

**Defense institution building (DIB).** Security cooperation conducted to establish or reform the capacity and capabilities



of partner nation defense institutions at the ministerial, department, major staff, or service headquarters level, also called institutional capacity building (ICB).

**DLA Disposition Services.** An organization within DLA that provides redistribution and disposal services for the DoD.

**DLA Logistics Information Service.** An organization within DLA that serves as the U.S. National Codification Bureau (NCB) and also provides cataloging services in support of allied defense ministries.

**Defense Security Cooperation Agency (DSCA).** The DoD agency responsible for the administrative management, program planning, and operational function of U.S. security assistance programs executed by the DoD on behalf of the State Department as well as select security cooperation programs under the policy direction of the Assistant Secretary of Defense for International Security Affairs [ASD (ISA)]. DSCA provides financial and technical assistance; facilitates the transfer of defense matériel, training, and services to foreign partners, and, promotes military-to-military contacts.

**Defense service.** The furnishing of assistance (including training) to foreign persons, organizations, or forces in the design, development, engineering, manufacture, production, assembly, testing, repair, maintenance, modification, operation, demilitarization, destruction, processing, or use of defense articles; or, the furnishing to foreign persons, organizations, or forces of any technical data controlled under the International Traffic in Arms Regulation (ITAR), to include information provided through formal or informal instruction, correspondence courses, technical or educational courses, or information publications or media of any kind, or through the provision of training aid, orientation, or military advice or the conduct of exercises.

**Defense stock.** Defense articles on hand, which are available for prompt delivery. It also includes defense articles under contract and on order that would be available for delivery within a reasonable time from the date of order by an eligible foreign government or international organization without increasing outstanding contracts or entering into new contracts.

**Defense Transportation System (DTS).** A collection of transportation activities and carriers belonging to or under contract to the DoD. The DTS includes commercial and organic aircraft and ships, and commercial small package services under contract to the DoD, as well as U.S. military air and ocean terminals in and outside of the U.S.

**Defined order case.** A foreign military sales case characterized by orders for specific defense articles and services that are separately identified line items on the LOA.

**Definitization.** The process of tailoring a standard DoD system to the international partner's operational requirements by making adjustments to the item configuration, the type and quantity of spare parts furnished, or the logistics support package.

**Delivery.** The constructive or actual furnishing, carrying to, or turning over of defense articles or the performance of defense services for the customer or requisitioner, to include accessorial services, when they are normally recorded in the billing and collection cycle immediately following performance.

**Delivery forecast.** A periodic estimate of contract production delivery used as a measure of the effectiveness of production and supply availability scheduling and as a guide to corrective actions to resolve procurement or production bottlenecks.

**Delivery term code (DTC).** A single-character code that represents the extent (usually measured in terms of distance or geographical relocation) of U.S. government responsibility for arranging the transportation of defense articles to an international customer.

**Dependable undertaking (FMS).** An excepted term and condition within the FMS case or LOA indicating the firm commitment by a foreign government or international organization to pay the full amount of a contract for new production or for the performance of defense services, which will insure the U.S. against any loss on such contract and to make funds available in such amounts and at such times as may be required by the contract, or for any damages or costs that may accrue from the cancellation of such a contract. The use or inclusion of this term in a case or LOA is dependent on a judgment by the DoD that there is sufficient likelihood that the foreign government or international organization will have the economic resources and political will to fulfill the commitment.

**Depot-level maintenance.** Maintenance performed on material requiring a major overhaul or a complete rebuilding of parts, assemblies, subassemblies, and end items, including the manufacture of parts, modification, testing, and reclamation as required. This involves more extensive shop facilities and equipment and personnel of higher technical skill than are normally available at the lower levels of maintenance (i.e., organizational or intermediate-level maintenance).



**Designated government representative (DGR).** Someone duly authorized by a foreign government to act on behalf of that government to negotiate, commit, or sign contractual agreements and/or accept delivery of materiel.

**Diminishing Manufacturing Sources and Material Shortages (DMSMS).** The loss or impending loss of manufacturers of items, suppliers of items, or raw materials needed to support and maintain a system.

**Direct cite.** Citation of the FMS Trust Fund (Account 97-11X8242) as the financing source on documents leaving the DoD system, contracts, with commercial firms, the General Services Administration, the Department of Transportation, etc. The term “direct cite” is not valid if any DoD organization establishes a reimbursable order to a DoD appropriation account, stock fund, or industrial fund.

**Direct cost.** Any cost that is specifically identified with a particular final cost objective. Such costs are not necessarily limited to items that are incorporated into the end product as labor or material.

**Direct offset.** A general type of industrial or commercial compensation practice required by a purchasing government as a condition for the purchase of defense articles/services. This form of compensation, which generally offsets a specific percentage of the cost of the purchase, is directly associated with the items to be purchased and the offset is furnished, arranged, or agreed to by the industrial/commercial entity supplying the defense articles/services. An example would be the defense firm licensing, at no cost, the production of components of a major item in the purchasing country for installation in the end items purchased by that country.

**Disbursements (gross and net).** In budgetary usage, gross disbursements represent the amount of checks issued and cash or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriate fund account, such as amounts received for goods and services provided. See also “outlays.”

**Disclosure authorization.** An authorization by an appropriate U.S. military department authority, which is required, prior to the disclosure of classified information to cleared foreign nationals.

**Domicile-to-duty transportation.** The use of vehicles owned or leased by the U.S. government or provided by the U.S. General Services Administration to transport an individual from his/her domicile (residence) to a work site.

**DoD component.** One of the subordinate organizations that constitute the joint military forces and key command elements of the U.S. Department of Defense. This term usually refers to the Office of the Secretary of Defense (OSD); the military departments; the Joint Chiefs of Staff (JCS or Joint Staff); the combatant commands; the Office of the DoD Inspector General; the defense agencies; and the DoD field activities.

**DSP-94.** A DoS publication, Authority to Export Defense Articles Sold Under the Foreign Military Sales Program, which must be filed with U.S. Customs along with a copy of an appropriate LOA in order for defense articles to be legally exported.

## E

**Earmark (appropriations).** A provision inserted into a discretionary spending appropriations bill presented in the U.S. Congress that directs certain types/amounts of funding in the bill to a specific recipient or recipients, circumventing the merit-based or competitive funds allocation process. In foreign assistance, this allows Congress to establish its priorities among countries and programs in the allocation of funding.

**Economic order quantity (EOQ).** The most economical quantity of parts to order at one time to support a defined production rate, considering the applicable procurement and inventory costs.

**Economic support fund (ESF).** A USG security assistance program through which economic assistance is provided on a grant basis to selected foreign governments with significant political or military interests for the U.S. The funds may be used to finance imports of commodities, capital, or technical assistance in accordance with the terms of a bilateral agreement.

**Eligible recipient.** Any friendly foreign country or international organization determined by the President to be eligible to purchase or receive U.S. defense articles and defense services, or to participate in U.S. programs, unless otherwise ineligible due to statutory restrictions.

**End item (EI).** A final combination of end products, component parts, and/or materials, which is ready for its intended use (e.g., an aircraft, truck, mobile generator, or rifle).

**Engineering change proposal (ECP).** A proposal to a responsible authority recommending that a change to an original

item of equipment be considered, and the design or engineering change be incorporated into the article to modify, add to, delete, or supersede original parts.

**English comprehension level (ECL) examination.** A test designed to evaluate the overall proficiency of foreign military student in English language listening and reading.

**Environmental and morale leave.** A type of leave authorized for DoD personnel stationed at certain overseas locations where adverse environmental conditions require special arrangements for leave.

**Estimated actual charges.** A systematic and documented estimate of actual costs. The procedure is used in the absence of an established cost accounting system and is usually determined through a procedure sometimes referred to as a cost-finding technique.

**Excess defense articles (EDA).** Defense articles owned by the United States government, which are neither procured in anticipation of military assistance or sales requirements, nor procured pursuant to a military assistance or sales order. These include items (except construction equipment) that are in excess of the approved force acquisition objective and approved force retention stock of all Department of Defense components at the time such articles are dropped from inventory by the supplying agency.

**Execution.** The carrying out a program as contained in the approved budget (budget execution). Also, the carrying out or putting into effect of a plan, order, or course of action.

**Executive Order.** A directive issued by the President, that is normally used to create or modify the organization or procedures of U.S. Executive Branch agencies or may have general applicability as law based on authorities expressed or implied in acts of Congress or powers granted under the U.S. Constitution. Under the Administrative Procedure Act (APA) of 1946, all executive orders must be published in the Federal Register.

**Expanded IMET (E-IMET).** Training funded under the IMET program with the following four objectives: proper management of defense resources, improving military justice systems in accordance with internationally recognized human rights, understanding the principle of civilian control of the military, and contributing to the cooperation between police and military forces for counternarcotics law enforcement.

**Expendable supplies and material.** Supplies that are consumed in use, such as ammunition, paint, fuel, cleaning and preserving materials, surgical dressings, drugs, medicines, etc., which lose their identity, such as spare parts. Sometimes referred to as consumable supplies and material.

**Expenditure authority (EA, as used in FMS).** A document or authority from DFAS-IN to an FMS case implementing agency that allows expenditures against obligations previously recorded for an FMS case. The disbursing activity must ensure that cash is available prior to processing the disbursement.

**Expenditure.** The actual spending of money as distinguished from the appropriation or administrative reservation of funds. See also "disbursements."

**Extended training service specialists (ETSS).** DoD military and civilian personnel technically qualified to provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, or systems. ETSS are attached to an SCO rather than assigned, and they are carried on the Joint Table of Distribution (JTD) but are not provided as an augmentation to the SCO staff. ETSS may be provided for overseas assignments for periods of up to but not exceeding one year, unless specifically approved by DSCA.

**EX-number.** A classification of explosive hazard assigned by the U.S. Department of Transportation to commercial and military explosives, which determines how the explosive material may be stored and transported to comply with international safety regulations.

## F

**Fair Share Sustainment Program (FSSP).** U.S. Army Aviation and Missile Command program designed to provide hardware, software, and technical support to international users of the HAWK and CHAPARRAL missile systems, which are no longer maintained in the U.S. Army inventory.

**Familiarization training.** Practical experience and job-related instruction or education on specific systems, subsystems,

functional areas, or other procedures that require hands-on experience.

**Federal Acquisition Regulation (FAR).** The primary USG regulation governing the acquisition of supplies and services with appropriated funds. Supplemented by individual federal agency regulations, such as DoD's Defense Federal Acquisition Regulation Supplement (DFARS).

**Federal budget.** A written, projected estimate and plan for the collection and spending of revenues for all agencies and activities of the U.S. executive, legislative, and judicial branches. The federal government's budget for a particular fiscal year is transmitted in January to the Congress by the President in accordance with the Budget and Accounting Act of 1921.

**(Web) Federal Logistics Information System (WebFLIS).** An online catalog information system used by the Defense Logistics Agency (DLA) to offer essential details about DoD supplies, such as the stock and part numbers, names, manufacturers, and suppliers associated with specific stock items.

**Fence (legislative).** Explicit set of limitations (i.e., maximum or minimum spending amounts) established by Congress on the use of funds provided in an appropriations act. See also "earmark."

**Field Studies Program (FSP).** Congressional program that provides international military students and visitors with the opportunity to become familiar with U.S. society, culture, politics, economics, and government institutions while promoting awareness of the U.S. Government's commitment to basic principles of democracy and internationally-recognized human rights.

**Fiscal year (FY).** An accounting period beginning 1 October and ending 30 September of the following year. The fiscal year is designated by the calendar year in which it ends. As an example, fiscal year 2020 began on 1 October 2019 and ended on 30 September 2020.

**Fixed cost.** An accounting and economic term used to refer to a business or manufacturing expense that does not fluctuate or depend upon the level of activity or production of the business or manufacturer. Examples of fixed costs include property taxes, certain types of insurance, facilities depreciation, and security.

**Fixed-price type contract.** A type of contract that generally provides for a firm price or, under appropriate circumstances, may provide for an adjustable price for the supplies or services being procured. Fixed-price contracts are of several types, and are so designed as to facilitate proper pricing under varying circumstances.

**Follow-on training.** Sequential training following and building upon an initial course or program of instruction..

**Force activity designator (FAD).** A Roman numeral designator between I and V assigned to international partner countries and to U.S. defense organizations, which determines the supply priorities that the requisitioner can use to order materiel from the DoD supply system.

**Foreign Assistance Act (FAA).** The basic law providing the authority and the general rules for the conduct of foreign assistance grant activities/programs by the USG. Published as 22 USC Sec. 2151 et seq.

**Foreign exchange.** An institution or system for evaluating and exchanging different national currencies in order to facilitate international trade and payments.

**Foreign internal defense (FID).** Participation by civilian agencies and military forces of a foreign government or international organization in any of the programs or activities undertaken by a host nation government to free and protect its society from subversion, lawlessness, insurgency, terrorism, and other security threats.

**Foreign liaison officer (FLO).** An official representative, either military or civilian, of a foreign government or international organization stationed in the United States normally for the purpose of managing or monitoring security cooperation or assistance programs.

**Foreign military sales (FMS).** That portion of U.S. security assistance authorized by the AECA and conducted on the basis of formal contracts or agreements between the United States government and an authorized recipient government or international organization for the transfer of defense articles, training, or services to the foreign recipient on a sale or lease basis. FMS includes government-to-government transfers sourced from DoD stocks or new procurement under DoD-managed contracts, regardless of the source of financing.

**Foreign military sales (FMS) case.** A United States government letter of offer and acceptance (LOA) or a "United States

Department of Defense Offer and Acceptance,” which has been accepted by a foreign partner. May include not only the original LOA, but also subsequent amendments and modifications to that LOA.

**Financial Management Regulation (FMR).** A manual published by the Defense Finance and Accounting Service under the authority of DODI 7000.14, as DoD Regulation 7000.14-R. Volume 15 of this regulation (Security Assistance Policy and Procedures) establishes basic financial procedures for security cooperation/assistance activities involving management, budgeting, accounting, pricing, reimbursing to DoD appropriations accounts, revolving funds, auditing, international balancing of payments, etc the DoD budget.

**Foreign Military Sales Forecast Report.** A companion document to the Javits Report, this document provides a two-year projection by fiscal year (vice one calendar year for the Javits Report) but only addresses potential FMS sales.

**Foreign Military Sales Order (FMSO).** A term used to describe LOAs and earlier substitute agreements (e.g., DD Form 1513 sales agreements) that implement cooperative logistics supply support arrangements. See also FMSO I and a FMSO II.

**Foreign Military Sales Order I (FMSO I).** A foreign customer FMS request that provides for the pipeline capitalization of a cooperative logistics supply support arrangement in which the purchaser buys equity in the U.S. supply system for the future support of a specific weapons system.

**Foreign Military Sales Order II (FMSO II).** A foreign customer FMS request for support, following and related to the establishment of a FMSO-I, that both creates a requisition and pays for the replenishment of withdrawals of consumable items (repair parts, primarily) from the DoD supply system.

**Foreign service national (FSN).** Foreign nationals (i.e., persons who are not citizens of the United States) who provide clerical, administrative, technical, fiscal, and other support at U.S. foreign service posts abroad. FSNs typically work for SCOs and DAOs as budget analysts, international training managers, administrative assistants, or drivers. See also “locally employed staff.”

**Freight Forwarder.** A commercial import/export company registered with the Directorate of Defense Trade Controls and under contract to the FMS customer that arranges transportation of materiel from a point specified in the LOA to a final destination.

**Formal training (military).** Training (including special training) in an officially designated course. It is conducted or administered according to an approved program of instruction. This training generally leads to a specific skill in a certain military occupational specialty.

**Future years defense program (FYDP).** The official program summarizing plans and programs approved by the SecDef for the Department of Defense.

## G

**General English training (GET).** Defense Language Institute–English Language Center (DLIELC) courses designed to develop the English language capability of international military students (IMS) so that they can attend DoD schools.

**Generic code (GC).** A three-digit code identified in the Military Articles and Services List (MASL) and in Appendix 4 of the SAMM, which represents the type of materiel or services to be furnished according to a specific budget activity/project account classification.

**Government Accountability Office (GAO).** An agency of the legislative branch, responsible solely to the Congress, which audits all negotiated government contracts and investigates all matters relating to the receipt, disbursement, and application of public funds.

**Government furnished equipment (GFE).** Items in the possession of, or acquired by, the USG and delivered to or otherwise made available to a contractor.

**Government furnished material (GFM).** U.S. government property that may be incorporated into, or attached to, an end item to be delivered under a contract or that may be consumed in the performance of a contract. It includes, but is not limited to, raw and processed material, parts, components, assemblies, small tools, and supplies.

**Grant.** A form of assistance involving a gift of funds, equipment, and/or services which is furnished by the U.S. government to a selected recipient(s) on a free, nonrepayable basis.

**Grant aid.** Military assistance rendered under the authority of the FAA for which the United States government receives no dollar reimbursement.

## H

**Harmonization.** The process or result of adjusting differences or inconsistencies to bring significant features into agreement or minimize redundant or conflicting standards or elements.

**Holding account.** An account established for an FMS purchaser for the purpose of recording and safeguarding unidentified and certain earmarked funds for future use.

**Host nation support.** Civil and military assistance provided by host nations to allied forces and organizations during peacetime, transition to war, and wartime.

**Human rights.** Moral and/or legal entitlements held by individuals, vis-à-vis states, or governments that are recognized by most governments and provide for the security of life, liberty, and privacy; rights to participate in government and to receive equal protections and fair trial under law; freedom of belief, opinion, and religion; freedom from discrimination; and freedom from torture and degrading treatment.

## I

**Immunity from criminal prosecution.** A doctrine and standard of international law that exempts certain individuals from the criminal jurisdiction of specific states. This protection enables a diplomatic agent to avoid prosecution for criminal code offenses by a host country to which the diplomat is accredited, unless the diplomat's home government waives this protection.

**Implementation date (FMS).** The date when supply action on an FMS case is initiated or directed by an implementing agency.

**Implementing agency (IA).** A military department or defense agency responsible for the execution of military assistance programs. With respect to FMS, the military department or defense agency assigned responsibility by the Defense Security Cooperation Agency to accept letters or memoranda of request, prepare LOAs, and implement and manage FMS/BPC cases. The implementing agencies are responsible for the overall management of the actions that will result in the delivery of the materials or services set forth in the LOAs that were issued by those agencies and accepted by the concerned foreign partners.

**Impoundment.** Any executive action to withhold or delay spending appropriated funds as intended by the U.S. Congress. There are two kinds of impoundments: deferrals and rescissions.

**In-country training.** Training offered within the geographic boundaries of a recipient partner country and conducted by members of DoD, other USG personnel, or contractors.

**Indirect cost.** Costs that are incurred for common or joint objectives and that are not as readily subject to treatment as direct costs. See also "direct costs."

**Indirect offset.** A general type of industrial or commercial compensation practice required by a purchasing government as a condition for the purchase of defense articles/services. This form of compensation, which generally offsets a specific percentage of the cost of the purchase, is unrelated to the items or services to be purchased, and the offset is furnished, arranged, or agreed to by the industrial/commercial entity supplying the defense articles/services. An example would be the defense firm agreeing to directly purchase or market on behalf of the purchasing country certain agricultural products of that country.

**Industrial base.** The part of a country or regional economy that is involved in mass production, usually heavy manufacturing, through factories, maintenance facilities, processing plants, laboratories, etc. For the United States, this sector includes both privately owned and government-owned facilities and capital, and sometimes such facilities and capital in Canada that are closely connected to the U.S. government and U.S. economy. For U.S. defense considerations, this includes public sector facilities, academic institutions, and commercial companies that enable research, development, design, production, delivery, and maintenance of military weapons systems, subsystems, components, and parts in support of U.S. military requirements.

**Initial deposit (FMS).** Money transferred to the Treasurer of the United States or other authorized USG agent at the time an LOA is accepted as full or partial payment for defense articles, services, or training contracted for by an eligible foreign



partner.

**Initial operational capability (IOC).** The first attainment of the capability to employ effectively a weapon, item of equipment, or system of approved specific characteristics and which is manned or operated by an adequately trained, equipped, and supported military unit or force.

**Initial provisioning.** The process of determining or furnishing the range and quantity of items (i.e., spares and repair parts, special tools, test equipment, and support equipment) required to support and maintain an item for an initial period of service. Its phases include the identification of items of supply, the establishment of data for catalog, technical manual and allowance-list preparation, and the preparation of instructions to assure delivery of necessary support items with related end articles.

**Initial spares.** Item components or related materiel logistically procured to replace similar item components or materiel that become worn, lost, or damaged during a system's initial period of operation.

**Integrated materiel management (IMM).** The exercise of total DoD management responsibility for a federal supply group or class, commodity, or item for a single agency. Normally includes the computation of requirements, funding, budgeting, storing, issuing, cataloging, standardizing, and procuring functions.

**Interchangeability.** The ability or condition that exists when two or more items possess such functional and physical characteristics as to be equivalent in performance, fit, and durability, and are capable of being exchanged one for the other without alteration of the items themselves or of adjoining items, except for adjustment.

**Interfund billing system (IBS).** An automated billing and reimbursement system managed by DLA that allows certain suppliers to pay themselves using funds designated in advance by customers, at the time of billing. It is normally used by DoD components for supply system sales and purchases of bulk petroleum, oil, lubricants, and aviation fuels.

**Internal defense.** The full range of measures taken by a national government to free and protect itself from subversion, lawlessness, insurgency, terrorism, and other threats to security.

**International armaments cooperation (IAC).** Programs or activities that promote rationalization, standardization, and interoperability (RSI). IAC is typically represented by specific bilateral or multilateral arrangements involving one or more shared projects or exchanges, with the parameters, requirements, and responsibilities for such cooperation defined in written agreements between all countries involved.

**International cooperative administrative support services (ICASS).** Shared administrative and logistical support provided on a reimbursable basis by the Department of State to its own elements and other USG agencies at overseas posts. This support is provided through set of interagency procedures and rules used to fund, distribute, and manage the services provided, which normally pertain to personnel management, budget, general logistical, medical, communications, and security functions.

**International logistics.** The planning, negotiating, and implementation of arrangements for the procurement/mobilization, maintenance, and/or transportation of military materiel, facilities, and/or personnel between nations, their forces, and agencies. It includes providing such services and support to, or receiving logistics support from, one or more friendly foreign governments, international organizations, or military forces, with or without reimbursement.

**International Logistics Communication System.** A fee-for-service telecommunications system established for international partners to communicate supply requirements directly to the DoD supply system through the Defense Data Network.

**International Logistics Control Organization.** An organization within each of the military departments that is dedicated to managing logistics support programs and transactions in support of foreign military sales and other security cooperation programs.

**International Military Education and Training (IMET) Program.** U.S. security assistance program managed by the Department of State and executed by DoD that provides formal and/or informal instruction to foreign military students, units, and forces or select foreign civilian officials on a non-reimbursable (grant) basis. Instruction may be administered by U.S. military personnel, DoD employees, or contractors, and instruction may include professional military education (PME); correspondence and distance learning courses; technical instruction; or the provision of informational publications or media. Instruction may be performed at U.S. government facilities in the United States or overseas, or at other locations overseas using mobile training/education teams.



**International military student (IMS).** A national of a foreign government, with military or civilian employee status associated with that government, who receives education or training or tours USG activities under the sponsorship of the security assistance training program (SATP).

**International military student office/officer (IMSO).** A U.S. military office or civilian military officer designated to provide administrative support for international military students while in training at a local facility or activity. The IMSO also manages and conducts the DoD Field Studies Program as it applies to the facility or activity.

**International narcotics control and law enforcement (INCLE).** Refers to counterdrug bureau/programs managed by the DoS, with materiel, services, and training support that may be provided and managed by the DoD using SC assets and procedures.

**International Traffic in Arms Regulations (ITAR).** A U.S. government regulatory regime supported by a set of regulations prepared by the Directorate of Defense Trade Control (DDTC), Bureau of Political-Military Affairs, Department of State. It restricts and controls the import and export of defense articles, materiel, and technologies through vetting, licensing, and regulatory requirements. The ITAR also includes the U.S. Munitions List (see “munitions list”).

**Interoperability.** The ability of systems, organizations, or forces to exchange or mutually utilize materiel and services and/or work together coherently, effectively, and efficiently to achieve tactical, operational, and strategic objectives.

**Inventory control point (ICP).** An organizational unit or activity within a DoD supply system that is assigned primary responsibility for materiel management of a group of items, either for a particular military service or DoD as a whole. Specific management function of an ICP may include the computation of requirements, the initiation of procurement or disposal actions, distribution management, etc.

**Inviolability of person or premises.** Term introduced in Article 29 of the Vienna Convention on Diplomatic Relations and Optional Protocols of 1961 that refers to the primary protections enjoyed by diplomatic agents, designated diplomatic mission staff members, and accompanying family members. These protections prohibit such persons from being subject to search, arrest, or detention in the receiving or host state and require the receiving/ host state to treat them with due respect and take reasonable measures to prevent attacks on them, their freedom, their dignity, and their premises. By extension, premises always refer to the office spaces, facilities, land, and residences occupied by these personnel, and premises is usually interpreted to include personal and official property, such as papers, baggage, or vehicles used by these designated individuals.

**Invitational travel order (ITO).** A written authorization (DD Form 2285) for international military students to travel to, from, and between U.S. activities for the purpose of training under an approved and funded IMET or FMS program.

**Item identification number.** A seven-character identifier assigned to each line of training in the MASL. The first character of this code that identifies the MILDEP offering the training (B-Army, P-Navy, D-Air Force); the following six characters are numbers that identify the specific type of training. This identification number is used in all FMS and IMET training programs and implementation documents.

**Item manager (IM).** An individual within the organization of an inventory control point or other such organization assigned management responsibility for one or more specific items of materiel.

## J

**Javits Report.** The President’s estimate to the Congress of potential or proposed arms transfers during a given calendar year.

**Joint resolution.** A legislative resolution, designated H J Res (House) or S J Res (Senate), that requires the approval of both houses and the signature of the President and which has the force of law if approved. There is no practical difference between a bill and a joint resolution. Though, a joint resolution is generally used to deal with a limited matter such as a single appropriation. Congressional rejection of a proposed arms transfer, lease, third-country transfer, or proposed international cooperative project is normally accomplished by a joint resolution.

**Joint Security Cooperation Education and Training Regulation (JSCET).** A joint service regulation that prescribes policies, responsibilities, procedures, and administration responsibilities for the education and training of international military students by the U.S. Army, Navy, and Air Force (as well as the U.S. Marine Corps and Coast Guard) as authorized under U.S. law.

**Joint Strategic Campaign Plan (JSCP).** Five-year global strategic plan (reviewed every three years) that operationalizes the National Military Strategy (NMS). It is published by the Chairman of the Joint Chiefs of Staff (CJCS) to guide and direct the preparation and integration of joint force campaign and contingency plans. The JSCP establishes a common set of processes, products, priorities, roles, and responsibilities to integrate the global joint force operations, activities, and investments from day-to-day campaigns to contingencies. The JSCP also directs development of campaign, contingency, and support plans.

## L

**Language training detachment (LTD).** A group of personnel from the Defense Language Institute, English Language Center (DLIELC), Lackland Air Force Base, Texas, providing instruction in English as a second language (ESL) and advice on managing and conducting ESL programs in foreign countries.

**Lease (security assistance).** An agreement for the temporary transfer of the possession and use of a non-excess defense article or articles to a foreign government or international organization, with the lessee agreeing to reimburse the USG in U.S. dollars for all costs incurred in the lease itself, and to maintain, safeguard, and restore, repair, or replace (as necessary) the article(s), in addition to covering any transportation expenses and depreciation costs accrued during the period of the lease.

**Letter of offer and acceptance (LOA).** A bilateral DoD agreement used by the U.S. government to transfer, directly (through a traditional LOA) or indirectly (through a BPC LOA), U.S. defense articles and services pursuant to the Arms Export Control Act (AECA). This agreement lists the items and/or services, estimated costs, and the terms and conditions of sale or transfer; it requires, in the case of a direct transfer to a foreign partner, the signature of an appropriate foreign government official to indicate acceptance, and, in the case of an indirect transfer or sale to another USG agency for grant transfer to the foreign partner (under an indirect transfer or BPC LOA), the signature of the USG agency providing the funds for the transfer.

**Letter of Request (LOR).** A request from an eligible FMS participant, regardless of the written format, for the purchase of U.S. defense articles and services.

**Licensed production.** The manufacture or assemble of a defense article under an agreement made by a U.S. commercial firm with an international organization, foreign government, or foreign commercial firm.

**Life-cycle cost.** The total costs to the government of acquisition and ownership of a system over its useful life. It includes the costs of development, acquisition, support, and, where applicable, disposal.

**Line-item number.** A three-digit alpha/numeric code that identifies a detail line item on an LOA. This code is also displayed on the customer's bill.

**Living allowance.** An authorized allowance paid to an international military student while in training under the IMET program.

**Loan.** The temporary transfer of the right of possession and use of a defense article or articles to a foreign government or international organization, at no rental charge to the recipient partner. Also refers to the provision of materials, supplies, or equipment to a NATO or major non-NATO ally for the purpose of carrying out cooperative research, development, testing, or evaluation subject to and under the authority of section 65 of the AECA.

**Locally employed (LE) staff.** Foreign nationals and other local residents (including U.S. citizens) who work in various support positions at an overseas U.S. mission in their country of current residence. These personnel are subject to most local labor laws and normally compensated according to local wage scales and benefit plans.

**Logistics.** Planning and executing the movement and support of forces. Logistics may include the design, development, acquisition, construction, movement, furnishing, distribution, maintenance, evacuation, or disposition of materials; the acquisition, construction, operation, maintenance, furnishing, or disposition of facilities or real property; the acquisition or furnishing of services; or the movement, evacuation, support, or medical treatment of personnel.

**Long-lead items/long-lead time materials.** Those components of a system or piece of equipment for which the times to design and fabricate are the longest, and, therefore, to which an early commitment of funds may be desirable in order to meet the earliest possible date of system completion.

## M

**Maintenance.** All actions, including inspecting, testing, servicing, or classifying related to ensuring the serviceability or undertaking the repair, rebuilding, or reclamation of materiel. Also, all supply and corrective actions taken to keep a force in a condition suitable for carrying out assigned missions; or, regarding facilities and real property, any routine, recurring work necessary to keep a facility/property in such condition that it may continue to be used at its original or designed capacity and efficiency for its intended purpose.

**Maintenance plan.** A detailed description of requirements and resources needed to maintain a specific piece of equipment or an overall system. This plan describes the overall concept for how maintenance will be sourced and implemented and explains the technical requirements associated with where the maintenance will be performed and the methods used; lists the significant maintenance tasks that will likely be required for the system or equipment during its life cycle; and describes the significant consumable items, facilities, tools, and other resources that will likely be required for supply, maintenance, recovery, repair, and disposal.

**Major defense equipment (MDE).** Any item of significant military equipment on the United States Munitions List having a nonrecurring research and development cost of more than \$50 million or a total production cost of more than \$200 million.

**Major line item.** A program line for which the requirement is expressed quantitatively as well as in dollars. These lines are identified by a unit of issue (XX) other than dollar value.

**Major non-NATO ally (MNNA).** Designation given by the U.S. government to partner countries that have close, strategically important working relationships with the U.S. military but are not members of the North Atlantic Treaty Organization (NATO). This list of countries currently includes Afghanistan, Argentina, Australia, Bahrain, Brazil, Egypt, Israel, Japan, Jordan, Kuwait, Morocco, New Zealand, Pakistan, the Philippines, South Korea, Taiwan, Thailand, and Tunisia.

**Materiel management.** The direction and control of those aspects of logistics that deal with materiel, including the functions of identification, cataloging, standardization, requirements determination, procurement, inspection, quality control, packaging, storage, distribution, disposal, maintenance, mobilization planning, industrial readiness planning, and item management classification; encompasses materiel control, inventory control, inventory management, and supply management.

**Memorandum of agreement (MOA) or memorandum of understanding (MOU).** A written agreement between governments or a government and international organization signed by authorized representatives and signifying an intent to be legally bound.

**Military articles and services list (MASL).** A catalog of materiel, services, and training used in the planning and programming of the International Military Education and Training (IMET) Program and Foreign Military Sales (FMS). Separate MASLs are maintained for IMET and FMS training that provide data on course identification, course availability, price, and duration of training.

**Military Assistance Advisory Group (MAAG).** One of several country-specific titles for select security cooperation organizations (SCOs). The term MAAG usually refers to a small joint service organization focused on security cooperation/security assistance planning and programming in its host nation.

**Military assistance program (MAP).** An inactive U.S. security assistance program designed to provide defense articles and services to eligible foreign recipients on a nonreimbursable (grant) basis. Funding for MAP was consolidated under the Foreign Military Financing (FMF) Program beginning in fiscal year 1990.

**Military Assistance Program Address Directory (MAPAD).** A directory containing the clear text addresses of country representatives, freight forwarders, and customers-within-country required for releasing FMS and grant shipments processed in accordance with military standard requisitioning and issuing procedures (MILSTRIP). These addresses are required for forwarding critical shipping information.

**Military civic action.** Projects and activities undertaken by primarily indigenous military forces (sometimes with advice or other minor support from deployed U.S. forces) for the benefit of local civilian populations. These projects/activities are normally related to providing or improving social development, education, job skill training, public infrastructure, agriculture, or public health/sanitation. A close secondary purpose is to improve the image and standing of these military forces with their respective country populations.

**Military Department (MILDEP).** One of the departments within the Department of Defense created by the National Security Act of 1947, which include the Department of the Air Force, the Department of the Army, and the Department of the Navy.

**Military Service (MILSVC).** A branch of the Armed Forces of the United States, established by act of Congress, in which persons are appointed, enlisted, or inducted for military service, that operates and is administered within a military or executive department. The Military Services are as follows: the United States Army, the United States Navy, the United States Air Force, the United States Marine Corps, the United States Coast Guard, and the United States Space Force.

**Military standard billing system (MILSBILLS).** A Defense Enterprise Business system that provides data elements, codes, procedures, and formats for use by DoD components for billing, collecting, and related accounting.

**Military standard requisitioning and issue procedures (MILSTRIP).** A uniform procedure established by the Department of Defense to govern the requisition and issue of materiel within standardized priorities.

**Mobile education team (MET).** A team of U.S. DoD personnel on temporary duty in a foreign country for the purpose of educating foreign personnel professional subject areas such as resource management, acquisition, civilian control of military forces in a democracy, international norms of human rights, developing policy and doctrine, etc. Such teams are normally paid for using IMET or Expanded IMET funds.

**Mobile training team (MTT).** A team of U.S. DoD personnel on temporary duty in a foreign country for the purpose of training foreign personnel, usually in skills or subject areas related to the operation, maintenance, or other use or support of weapons systems, or, in tactical or operational military skills, or, to develop self-training capabilities in particular defense-related skills. MTTs are typically funded through FMS or the IMET Program.

**Modification.** A minor administrative or price-related change to an existing FMS case that does not effect the scope of the case.

**U.S. Munitions List (USML).** A list enumerating articles, materials, services, and technologies subject to export and temporary import controls and under the jurisdiction of the Department of State. This list is contained in Part 121 of the International Traffic in Arms Regulations (ITAR) and delineates those defense items classified as significant military equipment (SME).

## N

**National Defense Strategy (NDS).** A strategic defense guidance document of the United States published by the Secretary of Defense that creates specific guidance for the development of the National Military Strategy (NMS) as well as DoD campaign and contingency planning, force development, and intelligence activities linked to the priorities of the President's National Security Strategy (NSS). The NDS is published for use both internally, within DoD, and externally, in facilitating coordination with other U.S. government agencies. The NDS is usually reviewed/updated in response to the creation or revision of an NSS.

**National Military Strategy (NMS).** A strategic defense guidance document of the United States published by the Chairman of the Joint Chiefs of Staff (CJCS) that provides targeted guidance to the armed forces for distributing and applying military power to implement the National Defense Strategy (NDS) produced by the Secretary of Defense. The NMS is specifically designed to create mutually supporting, coordinated service and combatant command plans and to identify and assess the current capabilities of U.S. military forces to carry out the NDS and other strategic guidance. By law (Title 10, Section 153), the NMS should be reviewed/updated in February of each even-numbered calendar year.

**National Policy and Procedures for the Disclosure of Classified Military Information to Foreign Governments and International Organizations (normally referred to as the National Disclosure Policy [NDP-1]).** An interagency document published by the Secretary of Defense, in coordination with the Secretary of State, Secretary of Energy, and Director of Central Intelligence, which governs the disclosure of U.S. classified military information (CMI) to foreign governments and international organizations. This policy document is used to implement National Security Decision Memorandum (NSDM) 119.

**National Security Strategy (NSS).** A strategic defense and security document issued by the President that provides very broad policy guidance to Congress and the Executive Branch on the national security values and interests of the current administration. This document serves as the origin point for all national defense and security planning in the United States and serves as the foundation for creating the subordinate plans of the Department of Defense, Department of State, and other cabinet-level agencies. By law (the Goldwaters-Nichols Act of 1986), the NSS should be published annually.

**National stock number (NSN).** A thirteen-digit stock number consisting of a four-digit federal supply classification code and a nine-digit national item identification number.

**NATO Codification System (NCS).** A supply codification system developed by the U.S. and adopted by NATO and non-NATO partners. The NCS standardizes item identification processes to permit item interchangeability between international partners and contributes to systems interoperability.

**Net case value (NCV).** The total cost figure produced as a sum of all of the line items of an LOA, which generally reflect the direct or basic costs of the goods and services furnished by implementing agencies. This figure, also referred to as the net case value (NCV), is shown on Line 8 of each LOA (or Line 21 of the former LOA form, DD Form 1513).

**Nonexpendable supplies and materiel.** Items not consumed in use and retain their original identity, such as weapons, machines, tools, and equipment.

**Nonrecurring costs (NRC or NC).** Those costs funded by an RDT&E appropriation to develop or improve a defense-related product or technology. These are one-time costs incurred in the initial or original creation of a specified model and those costs incurred in support of a total projected production run.

**Nonrecurring demand.** A one-time requisition from a customer that is not used to compute demand-based requirements.

**Nonrepayable credits/loans.** Grant funds appropriated by Congress for use in the Foreign Military Financing (FMF) Program by select countries to finance FMS acquisitions (and on a limited, exceptional basis, certain DCS acquisitions) of defense articles, services, and training under the authority of section 23 of the AECA.

**Nonstandard article.** For FMS purposes, a defense item that the DoD does not manage, either because it has been retired from DoD inventories or because it was never purchased or officially adopted for a DoD component.

**Nonstandard service.** For FMS purposes, a defense service that the DoD does not routinely provide for itself or for purchase by outside agencies or foreign partners.

**Notice of Availability (NOA).** A written notification that material requiring special handling is ready to be shipped. The NOA is sent by the shipper to the purchaser or freight forwarder for oversized, hazardous, explosive, classified, or perishable material and requires a response from the recipient with delivery instructions.

## O

**Obligation.** A duty to make a future payment of money. This duty is normally incurred when a USG order is placed or a contract is awarded for the delivery of goods and the performance of services. An obligation legally encumbers a specified sum of money, which will require an outlay or expenditure in the future.

**Obligational authority (OA, as used in FMS).** An authority, documented in writing or through other means, that is passed from DFAS-IN to an implementing agency or similar DoD component that allows obligations to be incurred against a given FMS case in an amount not to exceed the value specified in the obligational authority.

**Observer training (OBT).** Special training conducted to permit international military students to observe U.S. military techniques and procedures.

**Offer date.** The date that appears on the offer portion of an LOA and that indicates the date on which an FMS offer is made to a foreign buyer.

**Offset agreement.** An arrangement or understanding between a U.S. supplier of defense articles or services and a foreign country under which the supplier agrees to purchase, acquire, or promote the purchase or acquisition by others, of goods or services produced, manufactured, grown, or extracted, in whole or in part, in that foreign country in consideration for the purchase by the country of defense articles or services from the supplier. May also involve the furnishing of other goods, services, technologies, or rights by the supplier in consideration of the purchase. See also “direct offset” and “indirect offset.”

**On-the-job training (OJT).** A DoD training program whereby international military students (IMs) acquire knowledge and skills through the actual performance of duties under competent supervision and in accordance with an approved training plan.

**Operation and maintenance (O&M) cost.** An expense associated with equipment, supplies, or services required to train,



operate, or maintain forces.

**Oral proficiency interview (OPI).** A test designed to evaluate and rate the English language speaking proficiency of international military students. Certain DoD courses require an OPI test be taken and a specific OPI score to be met before an IMS can attend the course.

**Ordering activity.** An organizational entity that originates a requisition or order for procurement, production, or performance of work from another activity.

**Ordnance.** Explosives, chemicals, pyrotechnic and similar stores (e.g., bombs, ammunition, flares, smoke grenades, and napalm).

**Orientation tour (OT).** A visit arranged for key foreign personnel, normally paid for through FMS or IMET funds, to acquaint such personnel with U.S. organizations, equipment, facilities, or methods of operation.

**Outlays.** Actual expenditures made via issued checks, accrued interest on debt, or other forms of fund release or disbursement. Total budget outlays consist of the sum of the outlays from appropriations and other funds in the budget, less receipts (i.e., refunds and reimbursements).

**Outside of CONUS (OCONUS).** Refers to all geographic areas, including Hawaii and Alaska, not within the territorial boundaries of the continental United States. See also “CONUS.”

**Overseas training.** Training provided at training installations outside the U.S.

## P

**Packing, crating, handling, and transportation (PCH&T).** The resources, processes, procedures, design considerations, and methods used to ensure that all system, equipment, and support items can be preserved, packaged, handled, manipulated, and transported properly, and which factor in environmental, legal, weight, content, mass, and other considerations.

**Paramilitary forces.** Armed forces or groups that are distinct from the regular or conventional armed forces of a country or other area, but share similarities in organization, equipment, training, or missions.

**Payment on delivery (FMS).** An FMS term of sale in which the U.S. government issues a bill to the FMS purchaser at the time of delivery of defense articles or the rendering of defense services. This term may only be used pursuant to a written statutory determination and may be modified, through presidential action, to require payment up to 120 days after delivery.

**Payment schedule.** A listing of dollar amounts, to be paid at stated intervals, which are due from a foreign purchaser as payment on an FMS case and normally specified in the LOA. After acceptance of the LOA, the payment schedule generally serves as the basis for customer billing, with any changes in the original estimated costs of the LOA requiring revisions to the payment schedule.

**Performing activity.** Any organizational entity responsible for executing contracted or agreed upon work, to include the production or furnishing of goods and/or the performance of services.

**Performance-based logistics.** A DoD strategy that links purchases to systems readiness and performance outcomes versus demand; under this approach, the DoD focuses on contracting with manufacturers responsible for ensuring optimal system performance by continuing to provide comprehensive logistical support to customer post-procurement.

**Planning, programming, budgeting, and execution.** The annual DoD process used for translating strategic guidance into resource allocation decisions. This process serves as the framework for making funding decisions regarding programs and force structure requirements based on strategic objectives.

**Port of debarkation (POD).** A military or commercial air or ocean terminal at which cargo and/or personnel is offloaded. Also referred to as a port of discharge.

**Port of embarkation (POE).** A military or commercial air or ocean terminal from which a carrier departs to transport and deliver cargo and/or personnel to a consigned destination. This is also referred to as the port of exit.

**Price and availability (P&A) data.** Information requested by a foreign partner to evaluate the potential purchase of defense articles or services via an FMS case. This data is prepared and furnished by an implementing agency for rough planning purposes only and is not necessarily valid for the preceding construction of the LOA, nor does furnishing this



information constitute a commitment by the U.S. government to offer for sale the articles and services associated with the provided data.

**Procurement lead time.** The interval of time, stated in months, between the initiation of procurement action and receipt into the supply system of the production model (excluding prototypes) purchased as the result of such actions. Procurement lead time is composed of two elements, production lead time and administrative lead time.

**Procuring contracting officer (PCO).** An individual authorized to enter into contracts for supplies and services on behalf of the government by accepting or soliciting bids and negotiating purchase contracts. This officer is responsible for overall procurement under such contracts.

**Production lead time.** The time interval between the placement of a contract and receipt into the supply system of materiel purchased.

**Professional military education (PME).** Career training designed to provide or enhance the leadership and management skills of the recipient to conduct military planning, programming, budgeting, and force development.

**Program management review (PMR).** A management-level review held by a systems program office or systems program manager to determine the status of an assigned system. PMRs are designed as tools to identify problems, if any, and to develop appropriate follow-up actions as required.

**Progress payments.** Those payments made to contractors or DoD industrial fund activities for work progress accomplished under an active but incomplete contract. Payments are made on the basis of costs incurred or the percentage of work completed at a particular stage of contract execution prior to actual delivery and acceptance of all contracted products and services.

## Q

**Quality assurance (QA).** A process or state related to a planned and systematic pattern of action necessary to provide confidence that products and services conform to established technical requirements, and that satisfactory performance has been or will be achieved.

## R

**Ratification.** The formal action of the President in giving effect to a treaty that has been approved by the Senate. The treaty, then, is officially proclaimed and becomes legally enforceable. Also refers to any action taken to sign or give formal consent to any contract or agreement, making it officially or legally valid.

**Rationalization, standardization, and interoperability (RSI).** A combined term that refers to any actions, efforts, events, undertakings, or accomplishments that promote or enhance the efficiency, effectiveness, and integration of U.S. military cooperation with international partners. Rationalization specifically refers to any action that increases the effectiveness of combined forces through the efficient and skillful use of defense resources; standardization specifically refers to the process or condition of achieving close, practical multinational cooperation by eliminating redundancies and creating or using uniform quality, capacities, or measures; and, interoperability relates to achieving compatibility and harmony among international forces through the use of similar technologies, doctrine, procedures, etc.

**Reapportionment.** The revision of an annual apportionment of funds, accomplished within the fiscal year for which the original apportionment applied.

**Reappropriation.** Congressional action to carry over funds unused in one fiscal year to the following fiscal year.

**Reciprocal defense procurement.** Procurement actions that are implemented under memoranda of understanding/ memoranda of agreement (MOUs/MOAs) between the U.S. and one or more other foreign partners whereby the participants agree to undertake complementary acquisitions of defense articles from each other's country or countries.

**Recoverable item.** An item that is normally not consumed in use and is subject to return for repair or disposal. See also "reparable item."

**Reimbursable expenditure.** An expense incurred or paid for another agency, fund, appropriation, or private individual, firm or corporation, which, subsequently, will be recovered.

**Reimbursement.** An amount received by an activity for the cost of material, work, or services furnished to another activity or party, for credit to an appropriation or fund account.

**Reorder point.** The point at which time a stock replenishment requisition is submitted to maintain a predetermined supply objective.

**Repair and replace (FMS).** A program support concept through which an eligible cooperative logistics supply support arrangement (CLSSA) participant may return an eligible nonconsumable item to DoD and receive a serviceable item without waiting for the repair and return of that specific item; this concept allows the customer to more quickly replace the unserviceable item with a similar item already available in existing customer-supported CLSSA stocks held by the U.S. government. The customer is initially charged an estimated repair cost based on an evaluation of the item initially turned in for repair, with later adjustments to billing based upon completion of repairs to the specific item returned.

**Repair and return.** A program support concept through which an eligible foreign partner may return an unserviceable repairable item to DoD; upon completion of repairs, the same item is returned to the country and the actual cost of the repair is billed to the country.

**Reparable item.** An item that can be reconditioned or economically repaired for reuse when it becomes unserviceable.

**Replenishment spare part.** An item or piece of equipment, repairable or consumable, purchased by an inventory control point to replace on-hand stocks for use in the maintenance, overhaul, and repair of equipment such as ships, tanks, guns, aircraft, engines, etc.

**Reprogramming.** Refers to the transfer of funds between program elements or line items within an appropriation.

**Rescission of budget authority.** The cancellation of budget authority previously provided by Congress using a rescission proposal passed by both chambers of Congress.

**Research and development.** The systematic study and application of knowledge towards the production of useful materials, devices, systems, or methods. May include functions such as data gathering, experimentation, design, the initial creation and improvement of prototypes, and testing.

**Resolution.** Legislation introduced in either the U.S. House of Representatives or the U.S. Senate similar to a bill but that may have a more limited effect (i.e., may only be applicable to Congress itself or one of its chambers). May be introduced in one of three forms: 1) a joint resolution; 2) a simple resolution; or 3) a concurrent resolution. See also “concurrent resolution” and “joint resolution.”

**Retainable Instructional Material (RIM).** Unclassified books, pamphlets, maps, charts, or other course material issued to and retained by international military or U.S. students in DoD educational or training programs.

**Revolving fund.** A fund established to finance a cycle of operations to which reimbursements and collections are returned for reuse in a manner that will maintain the principal of the fund (e.g., working capital fund and industrial fund).

**Rule of Law.** The restriction of the arbitrary exercise of power by subordinating it to well-defined and established laws. In democratic societies, this is usually manifested in through a system of checks and balances in and on government, such as the division of powers between different levels and branches of government, free and regular elections, independent judiciaries, and constitutions with bills expressing and/or guaranteeing certain citizen rights.

## S

**Safety level.** The quantity of materiel, in addition to the operating level of supply, required to be on hand to permit continuous, uninterrupted, and unimpaired operations.

**Security assistance (SA).** A group of programs authorized by the Foreign Assistance Act (FAA) of 1961, as amended, and the Arms Export Control Act (AECA) of 1976, as amended, or other related statutes by which the United States provides defense articles, military training, and other defense-related services via grant, loan, cash sale, or lease, in furtherance of national policies and objectives. These programs are generally codified under Title 22 of the United States Code and are overseen and regulated by the Department of State. Those SA programs that are largely executed by the DoD on behalf of the State Department are considered to be both security assistance and security cooperation programs.

**Security Assistance Management Manual (SAMM).** A manual published by the Defense Security Cooperation Agency that sets forth the responsibilities, policies, and procedures for the administration of security assistance within the Department of Defense. Officially referenced as Defense Security Cooperation Agency (DSCA) Manual 5105.38-M.

**Security assistance management review (SAMR).** A management review led by a security assistance organization for the

purpose of determining the status of one or more specific programs.

**Security assistance network (SAN).** A web-based network (also known as the SANweb) that hosts various security cooperation/security assistance applications focused on international training management and related budget, planning, and programming data. A version of the SAN called the International SAN (ISAN) provides limited access to the SAN for authorized partner countries.

**Security Cooperation (SC).** Any Department of Defense program, activity, or interaction with foreign security establishments designed to 1) build security relationships that promote U.S. interests; 2) develop allied or other partner national military and security capabilities for self-defense or participation in U.S.-sanctioned multinational operations; or 3) provide U.S. forces with peacetime/contingency access to allied and partner nations. Security cooperation may be authorized under Title 10 or Title 22 of the United States Code, or under temporary (non-codified) U.S. laws.

**Security Cooperation Education and Training Working Group (SCETWG).** An annual geographic combatant command conference conducted for the purpose of establishing the SA/SC training program for each eligible partner country in the command's area of operations (AOR). Attendees generally include the CCMD's SCO training manager and representatives from DSCA, the MILDEP, training agencies, the regional SCO representatives, and other key SC training management personnel. This conference is used to submit, refine, and approve SCO training plans, known as combined education and training program plans (CETPPs), and disseminate training management policy updates, training, and other information.

**Security Cooperation Information Portal (SCIP).** A DoD-managed, web-based system that provides international partners, partner agents, and USG agencies with access to FMS case, line, requisition, and supply data, supply-related transactions or functions, end-use monitoring and third-party transfer data and functions, and other SC/SA management capabilities and community links.

**Security cooperation organization (SCO).** A DoD organization, usually under the authority and assigned as part of a U.S. diplomatic mission, which is located in a foreign country to carry out country-level SA/SC management functions.

**Security Cooperation Officer Token Administrator.** A SCO member, designated in writing by the SCO chief, to manage and maintain accountability for SCIP tokens assigned to a security cooperation organization.

**Security forces.** The duly constituted military, paramilitary, police, constabulary, customs, border, or other forces of a state.

**Security force assistance (SFA).** DoD activities that support the development of the capacity and capability of foreign security forces (FSF) and their supporting institutions.

**Security Risk Category (SRC).** A numerical value assigned to sensitive arms, ammunition, and explosive devices/material indicating the level of risk associated with transporting, storing, or securing these items. This risk factor is based on the capability, portability, volatility of the item and the casualty or damage effect that may be caused by its use or misuse. SRC 1 represents the greatest category of risk, while SRC 4 represents the lowest or safest category.

**Security Sector Assistance (SSA).** The policies, programs, and activities used by the U.S. government's interagency community to engage and support a foreign state or similar partner in the establishment, improvement, or sustainment of legitimate and effective institutions to provide security, safety, and justice for itself or to enable it to address shared international security challenges.

**Security sector reform (SSR).** A comprehensive set of programs and activities undertaken by a host nation to improve the way it provides internal and/or external safety, security, justice, and defense.

**Senior defense official/defense attaché (SDO/DATT).** The principal DoD official and diplomatic representative assigned to a U.S. embassy. This person, usually a U.S. military officer, serves as the principal military advisor to the chief of mission and is in charge of both the DAO and SCO, while exercising coordinating authority over other DoD elements under chief of mission authority.

**Sensitive.** Refers to an agency, installation, person, position, document, material, or activity requiring special protection from disclosure that could cause or initiate embarrassment, compromise, or a threat to the controlling or sponsoring entity associated with that agency, installation, person, position, document, material, or activity.

**Sequestration.** Refers to a provision in U.S. law, or its use, that is associated with an across-the-board reduction or

cancellation in certain types of federal spending. Sequestration is exercised by the President to impose hard limitations on government spending related to broadly defined categories of the national budget.

**Service.** For SC/SA purposes, this refers to one of two meanings: 1) any form of assistance, advice, or training provided to a foreign person or party, whether that person or party is in the United States or abroad, related to the design, manufacture, installation, maintenance, repair, improvement, movement, operation, or disposal of a defense article or providing defense-related technical data; 2) a branch of the Armed Forces of the United States, established by act of Congress, into which persons are appointed, enlisted, or inducted for military duty or application. The current U.S. military services are the U.S. Army, U.S. Navy, U.S. Air Force, U.S. Marine Corps, U.S. Coast Guard, and U.S. Space Force.

**Shipper.** A commercial or military manufacturer, vendor, supply depot, or repair facility that ships material in support of security cooperation programs on behalf of the DoD.

**Significant military equipment (SME).** Defense articles for which special export controls are warranted because of the capacity of such articles for substantial military utility or capability. These items are identified on the United States Munitions List in the *International Traffic in Arms Regulations* (ITAR) by an asterisk preceding the item category listing.

**Single Vendor Integrity (SVI).** A requirement or condition, designed to assure the quality, cost, or availability of an item, service, or material, whereby a customer relies on a specific supplier or manufacturer.

**Site survey.** A team of U.S. personnel who assess an FMS customer's logistics capabilities and shortfalls to determine the optimum type and quantity of logistics support to be included in the total package approach to acquisition.

**Sole source acquisition.** A contract for the purchase of supplies or services that is entered into or proposed to be entered into by an agency after soliciting and negotiating with only one source.

**Solicitation.** A formal document used in negotiating acquisitions to communicate government requirements to prospective contractors and to solicit proposals.

**Source selection.** A process wherein the requirements, facts, recommendations, and government policy relevant to an award decision in a competitive procurement of a system/project are examined and the decision made.

**Spare parts.** An individual part, subassembly, or assembly supplied for the maintenance or repair of systems or equipment.

**Special Assignment Airlift Mission (SAAM).** The use of a dedicated U.S. military aircraft to deliver sensitive, classified or explosive defense articles to a specific customer location, when no commercial delivery capability exists.

**Specialized English training (SET).** A nine-week course at the Defense Institute English Language Center at Lackland Air Force Base, Texas, which is designed to provide international military students with intensive practice in functional English language skills and introduce them to technical/professional terminology utilized in the U.S. military. This training is used to prepare international military students for follow-on DoD courses.

**Staging cost.** The cost incurred by DoD to consolidate materiel prior to shipment to an FMS customer. The charge for this cost may specifically include expenses related to storage, control, handling, security, or any other incidental services required for the merger of shipments and the pause or break in transportation required to accomplish the merger.

**Standardization.** Refers to the process or condition of achieving close, practical multinational cooperation by eliminating redundancies and creating or using uniform quality, capacities, or measures.

**Standardization agreement (NATO).** A formal, written agreement among several or all member nations of NATO to adopt like or similar military equipment, ammunition, supplies, stores, or operational, logistical, or administrative procedures.

**Standardized training list (STL).** A list and/or status report of all of the SC/SA courses requested by a partner country from DoD.

**Supplemental appropriations.** An act appropriating funds in addition to those provided for in the annual appropriations acts. Supplemental appropriations provide additional budget authority beyond the original estimates for programs or activities (including new programs authorized after the date of the original appropriations act) in cases where the need for funds is too urgent to be postponed until enactment of the next regular appropriations bill.

**Supply Discrepancy Report (SDR).** Refers to the document or process used by FMS customers to file and record complaints with DoD-related to product losses, deficiencies, damages, and other problems.

**Surface Deployment and Distribution Command (SDDC).** The U.S. Army organization, formally referred to as the United States Army Military Surface Deployment and Distribution Command, that serves as the single DoD manager for military traffic, land transportation, and common-user ocean terminals. The SDDC provides transportation planning and support for both CONUS/OCNUS surface movement of passengers and cargo within the Defense Transportation System.

**Systems acquisition process.** A management process, defined by a series of phases, through which a defense technology need is defined and a proposed solution is created and matured into a viable concept.

**System Support Buyout.** An opportunity for international partners to make a final purchase of major items and associated spares and support equipment linked to a major system that is being terminated in the DoD inventory, prior to the contracts or production being discontinued.

## T

**Technical assistance field team (TAFT).** A team of DoD personnel, deployed to a foreign country (usually for one year or longer as part of a permanent change of station), to provide advice and training to foreign military personnel in the installation, operation, and maintenance of specific defense equipment.

**Technical assistance team (TAT).** A team of DoD personnel, deployed to a foreign country (usually for 179 days or less as part of a temporary change of station), to install, operate, maintain, and/or repair specific equipment provided under FMS or other select security cooperation programs.

**Technical Coordination Group (TCG).** A U.S. Air Force organization that provides operational and logistical assistance to FMS users of Air Force aircraft or engines.

**Technical data (TD).** Recorded information of a scientific or technical nature, regardless of form or characteristic. Examples of technical data packages include research and engineering drawings and associated lists, specifications, standards, process sheets, manuals, technical reports, catalog item identifications, and related information and computer software documentation.

**Technical data package (TDP).** A set or collection of technical design and manufacturing information that, in itself, provides data sufficient to enable the construction or manufacture of a defense item, a component modification, or the performance of certain maintenance or production processes. It may include blueprints, drawings, plans, or instructions that can be used or adapted for use in the design, production, manufacture, or maintenance of defense items or technology.

**Technical manual.** A publication containing instructions designed to meet the needs of personnel responsible for (or being trained in) the operation, maintenance, service, overhaul, installation, and inspection of specific items of equipment and materiel.

**Test control officer (TCO).** For security cooperation purposes, this refers to a U.S. military or civilian person designated to administer, supervise, and control ECL testing and test materials. This individual must be a U.S. citizen and a service member, employee, or contractor working on behalf of and representing the interests of the U.S. government.

**Third-country/party transfer.** The transfer from its current owner or recipient to a foreign government, international organization, or any private entity of U.S. defense articles, services, training, or information originally acquired from the United States by a foreign government or international organization. As a condition of any USG-authorized sale, lease, loan, or grant, the divesting party must agree to obtain prior written consent from the Department of State before providing access, use, title or registration, or temporary or permanent transfer or possession to a third party, which is defined as anyone who is not an officer, employee, or agent (limited to freight forwarders only) of the divesting party or the USG. This term also applies to the modification, change in end-use, or disposal of any such articles, data, services, or training.

**Total obligational authority (TOA).** The total amount of funds available for programming in a given year, regardless of the year the funds are appropriated, obligated, or expended. TOA includes new obligational authority, unprogrammed, or reprogrammed obligational authority from prior years, reimbursements not used for replacements of inventory in kind, advanced funding for programs to be financed in the future, and unobligated balances transferred from other appropriations.

**Total package approach (TPA).** A methodology or concept through which the U.S. government ensures that FMS customers are aware of and given the opportunity to plan for/obtain those support items, training, and services required to introduce and operationally sustain major items of equipment or systems.

**Training management system (TMS).** A computer program developed by DSCU for use in managing DoD-sponsored



training for international military students. TMS uses STL and MASL data downloaded from the SA to produce IMET and FMS management reports, invitational travel orders, and other training management documents.

**Training/training support.** Formal or informal instruction provided to international military students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including civilian institutions), or by correspondence courses, technical, educational, or informational publications and media of all kinds, utilizing training aids, orientations, training exercises, and military advice.

**Tranche.** A portion of an appropriation to be allocated to a foreign partner under a security cooperation or other assistance program. This refers more specifically to the allocation or division of available funds, as directed by Congress, in two or more portions, usually according to timetables and under certain other conditions imposed by Congress.

**Transportation Plan.** A document that details the transportation and security arrangements for moving classified or sensitive material, and identifies individuals responsible for providing security at various points during transportation.

**Travel and living allowance (TLA).** For security cooperation purposes, an authorized payment by the U.S. government to an international military student for costs related to transportation, excess baggage, and general living expenses while participating in a DoD training program sponsored by IMET or a similar grant program.

**Treaty.** A formal agreement between the governments of two or more countries, or between countries and international organizations. Treaties having only two signatories are called bilateral whereas those with more than two parties are multilateral.

**Trust fund.** For security cooperation purposes, a fund credited with receipts which are earmarked by law and held in trust, or in a fiduciary capacity, by the government for use in carrying out specific purposes and programs in accordance with an agreement.

**Type of address code.** One of several codes used in the MAPAD to identify a plain language address that may be used as a shipping destination for a specific category of documents or material.

**Type of assistance code.** A code used to reflect the type of assistance (if any) and/or the planned source of supply for items/services identified in an LOA. Also known as a type of finance code.

## U

**Unaccepted case.** An FMS offer not accepted or funded within the prescribed time authorized by the USG.

**Uniform Materiel Movement and Issue Priority System (UMMIPS).** A DoD system for ranking materiel requirements and time standards used in requisition processing and materiel movement. It utilizes a two-digit priority designator that identified the relative importance of each requisition.

**Unified command.** A command with a broad continuing mission under a single commander and composed of significant assigned components of two or more U.S. services, which is established and so designated by the President, or, when so authorized by the Joint Chiefs of Staff, by the commander of an existing unified command established by the President. More commonly referred to as a combatant command, which can be either a geographic combatant command or a functional combatant command.

**U.S. Army Corps of Engineers (USACE).** The U.S. Army's principal engineering design, construction, research, and development organization. USACE is an implementing agency responsible for accepting LORs and developing LOAs related to FMS construction and related services.

**United States Code (U.S.C.).** A consolidated code, organized by subject matter, of the general and permanent laws of the United States. The U.S.C., published by the Office of the Law Revision Counsel of the U.S. House of Representatives, is divided into 53 titles and represents a concise, current summary of primary U.S. federal law.

## V

**Veto.** Disapproval by the President of a bill or joint resolution (other than one proposing an amendment to the Constitution).



When Congress is in session, the President must veto a bill within ten days (excluding Sundays) of receiving it; otherwise, the bill becomes law without the President's signature. When the President vetoes a bill, it must be returned to the house of origin with a message stating the President's objections.

## W

**War reserve stocks (WRS).** Any collection of defense articles, supplies, or commodities held in reserve at a pre-positioned storage location to be used, if required, during wartime.

**Worldwide Warehouse Redistribution Service (WWRS).** A tri-service program that redistributes excess spare parts and support equipment acquired by FMS customers for resale to other FMS customers.



# INDEX

## SYMBOLS

5th Quarter 14-13  
505 Agreement 2-12

## A

Above-the-Line Transportation Services: 12-23  
Accelerated Case Closure  
    Procedures (ACCP) 5-20, 5-21, 12-41  
    Suspense Account Statement 12-38  
Acceptance 8-2  
Acceptance and Use of Real Property 13-17  
Accessorial Costs 12-23  
ACCP 5-20, 5-26  
A Comparison of Foreign Military Sales and Direct Commercial sales 15-1  
Acquisition 9-1  
    cross-servicing agreements (ACSA) 13-16  
    category 13-3  
    process 9-1  
    program manager 13-3  
ACSA Global Automated Tracking and Reporting System (AGATRS) 13-16  
Active Case Reconciliation 12-39  
Adaptive Planning and Execution system 19-1  
Additional Issues and Concerns 4-18  
    Provisions Relating to NATO, NATO Members 2-25  
administrative and technical 4-18  
Administrative Charges 12-26  
    Contracting Officer 9-17  
    Support 4-11  
    surcharge 12-26  
Adverse Financial Conditions Reports 12-15  
advisory and training assistance 2-12  
Advocacy Center 4-15  
AECA 2-2  
Aerospace Maintenance and Regeneration Group (AMARG) 10-32  
AFSAT 14-7, 14-12  
Air Force  
    Security Assistance Training (AFSAT) 3-21, 14-7  
Air Force Security Assistance and Cooperation 3-21  
Air Force Security Assistance and Cooperation (AFSAC) Directorate 5-23  
Air Force Security Assistance Training (AFSAT) Squadron 5-23, 14-7  
Air Mobility Command 11-2, 11-15  
Ambassador 3-8, 4-3  
American Language Course Placement Test (ALCPT) 14-11  
Annual  
    Case Reviews 12-14  
    Performance Plan and Report 19-26  
    Planning Conference 19-21  
    Planning Meetings 19-20

Anti-Boycott 2-25  
Anticipated Offer Date (AOD) 5-13, 5-26, 6-3  
Antideficiency Act 12-15  
Anti-Personnel Land Mines 2-33  
anti-tamper protection 8-5  
Antiterrorism/Force Protection 14-16, 7-5  
Antiterrorism funds 17-5  
appropriations 2-4  
Appropriations Acts 2-3  
Arms, Ammunition, and Explosives (AA&E) 11-7, 11-9, 11-10, 11-11, 11-17  
Arms Export Control Act (AECA) 2-1, 7-4  
Arms Sales 2-9  
Arms Sales Proposal 2-24  
Army  
    Corps of Engineers (USACE) 3-17, 10-31  
    DASA DE&C 5-23  
    Material Command 3-17  
    Medical Comma 3-17  
    Medical Material Agency 3-18  
    Security Assistance Command 3-17  
    Security Assistance Training Field Activity (SATFA) 3-17, 14-7  
    Training and Doctrine Command 3-17  
Arrival Message 14-27  
assessment of risk 19-14  
assessments 19-14  
Assistance-in-Kind 17-5, 17-13  
Assistant Secretary for Special Operations/Low Intensity Conflict [ASD (SO/LIC)] 3-10  
Authorization Acts 2-1  
Authorized Charges 12-21  
Automated Export System 11-15  
Availability of Funds 2-8  
Aviation Leadership Program (ALP) 14-4

## B

Base Price 12-17  
Basic Policies 2-9, 2-17  
    Transportation Policy 11-2  
    Transportation Terminology 11-1  
benefitting countries 6-6  
Best Effort 8-5  
Bilateral  
    Consultative process 8-17  
Billing 12-28  
    Cycle 12-32  
    Discrepancies 10-39  
    Statement 12-33  
Blanket Order Case 5-17, 6-1, 6-2, 6-3, 6-17, 6-18  
Blue Lantern Program 18-8  
Brooke-Alexander Amendment 2-14  
Budget  
    Authority 12-7

- Cautions and Problems 17-11
- Execution 17-11
- Preparation 17-10
- Processes 17-9
- Building
  - Key Relationships 4-3
  - Partner Capacity (BPC) 5-20, 5-22, 6-4, 6-5, 10-40, 11-32
- Bureau
  - of Political-Military Affairs 3-5
  - Resource Request 19-26
- Buyer and Seller Relationship 8-4, 9-3

## C

- Cancellation Penalties 14-23
- Capabilities-Based Analysis 19-12
- Capital Security Cost Sharing 17-22
- Cargo Preference Act 11-12
- Carrier 11-1
- CAS 15-16
- Case
  - Closure 5-18, 5-20, 5-21, 12-41
  - Certificates 12-43
  - Estimated Dates 12-43
  - in DIFS 12-44
  - Inhibitors 12-43
  - Priorities 12-43
  - Transactions 12-43
  - Suspense Account (CCSA) 5-20
- Designator 6-7, 6-8, 6-9
- Development 5-2, 5-14
  - Offer 5-8
- directive 5-14
- Execution 5-3, 5-14
- funded personnel 17-13
- Identifier 6-6
- Management 4-9
  - Control System (CMCS) 5-15
- Manager (CM) 5-11, 5-16, 5-17, 9-3
- Reconciliation 12-38, 12-39
- Reviews 5-18, 12-14
- Writing Division 12-3
- Categories of LOAs 6-1
- Category I small arms 2-22
- CCMD Campaign Planning 19-2
- Centralized Integrated System for International Logistics (CISIL) 5-15, A-5
- CG-DCO-I 14-10, 14-12
- Change of end-use 18-9
- Changes to the Letter of Offer and Acceptance 8-17
- Chemical and biological (C/B) weapons 2-33
- Chief of Mission 4-3, 19-12
- Child Soldiers 2-14
- CICA 9-5
- Civilian control of the military 16-5

- Classified
  - Materiel 11-6
  - shipments 11-5
  - Training 14-22
- Cluster munitions 2-34
- Coast Guard
  - International Affairs and Foreign Policy 14-10
  - Director of International Affairs & Foreign Policy (CG-DCO-I) 14-7
- Code of Federal Regulations (CFR) 2-6
- Combantant
  - Command 4-8, 14-10, 17-7
  - Activities 2-11
- Combatant Command (CCMD)
  - Responsibilities 11-15
  - Campaign Plans 19-3
- Combatant Commander Initiative Fund 17-3
- Combating Terrorism Fellowship Program (CTFP) 14-15
- Combination of Foreign Military Sales and Direct Commercial Sales 15-4
- Combined Education and Training Program Plan 14-12, 19-27
- Combined Education and Training Program Plan (CETPP) 14-11, 14-12, 14-20
- Command Post Exercises 1-11
- Commerce Control List 4-15
- Commercial
  - Attaché 4-15
  - Banking Account (CBA) 12-7
  - Buying Services 10-25
  - export license 15-2
- Competent
  - Authority Approval (CAA) 11-9, 11-10, 11-34
  - Parties 8-2
- Competitive Source Selection 9-8
- Compliance Assessment Visit 18-6, 18-7
- Component Acquisition Executive 13-3
- Comprehensive Cost and Requirements (CCaR) 17-10
- Concurrent Foreign Military Sales and Direct Commercial Sales Negotiations 15-5
- Conflicts of interest 4-20
- Congress 3-1
- Congressional
  - Budget Justification (CBJ) 2-13, 19-26
  - Notification 5-10
  - Joint Resolutions 2-24
  - Notification 2-21, 5-10, 15-6
  - Congressional Review 2-21
- Consideration 8-2
- Consignee 11-1
- Consolidation 11-4
- Constitution of the United States of America 16-2
- Construction Sales 2-19
- Consul General 4-6
- Contacts 1-11
- Contingency Planning Guidance 19-3

- Contingent Fees 9-12
- Continuing Resolution Authority (CRA) 2-4
- Contract
  - Administration Services (CAS) 2-26, 15-16, 5-25, 8-1, 9-7, 9-16, 9-17, 12-22
  - audit 9-18
  - Discussions 9-13
  - Field Services (CFS) 10-35
  - Negotiations 9-14
  - Options 9-10
  - Pricing 9-11, 9-14
  - Relationship 9-3
  - Release 9-14
  - Source Selection 9-5
  - Structure 9-14
  - Types 9-9
- Contracting for
  - BPC Programs 9-22
  - Foreign Military Sales 9-3
  - Officer (CO) 9-3
  - Officer Involvement 9-11
- Contractor Support 10-21
- Controlled
  - Cryptographic Items 11-11
  - Inventory Item Code (CIIC) 11-6, 11-7
- Conventional
  - Arms Restraint 2-11
  - Arms Transfer Policy 2-36
- Cooperative
  - Logistics 13-6, 13-15
  - logistics supply support arrangement (CLSSA) 5-17, 6-1, 6-3, 10-2, 10-4, 10-7, 10-21, 10-23, 10-27, 10-44
  - Military Airlift Agreements 13-17
  - Project 2-27
  - Research, Development, and Acquisition 13-13
  - Research, Development, and Acquisition Programs 13-6
- Cost Remimbursement 9-10
- Counternarcotics 17-4
- Countersignature 5-12
- Country
  - Code 6-6
  - Clearances 4-17
  - Development Cooperation Strategy (CDCS) 19-10, 19-25
  - director 5-8
  - level objective 19-16
  - Level SC Planning 19-9
  - Liaison Officers 14-28
  - Plans 19-9
  - Specific EUM 18-5
  - Specific Legislation 2-31
  - Specific Security Cooperation Section 19-20
  - specific Security Cooperation Section (CSCS) of the TCP 19-1
  - Team 4-4
  - Team Assessment (CTA) 5-7

- Credit Sales 2-18
- Cross-Leveling 12-38
- CSP 5-11
- CTA 5-7, 5-25
- CTFP 14-11, 14-15
- CTIWFP 14-4, 14-12
- Customary International Law 16-4
- Customer
  - Involvement 9-13. See also OUSD AT&L/DPAP Memorandum
  - Participation. See DSCA Policy Memorandum 09-06
  - Participation in Contracting 15-15
- Customs Clearance 11-18

## D

- Dangerous Goods Shipments 11-5
- DCS 15-1, 15-16
  - licensing 15-2
  - preference 15-3
- DD Form 645 12-33
  - Example 12-34
- Defense
  - Acquisition Executive 13-3
  - Acquisition System (DAS) 13-2
  - Acquisition University 9-1
  - Contract Audit Agency (DCAA) 3-16, 9-17
  - Contract Management Agency (DCMA) 3-15, 11-15, 9-17
  - Federal Acquisition Regulation Supplement (DFARS) 9-5
  - Finance and Accounting Service 3-11
  - Finance and Accounting Service in Indianapolis (DFAS-SCA) 5-14
  - Finance and Accounting Service, Security Cooperation Accounting 12-2
  - Information Systems Agency (DISA) 3-16, 5-24
  - Institute of International Legal Studies 3-15
  - Institution Building 1-9
  - Language Institute English Language Center (DLIELC) 3-16, 14-6, 14-11, 14-7
  - Logistics Agency (DLA) 3-15, 5-24, 10-2, 10-8
    - Disposition Services 10-29, 10-34
    - Information Service 10-11, 10-34
  - Personnel Exchange Program 13-11
  - Security Assistance
    - Agency 1-1
    - Management System (DSAMS) A-6, 5-8, 5-15
    - Management System Training Module (DSAMS-TM) 14-28, 14-30
  - Security Cooperation Agency (DSCA) 1-1, 3-14, 4-9, 5-25, 12-2, 14-5
    - Case Writing Division (DSCA-CWD) 5-12
  - Security Service 3-11
  - Technology Security Administration 3-9
  - Technology Security Administratio 3-9
  - Threat Reduction Agency (DTRA) 3-11, 3-16

- Threat Reduction Agency (DTRA) 5-25
- Trade 13-6, 13-14
- Transportation System (DTS) 11-1, 11-2, 11-15, 11-18, 11-21, 11-33
- Working Capital Fund (DWCF) 12-17
- Defined Order 5-17, 6-1
- Defined Order Case 6-1, 6-3, 6-11, 6-12, 6-13, 6-14, 6-15, 6-16
- Definition and Purpose of the Security Cooperation Organization 4-1
- Definitization 10-18
- Delivery
  - Listing 12-33, 12-35
  - reporting 12-30
  - Source Code 12-31, 12-45
  - Miscellaneous Charges 12-47
  - Performance of DoD Services Under AECA Section 21 or 22 12-45
  - Procurement for FMS Purchasers Under AECA Section 22 12-46
  - Sale of Articles Under AECA Section 21 12-45
  - Special Defense Acquisition Fund 12-47
  - Unique FMSO Charges 12-46
  - Term Code 11-22, 11-24
  - Transaction Reports 12-29
  - transactions 12-29
- Demining 17-4
- Demurrage 11-13
- Department of
  - Commerce 3-9, 4-15
  - Commerce's EUM Program 18-9
  - Defense 3-9
  - Defense Logistics Organizations 10-4
  - Defense State Partnership Program (SPP) 1-13
  - Homeland Security 3-8
  - Justice 3-8
  - State 3-4, 16-7
  - State (DOS) Planning 19-24
  - the Army 3-17
  - the Air Force 3-20, 3-21
  - the Navy 3-19, 3-20
  - Transportation 3-9
  - Treasury 3-8
- Dependable Undertaking 5-8
- Dependent Education 17-15
- Depleted uranium (DU) anti-tank shells 2-32
- Deployment and Distribution Operations Center (DDOC) 11-15
- Depot Maintenance 10-3
- Deputy
  - Assistant Secretary of the Army for Defense Exports and Cooperation (DASA/DE&C) 3-17, 13-8, 5-22, 14-6
  - Chief of Mission 4-4
  - Under Secretary of the Air Force for International Affairs (SAF/IA) 5-23, 14-6
- Designated Government Representative (DGR) 11-6, 11-

- 12, 11-16
- Desired Security Role 19-10
- Detention 11-13
- DFAS-SCA 5-14, 17-8
- DIMEFIL 19-4
- Diminishing Manufacturing Sources and Material Shortages (DMSMS) 10-24
- Diplomatic
  - immunity 4-18
  - missions 3-8
- Direct
  - Cite 12-8
  - Commercial Sales (DCS) 1-6, 2-19, 2-22, 15-1, 15-3, 15-16
  - Commercial Sales with Foreign Military Financing 15-15
  - direct offset 9-19
- Directorate of Defense Trade Controls 3-5
- Director of International Cooperation 3-11
- Discrepancy Report 10-36, 10-40
- DISCS LOR Writing Guide, under "Resources." 5-6
- Disposal 18-11
- Dispute Resolution 8-17
- Disputes 8-17
- Distinguished Visitor 4-17
- DLA Disposition Services 3-15, 10-29
- DLA Logistics Information Service 3-15, 10-12
- DLIELC 14-11, 14-18
- DoC EUM 18-9
- DoD End-Use Monitoring 18-1
- DOD Stock Inventory 12-18
- DOTMLPF-P 19-11, 19-14, 19-16
- Drawdown 1-5, 2-19
  - Authorities 2-19
- DSAMS 5-11, 5-14, 5-22
- DSAMS-TM 14-30
- DSCA-CWD 5-14
- DSCA Policy Memorandum 09-60. See Customer Participation

## E

- ECL 14-18
- Economic
  - and social development 2-10
  - Counselor 4-5
  - Support Fund 1-5
- Education 1-10
- E-IMET 14-2, 14-3
- Eligibility for Sales 2-12
- Emergency
  - Drawdown Authority 14-3
  - (Humanitarian) Leave 17-19
- End-of-Year IMET Reallocation 14-13
- Ends 19-1
- End-Use
  - Monitoring (EUM) 2-24, 8-9, 18-1



- Monitoring and Third Party Transfers 18-1
- Funding Requirements 18-5
- Engineer and Scientist Exchange Program (ESEP) 13-6, 13-11
- English
  - Comprehension Level (ECL) 14-11, 14-17, 14-18
  - Language Training 14-17
- Enhanced EUM 18-3
  - End Use Monitoring (EEUM) inspections 17-19
  - Freight Tracking System (EFTS) 11-12, 11-17
- Equipment Disposal 10-34
- Ethics 4-20
- Evaluation and Planning 4-11
- Event Planning 19-21
- Excess
  - Defense Articles (EDA) 1-7, 2-28, 10-28, 10-40, 11-12, 12-18
  - Property 10-28
- Exchanges 1-12
- Exchange Training 14-3
- Execution 5-14
- executive
  - agents 17-7
  - Branch: The President 3-2
  - Order 13526 7-5
- Exercises 1-11
- EX-number 11-10
- Expanded-International Military Education and Training Program (E-IMET) 1-4, 14-2
- Expeditionary Requirements Generation Team (ERGT) 2-11, 5-6
- Expenditure Authority 12-8
- Explosives Hazard Division Definitions 11-8
- Exported Training 14-20
- Extended Training Service specialists (ETSS) 10-35

## F

- Fair Share Sustainment Programs 10-30
- Familiarization Assessment Visit 18-6
- Federal
  - Acquisition Regulation (FAR) 9-5
  - Logistics Information System (FLIS) 5-24, 10-11
  - Register (FR) 2-7
  - Reserve Bank (FRB) Accounts 12-6
  - Supply Catalogs 10-12
- Field
  - Maintenance 10-3
  - Studies Program (FSP) 14-7, 14-27
  - Training Exercises 1-11
  - Training Services 14-21
- Financial
  - and Logistics Databases A-3
  - Considerations 14-22
  - Discrepancies 10-43
  - Forecast 12-36
  - Forecasting 12-11

- Management 12-1
- Management Review 12-2
- Five Rs 16-8, 16-15
- Fixed Price 9-9, 9-10
- Flight Training 14-19
- Flow of
  - Funding 17-6
  - Authority For The Security Cooperation Office 17-6
  - Funds 12-5
- FMF Administration funds 17-2
- FMS 14-11, 15-1
  - Billing Statement 12-34
  - case reviews 5-18
  - /DCS 15-2
  - Only 15-1, 15-3
  - Sales Forecast Report 19-29
- Focused Verification Checks 18-7
- Follow-on
  - Support 10-19
  - Support Acquisition 9-4
- Force/activity designators (FADs) 10-13
- Force Protection funds 17-5
- Foreign
  - Assistance Act (FAA) 2-1, 4-1
  - Clearance Guide 4-17
  - Comparative Testing 13-6, 13-12
  - Military Construction
    - Sales 2-19
    - Services 1-2
  - Military Financing 15-15
  - Military Financing Program (FMFP) 12-8, 15-5
    - for Direct Commercial Contracts 12-10
  - Military Sales (FMS) 1-2, 2-21, 9-1, 15-1
    - Act 2-2
    - Administration 17-2
    - Administration Funds 17-2
    - Billing Statement 12-33
    - Case 5-1, 6-1
    - Contracting Considerations 9-11
    - Delivery Listing 12-33
    - Financial Forecast 12-36
    - Incremental tuition prices 2-26
    - Notifications 2-21
    - Order I 10-22
    - Order II 10-22
    - Order Storage 12-27
    - Process 5-1, 5-2, 5-27
    - Record Positions 10-10
    - Trust Fund 12-4
    - versus DCS 15-13
    - versus Direct Commercial Sales (DCS) 15-6
    - with Offsets 15-15
- Financing (FMF) 14-15
  - Program 1-2
  - Program (FMFP) 14-3
  - Program Funding 15-5

- Foreign Policy 2-10
- Freight
  - Forwarder 11-1, 11-6, 11-11, 11-19
  - Forwarder Code 11-25
- FSP 14-7, 14-27
- Functional
  - Bureau Strategies 19-3
  - Bureau Strategy 19-4, 19-25
  - Campaign Plans 19-3
- Funded Environmental and Morale Leave (FEML) 17-19
- Funding Sources 17-1
- Funds 17-2
  - Management 12-4

## G

- Gaps 19-13
- General
  - English Training (GET) 14-18
  - Funds Enterprise Business System (GFEBS) 5-15
- Geographic Combatant Command (GCC) 3-12
- geospatial intelligence (GEOINT) 5-24
- Gifts 4-20
- Global
  - Campaign Plans 19-3
  - Financial Service Center 17-8
  - Military Marketplace 9-1
  - Peace Operations Initiative 1-5
  - Theater Security Cooperation Management Information System 19-28
- Golden Sentry Program 18-1
- Government
  - furnished equipment (GFE) 2-19
- Grant
  - Aid 2-12
  - Transfer 2-29
- gratuities 4-20

## H

- Hazardous Material (HAZMAT) 11-5
- hindering the proliferation of weapons of mass destruction 2-10
- Holding Account 12-5
  - Codes 12-37
  - Statement 12-36
- Host
  - Country Relationships 4-9
  - Nation-Funded Training 14-13
  - Nation Support 13-16
- House
  - Appropriations Committee (HAC) 2-5
  - Armed Services Committee (HASC) 2-3, 3-2
  - Foreign Affairs Committee (HFAC) 2-3
  - of Representatives Committee on Foreign Affairs 3-1
- Housing 17-17
- Humanitarian
  - Assistance 1-10, 17-4

- Demining Training Center 3-15
- Human
  - Resources 17-12
  - Human Rights 3-6, 16-1, 2-15
    - and Related Concepts 16-1
    - and the Foreign Assistance Program 16-6
  - Instruments and Authority 16-1
- Hybrid FMS/DCS 15-14

## I

- ICASS
  - budget 17-21
  - Council 17-21
- ILCO 5-17, 5-22, 5-23
- IMET 2-8, 14-2, 14-3, 14-5, 14-11, 14-12, 14-13, 14-15
- Implementation 5-14
- Implementing Agency (IA) 5-1, 5-21
  - Code 5-21, 6-7
- Improper Packaging 10-38
- IMSO 14-9, 14-27
- In-Country Event Planning 19-21
- Incremental Tuition 2-26
- Indemnification 8-3, 8-10
- indirect offset 9-19
- Information Exchange Program (IEP) 13-6, 13-9
- Information Technology 17-16
- Initial
  - Assessment 19-4
  - Deposit 12-12
  - Support 10-16
- Institute of Security Cooperation Studies 14-11
- Insurance 8-15, 11-4
- Integrated
  - Country Strategy (ICS) 19-3, 19-25
  - Materiel Management 10-2
- Interest Bearing Accounts (IBA) 12-6
- intermediate
  - military objectives (IMO) 19-5
  - Objectives 19-5
- internal
  - management controls 17-1
  - security 2-10
- International
  - Acquisition Career Path (IACP) 13-17
  - Agreement 18-22, 3-9
  - Armaments Cooperation (IAC) 13-1, 13-5
  - Logistics Communication System (ILCS) 10-14
  - Logistics Control Organization (ILCO) 10-6, 10-36, 10-40, 10-41, 10-42, 10-44, 11-14, 11-26
  - Military Education and Training (IMET) 14-1
  - Military Student Office (IMSO) A-1
  - Military Student Office(r) (IMSO) 14-27
  - Security Assistance Network web (I-SANweb) A-2
  - Traffic in Arms Regulations (ITAR)
    - Exemption 123.4 (unclassified) 10-27

## International

- Acquisition Career Path 13-17
- Armaments Cooperation (IAC) 1-9, 13-5, 17-4
- Armaments Cooperation Programs 13-9
- Cooperative Administrative Support Services (ICASS) 17-21
- Logistics Control Office (ILCO) 5-22
- Logistics Control Organization (ILCO) 5-17, 10-6
- Military Education and Training 1-4, 14-1, 14-3, 14-13
- Military Education and Training Objectives 14-2
- Military Student Officer (IMSO) 14-27
- Military Student Offices (IMSO) 14-8
- military training 14-1
- Narcotics Control and Law Enforcement (INCLE) 14-4
- Security Assistance Network and Partner SC-TMS A-2
- Security Assistance Network (ISAN) 14-28
- Traffic in Arms Regulations (ITAR) 2-2, 5-6
- Training 14-1
- Training Management 14-28
- Training Management Website 14-29
- Vetting and Security Tracking 14-25
- Introduction 1-1, 2-1, 3-1, 4-1, 5-1, 6-1, 7-1, 8-1, 8-1-8-24, 9-1, 10-1, 11-1, 12-1, 13-1, 14-1, 15-1, 16-1, 17-1, 18-1, 19-1, A-1
- Introduction to Security Cooperation 1-1
- Inventory Control Point (ICP) 10-2, 10-4
- Investigation Visit 18-7
- Invitational Travel Order (ITO) 14-11, 14-13, 14-26, 14-27, 14-30, 14-33, 14-34, 14-35
- ISAN 14-28
- ISANweb 14-30
- ISP 5-11
- Item Manager (IM) 9-4
- ITO 14-27

## J

- Javits Report 19-29
- Joint
  - Capabilities Integration and Development System (JCIDS) 13-2, 19-16
  - Chiefs of Staff 3-12
  - Functions 19-15
  - Hazard Classification System (JHCS) 11-10
  - Manpower Program 17-12
  - Joint Regional Strategy 19-3, 19-4, 19-25
  - Security Cooperation Education and Training (JSCET) Regulation 14-4
  - Strategic Campaign Plan 19-3
  - Strategic Plan 19-3, 19-25
  - Strategic Planning System 19-3
- Judicial Branch: The Courts 3-2

## K

- Key Leader Engagement 19-17

## L

- Language Proficiency Pay 17-20
- Lawful Purpose 8-2
- Laws 14-25
- Leahy
  - Amendment 2-11, 14-24
  - Laws 14-25
  - Vetting 14-25
- Leases(s) 1-3, 8-19
- Leases of 2-23
- Legal
  - Authorities and Regulations 14-1
  - Status 4-18
- Legislated Management of Security Assistance Funding 2-8
- Legislative Branch: The Congress 3-1
- Legitimate self-defense 2-10
- Letter of
  - Offer and Acceptance (LOA) 5-1, 5-4, 5-13, 6-1
  - Data 5-8, 5-11
  - Request Checklist 5-5
  - Request (LOR) 5-3, 5-6, 5-8, 5-9, 5-10
  - Advisory 5-9
  - Format 5-4
- Level of Repair 10-18
- Liaison
  - Functions 4-12
  - officers 10-7
- Life Cycle Logistics Support Planning Process 10-15
- Lines of
  - Activity (LOA) 19-8
  - Lines of Effort (LOE) 19-8
- LOAD 5-11
- LOA data (LOAD) 5-4
- Loans 8-21
- LOA Standard Term And Conditions 8-1
- Locally Employed Staff 17-13
- Logic Framework 19-6, 19-7
- Logistics 10-1
  - Communications 10-14
  - Support Charge (LSC) 12-28
- LOR 5-4, 5-7, 5-8, 5-25
  - Advisory 5-9
  - Writing Guide 5-5

## M

- Maintainability 10-17
- Maintenance 10-3
- Major
  - Defense Equipment (MDE) 2-21, 5-6, 6-1, 6-2, 6-3
  - non-NATO allies (MNNA) 2-26
  - System Acquisition 9-4
- Management
  - Control Program 17-1
  - Information System for International Logistics (MISIL) 5-15, A-4
  - Officer 4-6

Managing for Results 19-24  
 Marine Corps Security Cooperation Group (MCSCG) 1  
     3-19, 4-7, 14-10  
 Marine Corps Systems Command 3-19  
 Maritime Administration 3-9  
 Mark-for code 11-24  
 MASL 5-11  
 MCSCG 14-12  
 MDE 5-9  
 means 19-1  
 Measures of  
     Effectiveness 19-5  
     Performance 19-5  
 Medical  
     Coverage 14-26  
     Screening 14-26  
 Memorandum of Understanding (MOU) 5-3  
 METs 14-21  
 Military  
     Articles and Services List (MASL) 5-11  
     Assistance Program 1-3  
     Assistance Program Address Code (MAPAC) 11-28  
     Assistance Program Address Directory (MAPAD) 11-6,  
         11-12, 11-14, 11-15, 11-17, 11-18, 11-21, 11-25,  
         11-34  
     coup d'état 2-15  
     Departments (MILDEPs) 3-16  
     Justice 16-6  
     Service training activities 14-7  
     Standard Requisitioning and Issue Procedures (MIL-  
         STRIP) 10-9, 10-14, 10-33, 11-14, 11-21, 11-25,  
         11-28, 11-34  
     Sealift Command 11-2  
     Standard Requisitioning and Issue Procedures 11-25  
     -to-Military (M2M) 1-11  
 Miscellaneous SCO Functions 4-16  
 Missile  
     Defense Agency (MDA) 3-16, 5-25  
     Technology Control Regime  
     Missile Technology Control Regime (MTCR) 2-32,  
         2-33, 8-9  
 Mission Resource Request (MRR) 19-20, 19-25  
 Mobile  
     Education Teams (METs) 14-3, 14-7, 14-21  
     Training Teams (MTTs) 14-9, 14-10, 14-15, 14-21  
 Morale, welfare and recreation funds 17-5

## N

National  
     Defense Authorization Act (NDAA) 2-3  
     Defense Strategy 19-3  
     Geospatial-Intelligence Agency (NGA) 3-16, 5-24  
     Military Strategy 19-3  
     Security Agency (NSA) 3-16, 5-24  
     Security Council 3-2, 19-12  
     Security Strategy 19-2

NATO 2-25  
 Naval  
     Education and Training Security Assistance Field Activi-  
         ty (NETSAFA) 3-19, 5-23, 14-7, 14-9  
     Supply Systems Command Weapons Systems Support  
         (NAVSUP WSS-N52) 5-23  
 Navy  
     International Programs Office (Navy IPO) 3-19, 5-23,  
         13-8, 14-6  
     Navy Supply Command Weapon Systems Support 3-19  
 NC 15-10  
     waiver 15-10  
 Needs Analysis 19-13  
 Negotiation 9-9  
 NETSAFA 14-7, 14-9, 14-12, 14-15  
 NGA 5-24  
 Non-Accelerated Case Closure Procedures (Non-ACCP)  
     5-20, 12-42  
 noncompetitive procurement 9-6  
 Nongovernmental organizations 16-9  
 Nonproliferation, Antiterrorism, Demining, and Related  
     Programs 1-6  
 Nonrecurring Costs (NC) 2-25, 12-21, 15-10  
 Nonstandard  
     Acquisition 9-5  
     Items 15-12  
 North Atlantic Treaty Organization (NATO)  
     Codification System (NCS) 10-11  
 Notice of Availability 11-12, 11-19  
 NSDM 119 7-5

## O

Obligational Authority (OA) 5-14, 12-8  
 Obligations 2-8  
 Observer Training 14-20  
 Obsolescence 10-24  
 Offer 8-1  
     Expiration Date (OED) 5-14  
     Release Code 11-25  
 Office of Management and Budget 3-2  
 Official Visitors 4-16  
 Offset 15-14, 8-9, 9-19  
     Costs 9-21  
     Policy 9-20  
     offer a mechanism for the 15-15  
 On-the-Job 14-20  
 Operational  
     Support 1-9  
     Test and Evaluation (OT&E) 5-9  
 Operations and Maintenance (O&M) Funds 17-2  
 Oral Proficiency Interview (OPI) 14-18  
 Orientation Tours 14-20  
 Other Logistics Support Programs 10-30  
 other than full and open competition 9-7  
 Overseas  
     housing allowance 17-5

Housing Policies 17-17  
Humanitarian Assistance Shared Information System  
(OHASIS) 19-28  
Humanitarian, Disaster and Civic Aid 19-28

## P

P&A 5-26  
Packing, Crating, and Handling (PC&H) 12-23  
P&A/LOA 5-22  
participate in regional or collective arrangements 2-10  
Partner SC-TMS (P SC-TMS) 14-28, 14-30  
Parts and Repair Ordering System (PROS) 10-25  
Payment Schedule  
    Content 12-12  
    Reviews and Revisions 12-15  
Peacekeeping 2-20  
    Operations 1-5  
Pen and ink changes 8-19  
Performance Based Logistics 10-24  
Personnel Services 12-19  
Personal Services Agreement 17-13  
Planning 19-1  
    Tools and Information Resources 19-27  
PMESII-CTP 19-4  
Police Training 2-12  
Political  
    Counselor 4-5  
    -Military Officer 4-5  
    risk 19-14  
Port of  
    Debarkation (POD) 11-1  
    Embarkation (POE) 11-1  
Post-SSC Reconciliation 12-41  
PPD-23 19-12  
Practical Application of Different Fund Types 17-8  
Pre-Case Development 5-2  
    Preliminary and Definition 5-3  
    Request 5-3  
Pre-Departure Briefing 14-26  
Pre-LOR  
    Assessment Request (PAR) 5-3  
    Transportation Planning 11-33  
Prepositioning 12-27  
Presidential  
    Determination 2-13  
    Policy Directive number 23 (PPD-23) 19-2  
Press 4-16  
Price  
    and availability (P&A) 5-3, 5-4  
    Formula 12-17  
Pricing 12-16  
    Elements 12-16  
Problem Analysis 19-13  
Procurement Sales 2-18  
Procuring Contracting Officer (PCO) 9-4, 9-17  
Production Priority 15-11

Product Quality Deficiency Reports 10-43  
Professional Military Education 14-19  
Program  
    Budget, and Accounting System (PBAS) 5-15  
    Management 9-4  
    management office 13-5  
    Management Reviews 5-18  
    manager (PM) 13-3  
    master plan 5-17  
    Monitoring 4-10  
    Suspensions 10-44  
progress payments 9-18  
Provisioning 10-16  
Pseudo Letter of Offer and Acceptance (LOAs) 6-1, 6-4  
public affairs officer 4-6  
Publications Support 10-32  
Purchaser Sources of Funds 12-6

## Q

Quality  
    assurance 9-18  
    assurance teams (QATs) 10-35  
    Deficiencies 10-37

## R

Rationalization, Standardization, and Interoperability 4-11  
Reconciliation 5-19  
Recovery of Cost 8-13  
References 1-15, 2-34, 3-22, 4-22, 5-26, 6-10, 8-22, 9-26,  
    10-45, 11-34, 12-44, 13-19, 14-31, 15-17, 16-10, 17-  
    24, 18-13, 19-30, A-11  
Regional  
    Campaign Plans 19-3  
    Security and Arms Transfer Policy 3-5  
    Security Officer 4-7  
    Working Group 19-20  
Reimbursable 12-8  
Reliability 10-17  
Repair  
    and Replace 10-27  
    and Return 10-27  
    of Repairables 10-26  
Reports to Congress 2-24  
Representation Funds 17-14  
Reprogramming 2-8  
Request for Proposal (RFP) 5-3  
Requisition 10-7, 10-9  
Resource Management For The Security Cooperation Orga-  
    nization 17-1  
Resourcing 19-18  
Restrictions 2-13, 2-14  
retainable instructional material 14-28  
Right to Cancel 8-5, 8-8  
rough order of magnitude 5-4  
Routine EUM 18-2  
    Check Template 18-3

Royalty 12-27  
Rule of Law 16-5

## S

### Sales

- from Stock 2-18
- Supporting Direct Commercial Sales 15-4
- to United States Companies 2-19

Sample Pseudo LOA 6-19

SAN 14-28

Sanctions and Training Program Restrictions 14-16

SATFA 14-7, 14-8, 14-12

SATMO 14-8

SCETWG(s) 14-10, 14-16, 14-21

SCIP 15-12

- Routine EUM 18-3

### SCO

- Annual Forecasting Documents 19-29

- functions and responsibilities 4-2

- manning 17-13

- Security Assistance Duties 4-9

- Security Cooperation Duties 4-12

Scope 8-17

SC-TMS 14-17, 14-29

Sealed Bids 9-8

### Secretary

- of State 3-4

- of the Air Force for International Affairs 13-8, 14-6

Section 30 15-4

Security Assistance (SA) 1-2, 2-1

- Administrative Trust Fund 17-2

- Management Information System (SAMIS) A-5, 5-15

- Management Manual (SAMM) 5-1

- Network (SAN) 14-7, 14-28, 14-29, 19-27, A-1

- Policy 2-9

- Program Budget Review 17-10

- Program & Budget Web Tool 19-27

- Surveys 2-11, 5-6

- Training Field Activity (SATFA) 5-22, 14-7

- Training Management Organization (SATMO) 14-7, 14-8

- Training Management Office (SATMO) 5-22

Security Cooperation 1-7, 2-1

- Acquisition Policy and Process 9-1

- Automation Appendix A-1

- Education and Training (SCET) Teams 4-13-4-15

- Education and Training Working Group (SCETWGs) 14-10, 14-12, 19-21, 19-27

- Enterprise Solution (SCES) A-7

- Information Portal (SCIP) 5-12, 5-15, 10-15, 11-12, 11-17, 15-12, 19-27, 19-28, A-7

- Initiatives 19-8

- Office 11-16, 14-11

  - Budget 17-10

  - Budget Execution 17-11

  - Budget Organizations 17-6

Budget Preparation 17-10

Budget Processes 17-9

Personnel 17-12

Security Assistance Budget Cautions and Problems 17-11

Organization 2-15, 3-13, 4-1, 12-3, 17-6

- Functions and Responsibilities 4-2

- Selection 17-14

- size 2-16

- Overseas 4-1

- Program Suspensions 10-44

- Security Cooperation - Training Management System (SC-TMS) 14-12

- Training Management System (SC-TMS) 14-27, 14-28

- Transportation Policy 11-1

Security Force Assistance 1-13

Security Risk Categories (SRC) 11-8, 11-9

Security Sector Assistance (SSA) 19-2

### Senate

- Appropriations Committee (SAC) 2-5

- Armed Services Committee (SASC) 2-3, 3-2

- Committee on Foreign Relations 3-1

- Foreign Relations Committee (SFRC) 2-3

- Senior Defense Official/Defense Attaché (SDO/DATT) 4-1, 4-7

- Housing 17-18

### Sensitive

- Materiel 11-6

- Shipments 11-7

Shelf Life Items 10-38

### Shipment

- Discrepancies 10-37

- of Building Partnership Capacity Letter of Offer and Acceptance Materiel 11-32

Shipper 11-2

Shipping Documentation 11-17

ship-to address 11-14

Significant Military Equipment (SME) 5-6, 2-21, 6-1, 6-2, 6-3

### Simplified

- Acquisition Procedures 9-8

- Nonstandard Acquisition Process (SNAP) 10-25

Single Vendor Integrity 10-23

Site survey 5-6, 10-16

Slip Law 2-5, 2-6

Small Parcel Shipments 11-4

SMART™ (Specific, Measurable, Achievable, Relevant and Results-oriented, Time-bound 19-6

SME 5-25

Sole Source 9-7, 15-14

- Foreign Military Sales 15-15

- Procurement 10-23

Solicitation 9-11

Solutions 19-16

Solutions Analysis 19-14

Source Selection 9-5, 9-13



## Special

- Assignment Airlift Mission 11-13
- Assignment Airlift Missions (SAAM) 11-16, 11-33
- Billing 12-39
- Defense Acquisition Fund 2-27
- Defense Acquisition Fund (SDAF) 2-27
- Defense Acquisition Fund (SDAF) 9-23
- Operations/Low Intensity Conflict 3-10
- Presidential Waiver Authority 2-21
- Topics in SCO Budgeting 17-14
- Specialized English Training (SET) 14-19
- Staffing at Diplomatic Missions 17-26
- Staging 12-27
- Standardized Training List (STL) 14-11, 14-12, 14-32
- Standards
  - of Conduct 4-20
  - Standard Terms and Conditions 8-3
- Standby Letter of Credit 12-13
- State/Foreign Operations, and Related Programs Appropriations Act (S/FOAA) 2-4
- State Partnership Program 1-13
- status of forces agreements 4-19
- STINGER Missiles 2-32
- Storage 12-28
- Student Administration 14-23
- Student Selection 14-23
- Substitute Items 10-37
- Summary 1-15, 2-34, 3-22, 4-21, 5-25, 6-10, 8-22, 9-25, 10-44, 11-34, 12-44, 13-19, 14-31, 15-17, 16-10, 17-23, 18-12, 19-29, A-11
- Supply 10-2
  - Discrepancies 10-36
  - Discrepancy Report (SDR) 10-37, 10-40, 10-42, 11-20
  - Service Complete (SSC) 5-19, 12-40
  - support 10-20
  - Tracking and Repairable Return 10-15
- Support to U.S. Defense Industry 4-14-4-15
- Surcharge Matrix 12-48, 12-49
- Surface Deployment and Distribution Command (SDDC) 10-3, 11-2, 11-16, 11-17, 11-33
- Sustainment Support 15-4
- SWOT 19-4
- Symington-Glenn Amendment 2-14
- Synchronization Matrix 19-16
- system 19-1
- Systems Acquisition and International Armaments Cooperation 13-1
- System Support Buyout 10-31

## T

- Table Top Exercises 1-11
- Teams Used to Support Country Logistics Requirements 10-35
- Technical
  - assistance field teams (TAFTs) 10-35, 14-21

- assistance teams (TATs) 10-35
- Coordination Groups 10-30
- Proficiency Training 14-19
- Technology
  - Security and Foreign Disclosure (TSFD) 5-3
  - Transfer Mechanisms 7-4
  - Transfer and Export Control Policy 7-3
- Terms of Sale 12-10
- Test and Evaluation Program (TEP) 13-6, 13-12
- Test Control Officer (TCO) 14-18
- Theater
  - Campaign Plan (TCP) 19-1
  - Level SC Planning 19-1
  - Strategy 19-1, 19-4
  - Strategy Conference 19-20
- theory of change 19-6
- The President 3-2
- The Total Package Approach 10-1
- Third Country
  - Support 10-20
  - Transfers 1-7
- Third-Party Transfer 2-22, 8-8, 18-1
  - and Changes in End-Use 18-9
- Three Major Delivery Elements 11-21
- Title 10 Programs 1-8
- titles 2-6
- Title Transfer 8-14, 11-2
- T-MASL 14-19
- Total Package Approach (TPA) 5-5, 5-11, 5-25, 6-1, 9-3, 10-1, 10-45, 14-14
- Traditional Combatant Commander Activities 17-3
- Trafficking of people (TIP) 2-14
- Train-and Equip 1-7
- Training
  - and Doctrine Command 14-7
  - Management 4-10
  - Management Organizations 14-4
  - Military Articles and Services Listing (T-MASL) 14-18
  - Pricing 12-20
  - Program 14-2
  - Program Automation 14-28
  - Program Development and Implementation 14-12
  - Teams 14-20
- Transportation 10-2, 12-23
  - Bill Code 12-25
  - Control Number (TCN) 10-37
  - Cost Look-Up Table 12-24
  - Discrepancies 10-44, 11-20
  - Discrepancy Reports (TDR) 10-44, 11-18, 11-20
  - Plans 11-6
  - Pricing 11-21
  - Responsibilities 11-13
- Travel 17-18
- Triannual Reviews 12-14
- Tuition Pricing 14-22
- Type Address Code 11-12

## Type(s) of

Address Code 11-28, 11-31

Assistance Codes 12-10

LOAs 6-1

Types and Categories of Training 14-17

## U

Under Secretary of Defense for

Intelligence 3-11

Policy 3-9, 4-8

Uniform Materiel Movement and Issue Priority System  
(UMMIPS) 10-13

United Nations Charter 16-2

United States

Air Force 5-23

Army 5-22

Army Security Assistance Training Management Orga-  
nization (SATMO) 14-8

Coast Guard, International Affairs and Foreign Policy.  
14-10

Code 2-6

Foreign Policy Concerning Democracy and the Rule of  
Law 16-5

Government Sales Supporting Direct Commercial Sales  
15-4

Munitions List (USML) 5-6

Navy 5-23

Navy, Naval Education and Training Security Assistance  
Field Activity. NETSAFA 14-9

Systems Acquisition Process 13-2

Universal Declaration of Human Rights (UDHR) 16-3,  
16-11

Unliquidated Obligation (ULO) 5-20

urgency of need 10-13

U.S.

Agency for International Development 3-7, 4-7

AID Policy Framework 19-25

Army 11-2

Army Corps of Engineers (USACE) 5-22

Army Security Assistance Command (USASAC) 5-22

ASAC 14-12

Defense Industry 4-14

Field Studies Program 14-5

Field Studies Program (FSP) 14-27

Maritime Administration 11-12

Transportation Command 11-2

Useful Websites 11-35

USTRANSCOM Deployment and Distribution Operations  
Center 11-15

## V

Vehicles 17-16

Vetting for US Assistance 16-9

Vienna Convention 4-18

Visits 4-17

## W

Waiver

Authority 2-21

of Nonrecurring Cost Charges 2-25

War Crimes Tribunals Drawdown 2-20

Warranty 8-15, 10-43

War Reserve Stockpiles for Allies 2-30, 13-17

Ways 19-1

Weapons-Specific Legislation 2-32

whole-of-government 19-4

Security Cooperation Planning 19-1

Worldwide Warehouse Redistribution Services 10-31

## Y

Yockey waiver 13-4



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