The Management of Security Assistance

Defense Institute of Security Assistance Management
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PREFACE

Like its predecessors, this 29th edition of *The Management of Security Assistance* incorporates the most current information available to the Defense Institute of Security Assistance Management (DISAM) regarding U.S. security cooperation programs. The effort to maintain currency requires substantial research and analytical study–an ongoing challenge shared by the DISAM faculty. For the most recent updates to individual chapters, readers are encouraged to view the more current online edition of the "Greenbook" provided in the publications section of http://www.disam.dsca.mil.

This edition incorporates the latest official guidance concerning new security cooperation policies and procedural requirements, and has been updated to include the most recently enacted legislation governing security cooperation activities. Of particular interest, this edition is the first to reflect the emerging concepts and realities of Pseudo Letters of Offer and Acceptance (sometimes referred to as "pseudo cases"). Alongside this new development are several changes in terminology. Security Cooperation Office (SCO) has replaced Security Assistance Office, and what used to be a Combatant Commander, or COCOM will hereafter be referred to as a Geographic Combatant Commander (GCC).

In the wake of the Senior Defense Official/Defense Attaché (SDO/DATT) realignment set in motion by DODD 5105.75, *Department of Defense Operations at U.S. Embassies*, there have been several changes to the structure of the principal defense organizations; these are addressed and itemized within. The chapter on transportation policy has also been largely revised to reflect the past year's fundamental transportation policy changes.

Readers should be aware that this is an academic document. It does not set policy, precedent or procedures; it merely describes them as an aid to understanding. The source materials can and do change, often in significant ways and soon after the textbook goes to print. It should be understood that the views, opinions, and conclusions expressed or implied herein are those of the authors or editors only and are not to be construed as representing official policies of the U.S. government or any of its departments and agencies. In every case, the reader is advised to check the pertinent references rather than rely upon the Greenbook for operational and administrative guidance. Each chapter includes a list of references for the reader's convenience. For source documents like the *Security Assistance Management Manual*, which is maintained online, internet addresses have been provided. In the electronic edition, these act as links directly to the site in question.

Although this text was produced specifically for use in DISAM educational programs, it is in the public domain. The quotation or other use of this material is encouraged; however, we request the courtesy of an appropriate citation credit.

Finally, this text represents the collaborative work of a dedicated faculty and editorial team, with much assistance and input from the broader security cooperation community. The editorial staff are responsible for any errors of form or substance found within, and we ask that any such errors detected by the reader be reported to DISAM/DR, Building 52, 2475 K Street, Wright-Patterson Air Force Base, Ohio 45433-7641.

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Chapter

1 INTRODUCTION TO SECURITY COOPERATION

INTRODUCTION

The term security cooperation was first introduced in 1997 by the *Defense Reform Initiative* (DRI). The DRI proposed that certain Department of Defense (DOD) funded international programs along with their personnel and associated resources be managed by what was then the Defense Security Assistance Agency (DSAA) which already had the day-to-day management responsibility of many security assistance programs authorized by the *Foreign Assistance Act* (FAA) and the *Arms Export Control Act* (AECA). To better reflect its enlarged mission and diverse functions beyond security assistance to other agencies, the private sector, and foreign governments; DSAA was redesignated the Defense Security Cooperation Agency (DSCA), effective 1 October 1998.

Management responsibilities for many DOD international programs have been transferred to DSCA in recent years. Many security cooperation programs continue to be managed by other Office of the Secretary of Defense (OSD) agencies, the geographic combatant commanders (GCCs), or the military departments (MILDEPs). What further complicates the management of security cooperation is that the in-country point of contact between the United States government (USG) and the host nation generally is either the Defense Intelligence Agency (DIA)-sponsored defense attaché office (DAO) or the DSCA-sponsored Security Cooperation Office (SCO). These two spigots for security cooperation with a country require a broad knowledge and skill baseline of the very different international programs that are initiated, funded, and managed from throughout the DOD and its agencies and the MILDEPs.

It was not until 9 June 2004 that a formal, yet still very broad, definition of security cooperation was published 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.

Other DOD policy statements identify DOD-managed or administered security assistance programs as major elements 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

DSCA outlines security assistance as twelve major programs in Table C1.T1 of DOD 5105.38-M, *Security Assistance Management Manual* (SAMM). While seven of these FAA and AECA-authorized programs are administered by DOD, specifically by DSCA, they remain under the general control of the Departmewnt of State (DOS) as components of U.S. foreign assistance. These twelve security assistance programs include the following.

Foreign Military Sales

Foreign military sales (FMS) 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 on 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, on the basis of having an LOA which has been 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 in order to provide the article or service requested.

The DOS *Congressional Budget Justification* (CBJ) for fiscal year (FY) 2009 estimated that about 80 foreign countries and international organizations would participate in FY 2009 in the FMS program, with total estimated sales of $18.7 billion. The final FMS total for FY 2008 was $29.2 billion. This is in addition to the $7.2 billion in pseudo case agreements during FY 2008 which were funded by DOD-funded security cooperation programs.

Foreign Military Construction Services

Foreign military construction services (FMCS) is a non-appropriated program administered by DSCA and authorized by Section 29, AECA, to include the sale of design and construction services by the USG to eligible purchasers. The construction sales agreement and sales procedures generally parallel those of FMS and are usually implemented by the MILDEP civil engineering agencies.

The CBJ for FY 2009 projection for FMCS during FY 2009 and actual for FY 2008 are included in the above FMS projections.

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 through either FMS or direct commercial sales (DCS). Foreign military sales construction service (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, this financing program was variously identified 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 the forgiven loan/forgiven credit component of the program was identified as FMFP grants to distinguish them from repayable direct FMFP loans. Also, 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 1992* (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, this loan element is seldom used; the FMFP grant element (no repayment) is the norm.

FMFP funding for FY 2008 was $4,719 million. $4,938 million was initially appropriated for FY 2009 with a supplemental of $98 million being further requested. The request for FY 2010 is $5,274 million. All of these requests and subsequent appropriations are grants.

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 that the full cost of the lease, with some exceptions, must be borne by the recipient. Furthermore, leased articles must not be needed for U.S. public use 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 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. This appropriated program was administered by DSCA. No MAP funds have been appropriated for subsequent fiscal years, and there is no interest in seeking any such funds for the future. This legislative change, therefore, 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 continues to be identified as a current security assistance program because the MAP-provided articles remain throughout the world with the continued requirements for end-use monitoring (EUM), return to the USG when no longer needed, and any proceeds from a sale to a third country or scrapping being returned to the USG.

International Military Education and Training

The 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. This appropriated program is administered by DSCA. 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, are heavily reliant on this grant program and, in many cases; this program serves as the only method to receive training from the U.S. military.

At a time of declining defense and foreign aid budgets, IMET advances U.S. objectives on a global scale at a relatively small cost. In many countries, having a core group of well-trained, professional leaders with first hand 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 are incurred by the USG 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 effects of these changes were to substantially reduce tuition costs for IMET-funded students, and thereby increase the amount of training an eligible country can obtain with its IMET grant funds and through FMS purchases.

A new IMET initiative was introduced in the FY 1991 FOAA when Congress adopted a Senate-proposed IMET earmark of $1 million to be used exclusively for expanding courses for foreign officers as well as for 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. Section 541, FAA, was amended to permit non-Ministry of Defense civilian government personnel to be eligible for this program, if such military education and training would:

- 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

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

$85 million was appropriated for the FY 2008 IMET program. An increased level of $91 million was initially appropriated for FY 2009 to train in excess of 8,000 IMET students from over 100 countries. A supplemental of $2 million has been requested for FY 2009 IMET. The amount of IMET requested for FY 2010 is 110 million.

Drawdowns

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 free transportation. There is a $100 million ceiling per FY on articles, services, and training provided for military purposes; and another FY 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 missing in action/prisoners of war (MIA/POW) 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 FY in USG articles and services from any agency. Special drawdown authorities are periodically legislated to include $30 million in support for the Yugoslav International Criminal Court. These are non-appropriated authorities are administered by DSCA when defense articles, services, or training from DOD are to be drawn down.

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). This fund was established 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 economic purposes, including balance of payments support, infrastructure, and other capital and technical assistance development projects. In earlier years, the ESF program included concessional (i.e., low interest rate) loan as well as grants. However, in FY 1989 the loan element was dropped, and until FY 2003 all ESF funds were allocated as grant assistance. In FY 2003, Turkey, Israel, and Egypt were authorized a total of $19,500 million in ESF loans in addition to 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.

The final FY 2008 ESF appropriation was $5,362 million. The initial request for FY 2009 appropriation for ESF was $4.143 million with a supplemental of $2,875 million requested. The initial ESF request for FY 2010 is for $6,504 million. All of these requests and subsequent appropriations are grants.

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 lately in Afghanistan and the Dafur region of the Sudan.

PKO funds appropriated for FY 2008 totaled $261 million. The initial PKO appropriation for FY 2009 was $145 million with an additional $50 million requested. The FY 2010 request is for $296 million. All of these requests and subsequent appropriations are grants to be administered by the DOS.

International Narcotics Control and Law Enforcement

The International Narcotics Control and Law Enforcement (INCLE) program is an appropriated grant program administered by the DOS authorized by Section 481, FAA, 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 illicit cultivation of the applicable crops. Recently, the elimination of related narco-terrorism has been included. This program can include the

purchase of defense articles, services, and training. There are similar authorized and funded programs within DOD and the Departments of Justice and Homeland Security.

The FY 2008 appropriation for INCLE was $1,279 million. The initial appropriation for FY 2009 was $1,389 million with an additional supplemental of $390 million requested. The FY 2010 INCLE request is for $1,947 million.

A similar DOS grant program, the *Andean Counterdrug Initiative* (ACI), was established for the Andean Ridge countries using the same FAA authority and objectives to be jointly administered by USAID and the DOS INCLE Bureau. This program is often referred to as Plan Colombia since the program emphasis and funding go primarily to Colombia. A similar multiyear counter narcotics and transnational anticrime program was announced an first funded in FY 2008 for Mexico and selected Caribbean countries entitled the *Merida Initiative*.

Nonproliferation, Antiterrorism, Demining, and Related Programs

The Nonproliferation, Antiterrorism, Demining, and Related (NADR) programs is an appropriated grant program administered by DOS. It is authorized by Part II, Chapters 8 and 9 of the FAA, and Section 504 of the *FREEDOM Support Act*, moreover, 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 significance of this program is that DOS can purchase demining, unexploded ordnance clearance, and anti-terrorism systems with this funding.

The FY 2008 appropriation for NADR funding was an initial $497 million. The initial appropriation for FY 2009 was $530 million with a supplemental of $122 million requested. The NADR request for FY 2010 is $765 million.

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, DCS transactions are not administered by DOD and do not involve a government-to-government agreement. Rather, the USG control procedure is accomplished through licensing by the Directorate of Defense Trade Controls (PM/DDTC) in the DOS. The day-to-day rules and procedures for these types of sales are contained in the *International Traffic in Arms Regulations* (ITAR). [22 CFR 120-130]

DCS licenses (as opposed to new sales agreements) in FY 2007 were estimated to be $8,874 million. Of note, not all license approvals will result in signed contracts and actual deliveries. Licenses issued in FY 2007 for defense articles and defense services totaled $24.5 billion and $64 billion respectively. No annual estimates were issued for DCS licensing during FY 2008 through FY 2010. Like FMS, DCS deliveries are likely to take place years after the commercial contract is signed and the export license is obtained by U.S. industry from PM/DDTC.

Other Security Assistance Programs

While these two programs are not identified by DSCA in the SAMM as one of the twelve security assistance programs, they are very much related to the duties of the security assistance community, both in the U.S. and recipient foreign governments.

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 SAMM for property belonging to the USG. Prices range from five to fifty 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 justified, in the annual CBJ. 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. Third-country transfer authority must be obtained from the DOS in advance of the proposed transfer and in writing. This applies to all U.S.-origin defense articles regardless of the method of original transfer from the USG or U.S. industry.

Security Cooperation

Though not delineated in any one source, the following is a categorized list of DOD-authorized security cooperation programs, with a brief description and references for each program. It should be noted that the previously described seven FAA and AECA-authorized security assistance programs administered by DOD in accordance with the SAMM are also fall under the broad definition of security cooperation.

Other sources for identifying DOD security cooperation programs include the *Theater Security Cooperation* (TSC) *Activities Handbook* used within the U.S. European theater of operations and the *Army International Activities Plan* (AIAP) published by the U.S. Army.

Another method of identifying the difference between security assistance and security cooperation is the source of authority within the *U.S. Code* (USC) for the program. The USC is the codification of the general and permanent U.S. laws divided into 50 titles by subject matter. 22 USC, or Title 22, pertains to U.S. foreign relations to include FAA and AECA security assistance. 10 USC, or Title 10, pertains to the U.S. armed forces to include DOD security cooperation. However, it should be noted that certain DOD security cooperation program authorities are also with 22 USC.

FAA and AECA–Authorized Programs Administered by Department of Defense

This includes the seven security assistance programs previously identified and described in Table C1.T1, SAMM: FMS, FMCS, FMFP, leases, MAP, IMET, and drawdowns.

Combined Operations

Combined operations or exercises is an older term normally used to describe U.S. operations with other countries. Newer terms include coalition or joint operations. The original term joint generally meant two or more U.S. services in operations or exercises.

Counter-Drug Support

Section 1004 *National Defense Authorization Act for FY 1991* (NDAA), P.L. 101-510, authorizes counter-narcotics support to U.S. and foreign counterdrug agencies, to include providing defense services and training in support of DOD-loaned equipment as amended. Pseudo case procedures are used by DOD agencies to provide support as required to the office of the Assistant Secretary of Defense for Special Operations and Low Intensity Conflict-Interdependent Capabilities [ASD(SOLIC-IC)]. The Pseudo LOA procedures are at Section C11.3, SAMM.

The provision of counterdrug boats, non-lethal equipment and support of previously provided equipment for specified countries is often referred to as Section 1033 support. Section C11.3, SAMM, Pseudo LOA case procedures are likewise used in support of ASD(SOLIC-IC). The authority for this support is the NDAA for FY 1998, P.L.105-85, Section 1033, as amended.

Acquisition and Cross-Servicing Agreements

Acquisition and cross-servicing agreements (ACSA) are initiated and negotiated by a GCC to allow U.S. logistics support of a military unit of another country. Lethal significant military equipment (SME) or support reasonably available from U.S. commercial sources may not be provided under an ACSA. The Joint Chiefs of Staff (JCS), OSD, and DOS, to include a thirty day advance notification to Congress, must approve the proposal before the agreement is negotiated and concluded by the GCC. The authority for an ACSA is 10 USC 2341-2350, with procedures provided in DoDD 2010.9, and Section C11.1, SAMM.

However, the John Warner NDAA for FY 2007, P.L.109-364, 17 October 2006, Section 1202, as amended, authorizes through FY 2009, the loan of certain categories of SME defense articles for up to one year to countries participating in coalition operations in Iraq or Afghanistan. It must be determined by the secretaries of state and defense that it is in the U.S. national security interest to provide this loan and there are no unfilled U.S. in-theater requirements for the loaned articles.

Warsaw Pact Initiative

In 1994, the North Atlantic Treaty Organization (NATO) initiated the Partnership-for-Peace (PfP) program for countries seeking cooperative military and peacekeeping relations with NATO. In the U.S. support of PfP, DOD and DOS combined to establish the Warsaw Initiative Fund (WIF). DOS uses FMFP while DOD uses its own Title 10 appropriations, administered by DSCA, to support WIF. The authorities used by DSCA are 10 USC 168 for the military-to-military contact program, 10 USC 1051 to provide funding assistance in attending bilateral or regional meetings or seminars, and 10 USC 2010 to fund participation in combined exercises. SAMM, C11.15, provides DSCA policy guidance in executing the DOD portion of WIF. WIF cannot be the primary source of exercise funding, used to fund course attendance, or fund activities normally defined as military assistance.

Global Peace Operations Initiative

The Global Peace Operations Initiative (GPOI) is a presidential initiative in coordination with the other G-8 countries to increase the capacity of selected countries to deploy in support of international peace operations. It was originally envisioned as a give-year program (FY 2005-FY 2009). Its goal was to train 75,000 peace support 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, and sustainment in the field. Remaining a DOS program requiring DOD support, GPOI subsumed the previous security assistance-funded PKO

African Contingency Operations Training and Assistance (ACOTA) program and FMFP-Enhanced International Peacekeeping Capabilities (EIPC) program. The term ACOTA is still used when referring to the Africa training component of GPOI. In October 2008, a National Security Council (NSC) Deputies Committee approved a five year extension of GPOI (FY 2010-2014). The authorities remain with Chapter 6 of Part II of the FAA and Section 23, AECA.

Train and Equip Afghanistan and Iraq Security Forces

The NDAA of FY 2008 authorizes the allocation of $2.7 billion and $3.0 billion of DOD funds for the Afghanistan Security Forces Fund (ASFF) and Iraq Security Forces Fund (ISFF) respectively to provide, inter alia, defense articles and services for the Afghanistan and Iraq security forces. The FY 2009 request for ASFF is for $3.6 billion with certain FY 2008 ASFF and ISFF funds to remain available through FY 2010. The transfers are often implemented using Pseudo LOA case procedures.

Support of Coalition Forces in Combined Operations

The NDAA for 2008, P.L.109-364, 17 October 2006, Section 1201, provided for a new 10 USC 127(c) authorizing up to $100 million in DOD funding annually for logistics, supply, and services to allied forces to support their participation in combined operations. The NDAA of FY 2008 authorizes the use of up to $400 million FY 2008 DOD funding to support coalition forces supporting military and stability operations in Afghanistan and Iraq. This program is now entitled the Coalition Readiness Support Program (CRSP) and supported using pseudo case procedures.

Reimbursement to Countries for United States Expenses

The NDAA of FY 2008, authorizes the use of not more than $1.2 billion in FY 2008 DOD funding to reimburse key cooperating countries for logistical and military support provided by that nation to or in connection with U.S. military operations in Iraq, Afghanistan, and the Global War on Terrorism.

Combatant Commander Initiative Fund

The Combatant Commander Initiative Fund (CCIF) consists of GCC-nominated special interest programs authorized by 10 USC 166a to be funded at a rate of $25 million annually. The FY 2009 DOD appropriations act provides up to $50 million for CCIF.

Security and Stabilization Assistance

Beginning in FY 2006, up to $100 million in DOD funding, defense articles, and defense services may be transferred annually to the DOS for reconstruction, security, and stabilization assistance to a foreign country. These transfers shall be subject to the authorities and limitations of the FAA, AECA, and any other law making appropriations. This pilot program is authorized by NDAA of FY 2006, Section 1207, as amended. NDAA of FY 2009 extended this program through FY 2009.

Building Partner Capacity of Foreign Militaries

Beginning in FY 2006, up to $350 million in DOD funding may be used annually to equip, supply, and train a foreign military force to conduct counter-terrorism operations or participate in or support military and stability operations in which U.S. forces are participating. Any country prohibited by law from receiving such assistance may not receive such assistance. This program is initially authorized by NDAA FY 2006, Section 1206, as amended; it expires at the end of FY 2011.

Former Soviet Union Threat Reduction Account

Sometimes referred to as the Nunn-Lugar program, its goals are elimination and the safe and secure transportation and storage of nuclear, chemical, and other weapons of mass-destruction in the republics of the former Soviet Union. This program was first authorized by the NDAA for FY 1991. The *DOD Appropriations Act for FY 2008* appropriated $483 million for this program. $428 million was appropriated for this purpose during FY 2009.

Special Operations Support to Combat Terrorism

The NDAA for FY 2005 as amended, authorizes the Secretary of Defense to expend up to $25 million annually through FY 2013 to support foreign forces, irregular forces, groups, or individuals engaged in supporting or facilitating ongoing operations by U.S. special operations forces in combating terrorism. This authority is not to be delegated below the Secretary of Defense and requires the concurrence of the relevant U.S. chief of mission.

Building the Capacity of Pakistan Frontier Corps

The NDAA for FY 2008 authorizes the use of up to $75 million in DOD funding to enhance the capability of Pakistani forces to conduct counter-terrorism operations along the Pakistan–Afghanistan border. The NDAA for 2009 extended this authority through FY 2009 and authorized an additional $25 million. Pseudo case procedures are used to provide this assistance.

Train and Equip Foreign Personnel to Assist in Accounting for Missing United States Government Personnel

The NDAA for FY 2008 provided a new 10 USC 408 authorizing up to $1 million in DOD funding annually to provide training and equipment to any country willing to assist DOD with accounting for and recovery of missing USG personnel.

Non-Conventional Assisted Recovery Capabilities

The NDAA for FY 2009 authorized the use of Navy operations and maintenance (O&M) funding not to exceed $20 million annually through FY 2011 by a GCC to establish, develop, and maintain a capability to recover DOD or U.S. Coast Guard (USCG) military or civilian personnel or other individuals who, become separated or isolated and cannot rejoin their units during U.S. military operations. Procedures for establishing this capability are to be developed by the Secretary of Defense. Concurrence of the relevant chief of mission and notification to Congress are required prior to execution. The authority may, in limited and special circumstances, include providing support to foreign forces, irregular forces, groups, or individuals.

Combined Exercises

Joint Combined Exchange Training

Joint combined exchange training (JCET) includes the deployment by U.S. special operations forces (SOF) with the dual purpose of training themselves and foreign counterparts. 10 USC 2011 provides the authority for the use of DOD funding for JCET. This funding can be used for the training of the foreign counterpart, expenses for the U.S. deployment, and, for developing countries, the incremental expenses incurred by the country for the training. The JCET program is carefully followed by Congress because of concerns about inadequate civilian oversight and fears that such training might benefit units or individuals who have committed human rights violations.

Exercise Related Construction

The Exercise Related Construction (ERC) program is authorized by 10 USC *2805* with policy guidance provided within Chairman of the Joint Chiefs of Staff Instruction (CJSCI) 4600.01A to allow overseas construction by the U.S. military in locations where there is no permanent U.S. presence. The construction is to enhance exercise effectiveness, enhance troop quality of life, and increase operational readiness. The construction is typically used by U.S. forces during an exercise but remains intact for host nation use after departure. Projects may include new construction, conversion of existing facilities (e.g., warehouses into exercise operations centers), and restoration of deteriorating facilities. U.S. and/or host nation engineers units and construction contracts may be used to accomplish projects. When construction is accomplished with partner nation engineers, interoperability benefits are also obtained. The Joint Staff logistics engineering division (J4/ED) manages the program through the engineer divisions of the area GCCs.

Developing Country Combined Exercise Program

The Developing Country Combined Exercise Program (DCCEP) is authorized by 10 USC *2010* to use DOD funds to pay for incremental expenses for a developing country to participate in a combined exercise with U.S. forces. Such expenses normally include rations, fuel, training ammunition, and transportation. The Joint Staff in coordination with the GCC manages DCCEP. This authority was further amended in FY 2009 with a new 10 USC 2010(d) authorizing funding for exercise expenses that begin in one FY and extend into the following FY.

Defense Health Program

The *DOD Appropriations Act for FY 2008* provides $8 million in funding for human immunodeficiency virus (HIV) prevention educational activities undertaken in connection with U.S. training, exercises, and humanitarian assistance activities conducted in African countries.

International Armaments Cooperation

This security cooperation effort by the DOD acquisition community has many programs authorized by the AECA, 22 USC and DOD 10 USC and the annual DOD appropriations act. Many DOD scientists and engineers are assigned overseas in an SCO as the eyes and ears of U.S. acquisition community looking for good ideas in the foreign defense industrial complex. Chapter 13, of this text "System Acquisition and International Armaments Cooperation," provides a more detailed description of many of these problems.

Information Exchange Program

10 USC 2358 authorizes the DOD acquisition community to enter into international agreements for the reciprocal exchange of research and development (R&D) data with a country, with the goal of saving both DOD R&D funding and time in the U.S. research-development, test, and evaluation (RDT&E) process. The OSD administrator for this program is USD(AT&L), with the MILDEP and DOD agency acquisition communities being the implementers.

Exchange of Engineers and Scientists

The NDAA for FY 1997 authorizes the DOD acquisition community, among others, to enter into international agreements for the reciprocal exchange of engineers and scientists for cooperative research and training. It is not to be an information collection program. USD(AT&L) provides

oversight to this program with the MILDEP and DOD agency acquisition communities being the implementers.

Foreign Comparative Testing

10 USC 2360(a) authorizes the DOD acquisition community to enter into international agreements for the test and evaluation of operational weapons systems from other countries to determine if the foreign weapon system is a candidate for U.S. acquisition. Again, the USD(AT&L) provides oversight to this program, with the MILDEPs and DOD agencies being the implementers.

Cooperative Research, Development, Test, Evaluation and Production

Section 27, AECA, authorizes the DOD acquisition community to enter into international agreements with countries for the mutually beneficial development and possible production of weapons systems. USD(AT&L) provides the general oversight for this complex program with other countries. The Nunn Amendment provided the initial authority and funding for this cooperative program with North Atlantic Treaty Organization (NATO) allies. The Quayle Amendment later expanded the Nunn Amendment to include Australia, Japan, and South Korea, referring to them as major non-NATO allies. P.L.99-661 later further expanded eligibility for this program beyond the NATO and major non-NATO allies to include other friendly countries.

No-Cost Equipment Loans

Section 65, AECA, authorizes the loan of a U.S. defense article by international agreement at no-cost to a country for the expressed purpose of furthering a cooperative RDT&E program. Again, this program is managed within the DOD acquisition community by USD(AT&L).

Israeli Cooperative Programs

For several years, DOD has been provided annual authority and funding for the development and production of the Israeli Arrow missile defense system both in the U.S. and in Israel. P.L. 110-116, Section 8080 funded this U.S.–Israeli program to $155 million for FY 2008. P.L. 110-329, Section 8076, further extended the funding during FY 2009 to $177 million, funding an upper-tier component to the Israeli missile defense architecture and the Short Range Ballistic Missile Defense (SRBMD) program.

International Training and Education

Department of Defense Regional Centers for Security Studies

Title 10 authorities and DOD appropriations funded the development of five regional centers for security studies. The centers serve as a mechanism for communicating U.S. foreign and defense policies to international students, a means for countries to provide feedback to the U.S. concerning these policies and communicating country policies to the U.S. The regional centers' activities include education, research, and outreach. They conduct multi-lateral courses in residence, seminars within their region, and conferences that address global and regional security challenges, such as terrorism and proliferation. Participants are drawn from the civilian and military leadership of allied and partner nations. Security assistance funding is not used to pay for the centers or the students attending them. However, under certain circumstances, DOD funds may be used to fund foreign attendance at the centers. The Under Secretary of Defense for Policy (USDP) in coordination with the relevant GCC provides oversight for the five centers. DoDD 5200.41 provides policy

and management guidance. Beginning in FY 2006, DSCA began administering the DOD centers under the direction of the USDP. The five centers include:

- Africa Center for Strategic Studies (ACSS), located at the National Defense University in Fort McNair, Washington, D.C. was established in 1999.
- Asia-Pacific Center for Security Studies (APCSS), located in Honolulu, Hawaii, was established in 1995.
- Center for Hemispheric Defense Studies (CHDS), located at the National Defense University in Fort McNair, Washington, D.C. was established in 1997.
- George C. Marshall European Center for Security Studies (MC), located in Garmisch, Germany, was established in 1993.
- Near-East South Asia Center for Strategic Studies (NESA Center), located at the National Defense University in Fort McNair, Washington, D.C. was established in 2000.

Section 904 of the NDAA for FY 2007 finally codified the authority for these regional centers with a new 10 USC *184*.

Regional Defense Combating Terrorism Fellowship Program

The regional defense Combating Terrorism Fellowship Program (CTFP) was established in 2002 first with DOD funding, later with DOD authorizations, and now under 10 USC 2249c. The purpose of the program is to help key partner nations cooperate with the U.S. in the fight against international terrorism by providing education and training on a grant basis to foreign military and civilian personnel. Time objective is to bolster the capacity of friends and allies to detect, monitor, interdict, and disrupt the activities of terrorist networks, ranging from weapons trafficking and terrorist-related financing to actual operational planning by terrorist groups. The Assistant Secretary of Defense for Global Security Affairs [ASD(GSA)] is the OSD manager of CTFP in coordination with the GCCs. The day-to-day administration of the program is performed by DSCA. $20 million was appropriated to DOD for CTFP. The management of quotas is very similar to that of IMET. Section 1204, P.L.109-364, amended the annual funding authority to $25 million. Later, Section 1214 of P.L. 110-417 amended the authorized annual funding level to $35 million.

Senior War College

10 USC 2111 authorizes DOD and the MILDEPs to provide quotas to international students to attend the various senior officer war colleges.

Military Academies

The MILDEP secretaries each may provide up to sixty quotas at any one time to foreign military students to attend the three military academies. The secretary of defense may waive all or any part of the requirement to reimburse any cost for attendance. The invitations to attend the academies are offered by the MILDEP secretaries usually through the DAO. The authorities for attending the military academies are:

- 10 USC 4344(a)(1) for the U.S. Military Academy
- 10 USC 6957(a)(1) for the U.S. Navy Academy

- 10 USC 9344(a)(1) for the U.S. Air Force Academy

These programs are not considered security assistance.

Military Academy Student Exchanges

By international agreement, the MILDEP secretaries each may authorize up to 24 students annually to participate in the reciprocal exchange of cadets to attend the appropriate military academies. The authorities for this exchange program are

- 10 USC 4345 for the U.S. Military Academy
- 10 USC 6957a for the U.S. Navy Academy
- 10 USC *9345* for the U.S. Air Force Academy

Professional Military Education Student Exchanges

Section 544(a), FAA, authorizes by international agreement no-cost, reciprocal professional military education (PME) student exchanges. PME usually includes attendance at the MILDEP leadership and management education institutions but not to include the service academies. The U.S. participant in this program will attend the equivalent institution in the foreign country and be administratively managed by either the local DAO or SCO.

Flight Student Exchanges

Section 544(b), FAA, authorizes by international agreement no-cost, reciprocal flight, to include test pilot schools, training student exchanges. This may include military or civilian defense personnel. Again, the U.S. students in a country may be administratively managed by either the DAO or SCO.

Aviation Leadership Program

Section 544(c), FAA, authorizes the cooperative participation of foreign and U.S. military and defense civilian personnel in post-undergraduate flying training and tactical leadership programs at locations in Southwest Asia without charge to participating foreign countries. IMET funds are not to be used in support of the Aviation Leadership program (ALP). U.S. participation is to be funded by the MILDEP. A presidential national interest waiver may be used to allow a country to participate on a no-cost basis with the U.S. MILDEP absorbing the charge.

Latin America Training Waiver

10 USC 1050 authorizes the waiving of training and education costs for a Latin American student to attend a U.S. military training institution. The applicable MILDEP will absorb the waived costs.

Humanitarian Assistance and Mine Action Programs

These programs were the first DOD-funded programs to be administered by DSCA under the new security cooperation term. It should be noted that the DOS has parallel programs. Much of this assistance is provided in coordination with the U.S. embassy, the GCC, DOS, OASD/GSA, and U.S. Transportation Command (USTRANSCOM). P.L.110-116 appropriated $108 million for FY 2008 for expenses related to DOD Overseas Humanitarian, Disaster, and Civic Aid (OHDACA) programs. P.L. 110-329 appropriated $83 million for FY 2009. Requests for OHDACA funds for any of these programs generally begin in country with the SCO and are consolidated and prioritized at the GCC, and then forwarded to DSCA.

Humanitarian and Civic Action During Military Operations

10 USC 401 authorizes military forces to carry out humanitarian and civic action (HCA) projects and activities in conjunction with military operations. The GCC nominates such action for OSD staffing primarily within ASD(GSA) and DSCA for approval and funding. DoDD 2205.2 and SAMM, C12.3.4, provide policy guidance and DOD component responsibilities for the DOD HCA program.

Humanitarian Assistance Transportation

10 USC 2561 authorizes DOD to fund transportation of humanitarian relief world-wide for non-profit, non-government, and private volunteer organizations. SAMM, C12.3.5, provides guidance.

10 USC 402 authorizes DOD to transport on a space-available basis, humanitarian relief supplies furnished by a non-government organization. SAMM, C12.3.6, provides guidance. This program is often referred to as the Denton Program.

Foreign Disaster Relief

10 USC 404 authorizes DOD to assist countries in its response to man made or natural disaster when necessary to prevent the loss of life. This program enables the GCCs to respond quickly and effectively to disasters in their area of operations and to manage the humanitarian dimensions of security crises. The GCCs engage in foreign disaster relief and emergency response (FDR/ER) activities only when directed by the president, with the concurrence of the Secretary of State, and in emergency situations to save lives. Activities may include services and supplies, logistical support, search and rescue, medical evacuation, and refugee assistance. The FDR/ER program allows for the delivery of humanitarian daily rations (HDR) for use in foreign countries to alleviate hunger after man-made or natural disasters. SAMM, C12.3.8 provides guidance.

Humanitarian Daily Rations

10 USC 2561 authorizes DOD funding and provision of low cost, nutritional, easily deliverable, daily rations for alleviating hunger in countries after a man made or natural disaster. SAMM, C12.3.7, provides guidance.

Excess Property Humanitarian Assistance

10 USC 2557 authorizes DOD to provide excess non-lethal supplies to foreign governments and civilian organizations for humanitarian relief purposes when requested by the U.S. embassy. DOD processes, refurbishes, stores, and transport the property to the country for distribution by the U.S. embassy. SAMM, C12.3.1, provides guidance.

Humanitarian Demining Assistance

10 USC 407 authorizes DOD in conjunction with military operations to assist countries in the detection of landmines, and to train partner nations in the procedures of landmine clearance, mine risk education, and victim assistance. The Humanitarian Demining Assistance (HDA) program also develops indigenous leadership and organizational skills to sustain the effort after the departure of U.S. trainers. Except for the concurrent purpose of supporting U.S. military operations, no DOD personnel may engage in the physical detection, lifting, or destruction of landmines.

10 USC 407 authorizes the annual use of $10 million by DOD for humanitarian mine action activities. SAMM, C12.3.3, provides guidance regarding this Humanitarian Mine Action (HMA)

program. DSCA manages this program through the U.S. Army's Humanitarian Demining Training Center at Fort Leonard Wood, Missouri.

Commander's Emergency Response Program

The purpose the Commander's Emergency Response Program (CERP) is to enable field commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements. Stating the sense of Congress that the government of Iraq should start to assume increasing responsibility for CERP in Iraq, Section 1214, P.L. 110-417, provided for the FY 2008 authorization of CERP to $1.7 billion and to $1.5 billion during FY 2009.

Military-to-Military Contact Programs

These cooperative programs have been around for a long time and continue today as a general program to establish and strengthen professional (and personal) relationships between two country counterparts. In addition to learning new ideas, personal insights and cultural understandings are gained by all participants, which often prove to be deciding factors in successful future diplomatic and military interfaces.

Traditional Combatant Commander Activities

10 USC 168 authorizes DOD, normally the GCC, to conduct military-to-military contacts and comparable activities with allied and friendly countries to encourage a democratic orientation of defense establishments and military forces. Some functions include:

- Traveling contact teams
- Military liaison teams
- Exchange of military and civilian personnel
- Seminars
- Conferences within the GCC area of responsibility

Funding for the Traditional Combatant Commander Activities (TCA) program is provided to the GCC by the MILDEPs will act as executive agents. Section 1202, P.L. 110-417, provided a new 10 USC 168(e)(5) authorizing the use of funds for such expenses that begin in one FY and extended into the following FY.

Developing Country Attendance at Bilateral Meetings

10 USC 1051 authorizes the use of DOD funds to support the attendance of representatives from developing countries to attend bilateral and multilateral meetings, usually GCC sponsored.

State Partnership Program

The National Guard State Partnership Program (SPP) links U.S. states with partner countries for the purpose of supporting the objectives and goals of the GCC and the U.S. Ambassador. 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 geographic GCC, 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.

The SPP was established following the National Guard Bureau's (NGB) 1993 proposal to pair state National Guards with the Baltic countries of Estonia, Latvia, and Lithuania. The NGB proposal was prompted by CINCEUR's earlier decision to staff the Military Liaison Teams (MLTs) in the Baltics with reserve component personnel. The SPP thus began as a bilateral military-to-military contact program to engage the countries of Central and Eastern Europe, and is a direct outgrowth of EUCOM's Joint Contact Team Program (JCTP). It since has grown to include 47 U.S. states, two territories, and the District of Columbia partnered with 63 countries in the EUCOM, AFRICOM, CENTCOM, PACOM, and SOUTHCOM areas of responsibility.

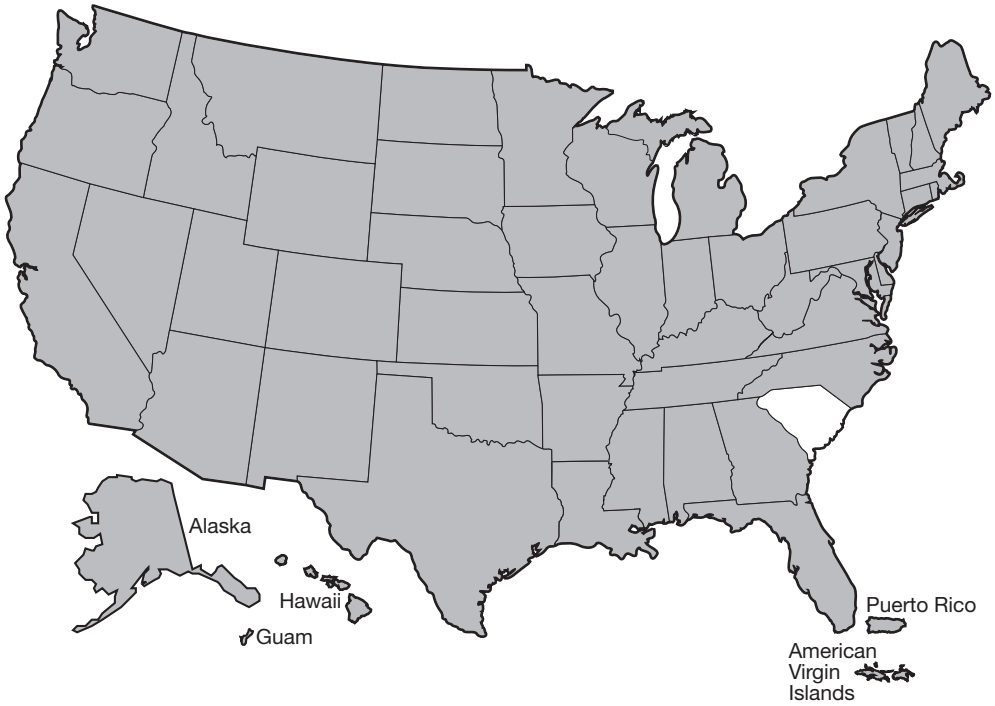
Figure 1-1 illustrates the partnerships. All state National Guards have an SPP coordinator who manages the program from the state National Guard headquarters. Many partnerships also include a National Guard officer, known as a bilateral affairs officer (BAO), who is assigned to the SCO in country to manage SPP activities and events. Details are available at the web site of the National Guard Bureau, Office of International Affairs (J5-IA), at http://www.ngb.army.mil/ia/Default.aspx.

Defense Personel Exchange Program

The NDAA for FY 1997, Section 1082, authorizes DOD and the MILDEPs to enter into international agreements for the reciprocal, no-cost exchange of qualified military or defense civilian personnel with allied or friendly countries. NDAA for FY 2008, Section 1201 amends 10 USC 168(c) authorizing the assignment of personnel on a non-reciprocal basis, rather than an exchange, if determined to be in the U.S. interests. This personnel exchange program (PEP) is widely subscribed to throughout DOD to include the administrative, intelligence, acquisition, training and education, and operational and reserve unit and staff communities. A sample of these programs includes:

- Foreign counterpart visits for the service chiefs of the Army, Air Force, and Navy
- Personnel exchange programs managed by each of the four military services
- The Army's reciprocal unit exchange program
- The DOD reserve officers foreign exchange program

Figure 1-1
State Partnership Partners



63 Countries linked to 49 states, 3 territories and Washington, D.C.

Alabama / Romania
Alaska / Mongolia
Arizona / Kazakhstan
Arkansas / Guatemala
California * / Nigeria
California * / Ukraine
Colorado * / Jordan
Colorado * / Slovenia
Connecticut / Uruguay
Delaware / Trinidad-Tobago
District of Columbia / Jamaica
Florida * / RSS (Eastern Caribbean Islands) **
Florida * / Guyana
Florida * / Venezuela
Georgia / Georgia
Guam / Philippines **
Hawaii * / Philippines **
Hawaii * / Indonesia
Idaho / Cambodia
Illinois / Poland
Indiana / Slovakia
Iowa / Russia
Kansas / Armenia
Kentucky / Ecuador
Louisiana * / Belize
Louisiana * / Uzbekistan
Maine / Montenegro
Maryland * / Bosnia
Maryland * / Estonia
Massachusetts / Paraguay
Michigan / Latvia
Minnesota * / Croatia
Minnesota * / Norway
Mississippi / Bolivia
Missouri / Panama
Montana / Kyrgyzstan
Nebraska / Czech Republic **
Nevada / Turkmenistan
New Hampshire / El Salvador
New Jersey / Albania
New Mexico / Costa Rica
New York / South Africa
North Carolina * / Botswana
North Carolina * / Moldova
North Dakota / Ghana
Ohio * / Hungary
Ohio * / Serbia
Oklahoma / Azerbaijan
Oregon / Bangladesh
Pennsylvania / Lithuania
Puerto Rico * / Honduras
Puerto Rico * / Dominican Republic
Rhode Island / Bahamas
South Dakota / Suriname
Tennessee / Bulgaria
Texas* / Czech Republic **
Texas* / Chile
Utah / Morocco
Vermont * / Macedonia
Vermont * / Senegal
Virgin Islands / RSS (Eastern Caribbean Islands) **
Virginia / Tajikistan
Washington / Thailand
West Virginia / Peru
Wisconsin / Nicaragua
Wyoming / Tunisia

*States with two countries
**Countries with two or more states

Summary

Security assistance has been part of our nation's history ever since the Revolutionary War. Since World War II, security assistance has become an institutionalized and continuing program used to advance U.S. interests in a global environment.

The term security assistance itself is subject to differing interpretations. The SAMM lists twelve programs within security assistance of which seven are administered by DSCA. Within the annual CBJ, there are seven major security assistance programs requiring appropriated funds as well as several others which are discussed in some detail. 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 is not just a short-range program; rather, it will be in existence for many years to come. In this regard, the words of former Deputy Secretary of Defense, William P. Clements, Jr., are as appropriate today as when they were spoken several 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 broad definition of security cooperation to include all DOD international programs and those seven FAA/AECA-authorized programs administered by DSCA has significantly increased the playing field within DOD. Now it reaches far beyond the Secretary of Defense to the GCC, the in-country DAO, and the SCO. Every community within DOD has a role to play in security cooperation and its use in achieving U.S. foreign policy and national security objectives.

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Chapter

2 SECURITY ASSISTANCE LEGISLATION AND POLICY

INTRODUCTION

The U.S. security assistance (SA) program has its foundation in public law which provide SA authorizations and appropriations. The purpose of this chapter is to examine and highlight some of the key provisions of these SA-related statutes.

Certain SA programs must be authorized and appropriated. Four such programs include the International Military Education and Training (IMET) program, the Foreign Military Financing Program (FMFP), the Economic Support Fund (ESF), and Peacekeeping Operations (PKO). 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 involved. 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:

- *Foreign Assistance Act of 1961* (FAA), as amended
- *Arms Export Control Act* (AECA), as amended

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.

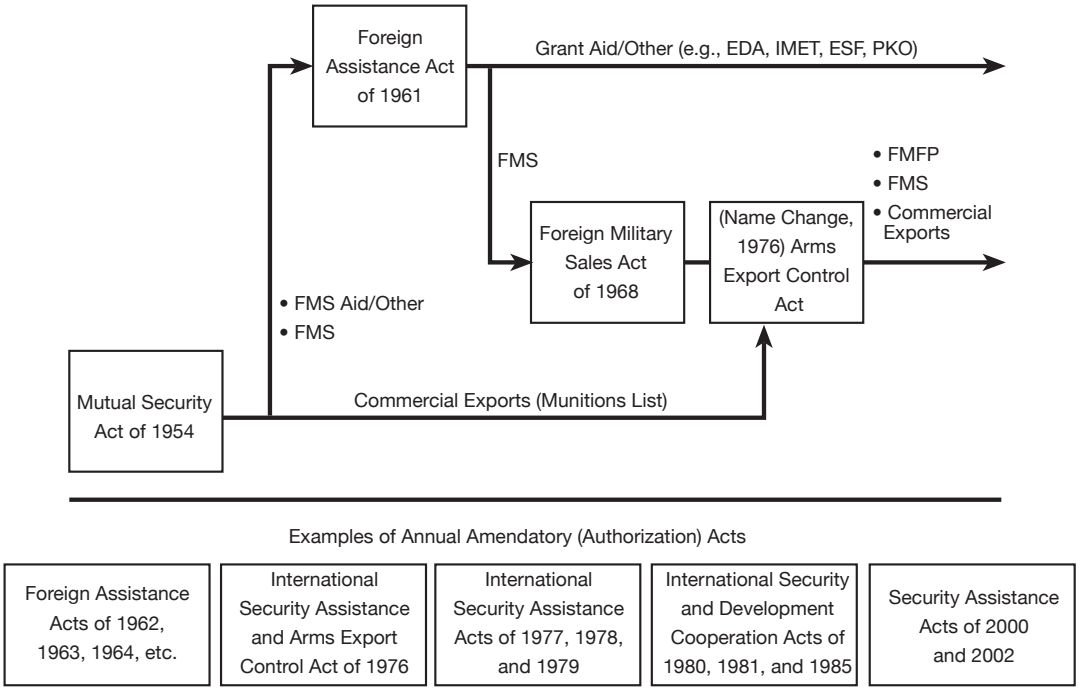
The FAA, originally enacted on 4 September 1961, contains many provisions which were formerly in the Mutual Security Act of 1954, as amended. Today, the FAA is the authorizing legislation for IMET, ESF, PKO, overseas SA program management, grant transfer of excess defense articles (EDAs), emergency drawdowns, 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:

- Development assistance
- Famine prevention
- International organizations
- The *Support for East European Democracy* (SEED) *Act of 1989*
- *Freedom for Russia and Emerging Eurasian Democracies and Open Markets* (FREEDOM) *Support Act*
- International Narcotics Control and Law Enforcement Affairs (INCLE)
- Non-Proliferation, Anti-Terrorism, Demining, and Related Programs (NADR)

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. This 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, recently Congress has used annual Department of Defense (DOD) and 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 temporarily 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 through 2009. In the absence of an authorization act, the appropriations committee has included program authorization language to the affected annual appropriations act.

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 security cooperation programs. Both SA and security cooperation authorized programs were addressed in earlier Chapter 1, "Introduction to Security Cooperation".

Appropriations Acts

Security assistance appropriations are included in the annual *Department of State/Foreign Operations, Export Financing, 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 FY. Should a new FY 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 FY under a CRA granted by Congress in a joint resolution making 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 FY, 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, 3*0 September 2008*, included the FY 2009 appropriations for the Departments of Defense 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 *Department of State, Foreign Operations, and Related Programs Appropriations Act* (S/FOAA)*, 2009*, necessary for funding FY 2009 SA.

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 (September 11, 2001) terrorist attack at the end of FY 2001 and military operations in Afghanistan and Iraq, coupled with domestic and world-wide natural disasters requiring vast amounts 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) are readily available to the public using a variety of open U.S. government (USG) web sites.

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" web site at 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 had 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.

All laws, including the annual appropriations and authorization acts, are initially slip laws that are compiled for each session of Congress into bound volumes, in order of enactment, referred as "statutes at large". Every six years, the statutes at large are incorporated into the *U. S. Code* (USC) in a process referred to as codification. However, a supplement is published during each interim year until the next comprehensive USC volume publication.

United States Code

The USC 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 USC laws into fifty general subject areas and publishes them. Maintaining an up-to-date paper copy of the lengthy USC 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 laws can be viewed under Title 22, "Foreign Relations and Intercourse". Certain SA related and security cooperation 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 laws, a printed copy of this publication is difficult to come by. The January 2006 edition can be viewed on the internet at http://www.dsca.mil/programs/LPA/2006/faa_aeca.pdf. The section footnotes of this document provide the tools for determining the slip law and USC section cross-referencing relationship. Both the Defense Security Cooperation Agency (DSCA) and Defense Institute of Security Assistance Management (DISAM) web pages provide links to this useful document.

Slip Law and United States 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 USC title number with USC-specific section numbers.

An SA law example of this relationship is Section 21, Sales from Stocks, of the AECA, P.L.90-629, 22 October 1968, as amended, is codified as 22 USC Section 2761 with the same section title.

A security cooperation law example of this relationship is the initial funding, authority, and later codification of the Combating Terrorism Fellowship Program (CTFP). 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 *National Defense Authorization Act for Fiscal*

Year 2004, P.L.108-136, 24 November 2003, finally amending 10 USC with a new Section 2249c authorizing CTFP on a permanent basis.

Code of Federal Regulations

The *Code of Federal Regulations* (CFR) is the codification of general and permanent rules published in the FR by the executive branch and its agencies. Using the same USC 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 USC 2778]. The officially published ITAR can be viewed at the GPO site: http://www.gpoaccess.gov/cfr/index.html or, in a timely manner, at the Bureau of Political-Military Affairs, Directorate of Defense Trade Control (PM/DDTC) web site: http://www.pmddtc.state.gov/consolidated_itar.htm. Both the DSCA and DISAM webs 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 FR is a daily publication of rules, proposed rules, notices by federal agencies, executive orders, and other Presidential documents. Though it is only paper printed twice each year, the most current FR can be accessed through the GPO web site at: http://www.gpoaccess.gov/fr/index.html. Both the printed document and the web site 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 DOD/DSCA of a proposed 36(b)(1) FMS sale to Iraq. Section 36(b)(1), AECA [22 USC 2776(b)(1)] requires this advance notification to Congress. Section 155, P.L.104-164, 21 July 1996, amended the USC with a new Section 36(f), AECA [22 USC 2776(f)] requiring 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 web site specifically at http://www.dsca.mil/PressReleases/36-b/2007/Iraq_07-30.pdf.

Defense Institute of Security Assistance Management Web Page

Selected SA legislation and other related policy documents listed below can be located and viewed via the DISAM web site at http://www.disam.dsca.mil/pubs/USG/USGPubs.htm.

- Congressional Budget Justifications (CBJ) for Foreign Operations (FY XX)
- Current and recent past S/FOAAs
- Current and recent past related *Emergency Supplemental Appropriations Acts*
- Current and recent past SA legislation articles from the *DISAM Journal*
- FAA/AECA
- DOS and United States Agency for International Development (USAID) Strategic Plan for FY 2007 – FY 2012

- DOS active world map with SA information
- *Conventional Arms Transfer Policy (PDD-34) of 17 February 1995*
- *Defense Trade Security Initiative (DTSI) of 26 May 2000*
- The ITAR
- DOD/DSCA 36(b), AECA, congressional notifications for FMS letters of offer and acceptance (LOAs)
- DOS/PM/DDTC 36(c) and 36(d), AECA, congressional notifications for DCS licenses
- *International Program Security* (IPS) *Handbook*
- *International Armaments Cooperation* (IAC) *Handbook*

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.

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 which have not been justified to Congress or which are in excess of the amount justified to the 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 $1,000,000 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 $5,000,000. 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, 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 which have not been previously justified to Congress, or which exceed by twenty percent the quantities previously justified to Congress. 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. 111-8]

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 FY for which they were appropriated. [Section 7011, P.L. 11108] These funds shall remain available for an additional four years from the date of

which 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 FY, 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 $1M of the total funding appropriated for IMET is to remain available until expended. This figure was changed to $3M for each FY beginning with FY 2002. Beginning in FY 2009, it is now $4M. This authority is to allow for the expenditure of all IMET funding without the loss of it at the end of the FY. [Title IV, P.L.111-8]

Non-Refunded Security Assistance Programs

The FMS and DCS components of the SA are fully funded by direct cash outlays of the purchasing countries. Consequently, these SA activities 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 furthered addressed in later Chapter 12, "Foreign Military Sales Financial Management", of this text.

Basic Policies

The remainder of this chapter discusses a broad variety of statutory provisions which govern the management of SA. 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

The Congress reaffirms the policy of the U.S. to achieve international peace and security through the United Nations (U.N.) so that armed forces shall not be used except for individual or collective self-defense. The Congress hereby finds that the efforts of the U.S. and other friendly countries to promote peace and security continue to require measures of support based upon the principle of effective self-help and mutual aid. [Section 501, FAA]

Ultimate Goal

The ultimate goal of the U.S. continues to be a world which is free from the scourge of war and the dangers and burdens of armaments; in which the use of force has been subordinated to the rule of law; and in which international adjustments are achieved peacefully. It remains the policy of the U.S. to achieve that goal, to encourage regional arms control and disarmament agreements, and to discourage arms races. It is the policy of the U.S. to exert leadership in the world community to bring about arrangements for reducing the international trade in implements of war. [Section 1, AECA]

Purpose of Arms Sales

Congress recognizes that 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 which 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 United Nation. [Section 1, AECA]

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

- 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 DOS and USAID Strategic Plan for FY 2007 through 2012 includes five overall strategic goals:

- Achieve peace and security
- Governing justly and democratically
- Investing in people
- Promoting economic growth and prosperity
- Providing humanitarian assistance

The DOS and USAID Strategic Plan for FYs 2007 through 2012 can be found at: http://www.state.gov/documents/organization/82819.pdf

The FAA and AECA provide various conventional arms transfer authorities to the President. The post-cold war era decision-making criteria used by the administration for determining FAA and AECA-authorized arms transfers was promulgated by the White House on 17 February 1995 as Presidential Decision Directive (PDD) 34, U.S. Conventional Arms Transfer Policy (CATP) which can be viewed both in the attachments to this chapter and on the internet at: http://www.disam.dsca.mil/pubs/USG/pressrelease/ARMSTRAN95.htm. Though the CATP was promulgated in 1995, it continues to be used today by the USG for determining whether an arms transfer is to take place.

Effect on United States Readiness

FMS sales which would have an adverse effect on U.S. combat readiness shall be kept to an absolute minimum. For such sales, special congressional reporting is required. [Section 21(i), AECA]

Conventional Arms Restraint

Congress encourages the President 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 $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]

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. Within 48 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 the format specified) to the Congress. [Section 21(c), AECA]

Limitation on Assistance to Security Forces

No funding appropriated by the annual S/FOAA will be made available to any unit of the security forces of a country if the Secretary of State has credible evidence that such unit has committed gross violations 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 620J, FAA]. This is commonly referred to as the Leahy Amendment. Annual DOD funding for U.S. exercises or training with foreign security force units are likewise restricted. [Section 8061, P.L. 110-329 for FY 2009] 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 apply to a country with long-standing democratic tradition, standing armed forces, and no consistent pattern of gross violations of internationally recognized human rights. [Section 660, FAA] This prohibition is not provided for AECA authorized programs.

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. [10 USC Section 2751, and Section 605(a), P.L. 94-329]

Eligibility for Grant Aid

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

- It will not, without the consent of the President, permit any use of such articles or services by anyone 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 often referred to as the 505 Agreement normally entered into via diplomatic channels prior to a grant transfer.

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 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 established in Section 503, FAA, and Section 3, AECA. The relevant provisions of these two laws require that grant military assistance or a sales program for any country may be authorized only when:

> . . . the President finds that the furnishing of defense articles and defense services to such country or international organization will strengthen the security of the U.S. and promote world peace . . .

Consequently, annual budgetary planning and programming for SA is generally limited to those countries and international organizations for which such PDs of eligibility have been issued.

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 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*. This budget justification document was once referred to as the Congressional Presentation Document (CPD).

Such a determination is only a preliminary finding of eligibility, and it 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 finds national security or U.S. interests require otherwise, no assistance shall be provided to countries that:

- Repeatedly provide support to international terrorists. [Section 620(a), FAA]
- Are communist, to include, but not limited to: 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. citizen for goods or services (where legal remedies are exhausted, the debt is not denied or contested, etc.). [Section 620(c), FAA] U.S. citizens, corporations, etc. [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 from being smuggled into the U.S. (50 percent of assistance is suspended.). [Section 490(a), FAA]
- Deliver or receive 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 transfer a nuclear device to a non-nuclear-weapon state. [Sections 101-103, AECA] This is often referred to as the Symington-Glenn Amendment.
- 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.111-8]. This prohibition is renewed in the annual S/FOAA, and is generally referred to as the Brooke-Alexander Amendment.
- Prohibit or otherwise restricts, directly or indirectly, the transport or delivery of U.S. humanitarian assistance. [Section 620I, FAA]
- Grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism. [Section 7022, P.L.111-8]
- Fail to comply, or make significant efforts for compliance, with minimum standards for combating the trafficking of people (TIP). [Section 110, P.L. 106-386]
- Tax U.S. goods and services being imported as U.S. assistance. [Section 7013, P.L.111-8]
- Do not pay any accumulated automobile parking fines or property taxes in New York City or the District of Columbia. [Section 7055, P.L.111-8]
- Knowingly transfers 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 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 or decree [Section 7008, P.L. 111-8].

Human Rights

The U.S. shall, in accordance with its international obligations as set forth in the *Charter of the United Nations* and in keeping with the constitutional heritage and traditions of the U.S., promote and encourage increased respect for human rights and fundamental 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. Furthermore, in the absence of a Presidential certification to the Congress that extraordinary circumstances exist warranting the provision of such assistance, no SA may be provided to any country the government of which engages in a consistent pattern of gross violations of internationally recognized human rights. [Section 502B, FAA]

The Secretary of State shall transmit to the Congress, as part of the presentation materials for SA programs proposed for each , a full and complete report, prepared with the assistance of the Assistant Secretary of State for Human Rights and Humanitarian Affairs, with respect to practices regarding the observance of and respect for internationally recognized human rights in each country proposed as a recipient of SA. [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), etc. A more in-depth description of the duties of an 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 an SCO to perform one or more of the following seven functions:

- Equipment and services case management
- Training management
- Program monitoring
- Evaluation and planning of the host government's military capabilities and requirements
- Administrative support
- Promoting rationalization, standardization, interoperability, and other defense cooperation measures
- 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 an 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 FY 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]

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. [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, 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 in 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 of production costs less any depreciation in value
- The full cost to the USG for defense services; in the case of a country which 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:
  - 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, 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 assure 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. With a couple of exceptions, recent FMFP has been all grant 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 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, provided that such services may be performed only if:

- 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 the article was 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) defines by category what constitutes a defense article, services, 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, "Technology Transfer, Export Controls, and International Programs Security," of this text 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 DOD of an aggregate value not to exceed $100 million in any FY. [Section 506(a)(1), FAA]

A second special drawdown authority of $200M in defense articles, services, and training for each FY also has been established. [Section 506(a)(2), FAA] The authorized purposes for the latter drawdown authority include counter-narcotics, anti-terrorism, non-proliferation, 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 $75M may come from DOD resources, not more than $75M may be provided in support of counter-narcotics, and not more than $15M 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 counter-narcotics or anti-terrorism 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]

In the period FY 1990 through FY 2005, a total of $1,182.6 million in drawdown authority was used incrementally by the President to provide emergency assistance under the authorities of Section 506, FAA. Section 506(c), FAA, provides authority for appropriations to reimburse 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 $25M in any FY 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 FY 2009 S/FOAA authorizes the FY 2009 drawdown of up to $30M in commodities and services in support of the United Nations War Crimes Tribunal established with regard to the former Yugoslavia for the just resolution of changes regarding genocide or other violation of international humanitarian law. The International Criminal Tribunal for Rwanda and the Special Court for Sierra Leone are also eligible for this drawdown authority. [Section 7049, P.L. 111-8]

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 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 FY:

- 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 FMS LOA to sell defense articles or services for $50 million or more, or any design and construction services for $200 million or more, or MDE for $14 million or more. The dollar thresholds for notification for NATO countries, Japan, Australia, Republic of Korea, and New Zealand are $100 million, $300 million, and $25 million respectively. Approval for FMS must be provided by the DOS to DOD prior to any congressional notification.

MDE means 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 http://www.pmddtc.state.gov/reference.htm#regs.

The LOA shall not be issued if the 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 which requires such sale in the national security interests of the U.S. [Section 36(b)(1), AECA]

In order to provide the Congress with sufficient time to review such cases, the DSCA has agreed to provide Congress with a 20-day informal notification of such cases prior to the formal submission of the thirty-day statutory notification. [*Security Assistance Management Manual* (SAMM), Section C5.6.3] Additionally, while the law does not address this, policy has been established that notifications will not be provided unless Congress is in session to receive the notification.

An exception to the above procedure exists for NATO, NATO member countries, Australia, Japan, Republic of Korea, and New Zealand. For these exempted countries, the formal statutory notification period is only fifteen days. Furthermore, the twenty days informal, advance notification period is not required for these countries.

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. Dollar thresholds for notification for NATO countries, Japan, Australia, Republic of Korea, 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. The twenty-day informal advance notification required for FMS does not apply to the DCS licensing process. 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, and New Zealand is fifteen days as in the FMS process. [Section 36(c), AECA]

The licensing of any USML category I small arms (.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 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 channels [SAMM, C4.5.9]. 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 Country 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, and New Zealand) for proposed third country 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, and New Zealand are $25 million and $100 million respectively. [Section 3(d), AECA]

The following are exceptions to this congressional review process for third country 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.

The Congress can adopt a joint resolution of disapproval of the proposed transfer during the fifteen or thirty-day review period. However, Presidential approval is not required for third country transfers or change in end-use if all the following conditions are satisfied:

- The U.S. article is being incorporated as a component within a foreign defense article
- The recipient is the government of a NATO country, Japan, Australia, Republic of Korea, or New Zealand
- The recipient is not a Section 620A, FAA-designated country (supports international terrorism)

- The U.S.-origin component is not SME, an article requiring Section 36(b), AECA notification, and identified by regulation as an Missile Technology Control Regime (MTCR) item
- The country or organization provides notification to the USG within thirty days after the transfer [Section 3(b), AECA]

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:

- 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 of 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 which 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:

- 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 USC 2667.

For any lease for a period of one year or longer, the Congress must be given a thirty-day advance notification. Like FMS, the Presidential decision authority to lease has been delegated to 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, the Congress may adopt a joint resolution during the thirty-day notification/review period

prohibiting the proposed lease. The dollar thresholds for notification for NATO countries, Japan, Australia, Republic of Korea, and New Zealand are $25 million and $100 million respectively.

The congressional advance notification period for leases to NATO, NATO members, Japan, Australia, Republic of Korea, 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. This is 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. This joint resolution must be then sent to the President for review and approval by enactment. Since the President is unlikely to approve the rejection of an action which his administration originally proposed to Congress, the President will likely veto such a joint resolution, returning it to Congress. 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 inclusive, is representative of such reports. A comprehensive listing of SA reports submitted to Congress by DOD elements can be found DOD 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 for MDE valued at $1 million or more [Section 36(a)(1), AECA]
- A listing of all LOAs accepted during the FY [Section 36(a)(2), AECA]
- The cumulative dollar value of sales credit agreements during the FY [Section 36(a)(3), AECA]
- A listing of all commercial export licenses issued during the FY 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 the 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 is required by Section 25(a), AECA, and is generally referred to as the *Javits Report*, named for its principal sponsor, former Senator Jacob Javits (D-NY). By policy, no sales or

licensing notifications will take place for the FY until the *Javits Report* is received by and briefed to Congress, which of course 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 the 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. Additionally, the report will include numbers, range, and findings of EUM of U.S. transfers of small arms and light weapons. [Section 40A(c), AECA]

Possible Excess Defense Articles

Beginning with FY 2003, like the *Javits Report* for sales, the President shall transmit to the 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]

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

A joint Secretary of State and Secretary of Defense report is to be submitted to Congress not later than 31 January each year to include training provided the previous and current FYs. For each training activity, it is to include foreign policy justification and purpose plus number of foreign personnel trained their units, and the location. For each country, it is to include aggregate number of students and costs. With respect to the U.S. personnel, it is to include operational benefits derived and what units were involved. Beginning 30 September 2002, unless notified in writing ninety calendar days in advance for a specified country, this report is not to include any training provided to NATO countries, Australia, Japan, or New Zealand. [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. For the 2009 report, the secretary waived the prohibition against Kuwait, Lebanon, Libya, Qatar, Saudi Arabia, the United Arab Emirates, and Yemen until 1 May 2010 on the basis of national interest and the promotion of U.S. objectives to eliminate the boycott. The countries of Algeria, Bahrain, Bangladesh, Djibouti, Egypt, Iraq, Jordan, Mauritania, Morocco, Nigeria, Oman, Pakistan,

Somalia, Sri Lanka, Tanzania, Tunisia, and Uganda were determined to have no current boycott policy of practice.

Additional Provisions Relating to NATO, NATO Members, Japan, Australia, New Zealand, Republic of Korea, and Other Eligible Countries

Reduction or Waiver of Nonrecurring Cost Charges

The President may reduce or waive nonrecurring cost (NRC) charges required by Section 2l(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 co-production arrangements. [Section 21(e)(2)(A), AECA]

Beginning in FY 1997, NRC for research and development (R&D) may also be waived for an FMS sale to any eligible country if:

- 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 USC 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, and Thailand 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:

- Priority delivery of EDA, 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 [Section 610, P.L. 110-161]

Incremental Tuition Pricing for International Military Education and Training - Designated for 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]

Effective 14 November 2005, though not an IMET recipient and only receiving FMFP assistance, Israel 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 30 days prior to USG signature of a proposed cooperative project agreement. [Section 27, AECA] For additional information on international armaments cooperation, Chapter 13, "Systems Acquisition and International Armaments Cooperation" of this text.

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 DOD the authority to procure defense articles and services in anticipation of future foreign government military requirements. By permitting such advance procurements, the SDAF enabled 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:

- Collections from FMS sales of DOD stocks not intended to be replaced

- Asset use collections and contractor payments for the use of U.S.-owned facilities and equipment
- 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 USC 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 begun 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, $140,000,000 in OA was carried over from FY 1994, plus an added OA of $20,000,000 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. Since prior year funds remain available in the SDAF account for obligation, and since numerous items remain on order, the SDAF account should be operational for several more years before all contracts are closed. 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 DOD 5105.38-M, SAMM, C11.14, for further information. At the Administration's repeated request for the recent years, SDAF may be reactivated but renamed Foreign Military Sales Stockpile Fund.

Excess Defense Articles

The term EDA is applied collectively to U.S. defense articles which are no longer needed by the U.S. armed forces. Such defense articles may be made available for sale under the Foreign Military Sales 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 USC by adding a new Section 2552 which 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:

- Department or agency of the USG (excluding DOD), and no state, and no other person or entity eligible to receive excess or surplus property submits a request for such equipment from the Defense Reutilization and Marketing Service (DRMS) during the period for which such a request may be accepted by the DRMS
- 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 federal agencies and the 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] Charges must be levied on such sales as well as on grant transfers (with certain exceptions) for the costs of 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, rationalized the 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 counter-narcotics programs submitted under Section 634, FAA, or for which receipt of such articles was separately justified to Congress, for the FY in which the transfer is authorized. Beginning with FY 2008, the eligible countries are annually identified to Congress within a letter provided by DSCA after coordination with State Department Bureau of Political-Military Affairs, Office of Regional Security and Arms Transfers (PM/RSAT).

Grant EDA transfer limitations include:

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

Congressional notification 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 $7M or more. [Section 516(f)(1), FAA] Additionally, beginning in FY 1997, not more than $425M (current value) in defense articles may be transferred in one FY as grant EDA. [Section 516(g), FAA] 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.

Recently enacted *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 Reserves 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 reserve stockpiles 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 ($68M) and Thailand ($10M). For FY 1993, Congress authorized a total of $389M worth of U.S. defense equipment to be transferred to the War Reserves Stockpiles for Allies (WRSA) in FY 1993; not less than $200,000,000 was designated for stockpiles in Israel, and up to $189,000,000 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 which 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 which 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.

Country-Specific Legislation

Numerous legislative provisions are enacted annually which apply only to one specific country, or which 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 which prohibits military assistance but permits economic assistance). Thus, the S/FOAA for FY 2009 [Section 7007, P.L. 111-8] prohibits any direct assistance to Cuba, Iran, North Korea, and Syria. A legislative prohibition on FY 2009 IMET assistance, requiring prior notification to Congress, was applied also to Haiti, Guatemala, the Democratic Republic of the Congo, Nigeria, Sri Lanka, Nepal, Ethiopia, Bangladesh, Libya, and Angola. [Title IV, P.L.111-8]

The statutory provisions setting forth such a prohibition generally (but not always) 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, cracked 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 has 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.

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 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. Under the provisions of Chapter 7, sanctions may be applied against persons, defined to include individuals, corporations, and countries, 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. A waiver of these sanctions may be granted if the President determines and notifies Congress that such a waiver is either:

- 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 which the U.S. may take against persons, companies, and countries which 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 which 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 Landmines

In a unique action, the *National Defense Authorization Act, Fiscal Year 1993* established a one year moratorium on the transfer of anti-personnel landmines. [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 landmines, or the furnishing of any foreign assistance related to the transfer of such landmines 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 USAID or DOS. [Section 7056(a), P.L.111-8] The command-activated claymore mine has been legislatively defined as not an antipersonnel landmine. [Section 580(b)(2), P.L. 104-107] Of interest are some of the statistics cited in the statute regarding anti-personnel landmines: 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 landmines and the DOS approved ten licenses for the commercial export of such landmines 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 U.N. 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 have a 99 percent or higher tested rate to operate as designed and the transfer agreement specifies that the munitions will only be used against clearly defined military targets and will not be used where civilians are known to be present. With no funding reference, Section 7056(b), P.L.111-08, permanently extended this cluster munitions prohibition effective 11 March 2009.

Summary

Security assistance, like other USG programs, is governed by U.S. statute. The primary or basic laws are the FAA, as amended, and the AECA, as amended. Funds are appropriated for SA in the annual S/FOAA, FY 20XX. 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 appropriated programs.

Given the wide variety and complex details of these country-specific and weapons specific provisions, for additional information the reader is encouraged to consult the various legislative sources cited herein. Additionally, a useful source of such information appears in the analytical reports of new SA legislation published annually in the winter or spring issue of *The DISAM Journal*, depending on the passage of the annual legislation.

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Attachment 2-1
United States Conventional Arms Transfer Policy

Presidential Decision Directive 34

[The following is a reprint of Secretary of State message DTG 180317Z Feb 1995, Subject: Conventional Arms Transfer Policy. This message includes the following: Department of State comments; White House Press Secretary Statement of 17 February; White House Fact Sheet on Conventional Arms Transfer Policy, 17 February; and White House Fact Sheet on Criteria for Decision-Making on U.S. Arms Exports, 17 February. The final item in this group of documents is a related 17 February press briefing by Eric Newsom, the Principal Deputy Assistant Secretary of State, Bureau of Political-Military Affairs. This is the first release of a formal policy statement on conventional arms transfers since the announcement by the Reagan Administration of its Conventional Arms Transfer Policy on 8 July 1981.]

1. The President recently approved a new policy on conventional arms transfers. This policy will affect future arms transfer issues involving many posts' host governments. Posts are requested to draw on the White House statement and fact sheets in paragraphs 4-6 and present this information to host governments as the Chief of Mission sees appropriate.

2. Introduction — On February 17, the Administration announced its Presidential Decision Directive (PDD-34) on Conventional Arms Transfers. It is the Administration's view as in previous administrations, that sales of conventional weapons are a legitimate instrument of U.S. foreign policy, enabling allies and friends to better defend themselves, as well as help support our defense industrial base. The Administration is determined to ensure a balanced approach, supporting legitimate transfers while restraining those which could threaten our foreign policy and national security interests.

3. At the same time, it is clear that defense exports have important foreign policy and national security implications that differ dramatically from strictly commercial exports.

   - PDD-34 should be seen as a summation and codification of this administration's decision-making in the arms transfer arena, rather than a dramatic departure from previous practice. The policy—now in one document—has been reflected in the decisions we have made on arms transfers and efforts at restraint over the past two years.

   - While the policy does not represent a radical departure from our historic approach to arms transfers issues, we are giving increased weight—in the changed environment of the post-cold war era—to specific conditions within each region. Just as in our broader defense and non-proliferation strategies, arms transfer policy must be conducted with a focus on the dynamics of regional power balances and the potential for destabilizing changes in those regions.

STATEMENT BY THE WHITE HOUSE PRESS SECRETARY — CONVENTIONAL ARMS TRANSFER POLICY, FEBRUARY 17, 1995:

The President has approved a comprehensive policy to govern transfers of conventional arms. This policy, as detailed in the attached fact sheets, serves our nation's security in two important ways. First, it supports transfers that meet the continuing security needs of the United States, its friends, and allies. Second, it restrains arms transfers that may be destabilizing or threatening to regional peace and security.

This policy reflects an approach towards arms transfers that has guided the Administration's decisions over the last two years. Specifically, the United States continues to view transfers of conventional arms as a legitimate instrument of U.S. foreign policy—deserving U. S. government support—when they enable us to help friends and allies deter aggression, promote regional security, and increase interoperability of U.S. forces and allied forces. Judging when a specific transfer will meet that test requires examination of the dynamics of regional power balances and the potential for destabilizing changes in those regions. The criteria guiding those case-by-case examinations are set forth in the attached guidelines for U.S. decision-making on conventional arms transfers.

The centerpiece of our efforts to promote multilateral restraint is our initiative to work with allies and friends to establish a successor regime to Coordinating Committee for Multilateral Export Controls (COCOM).

The new regime should establish effective international controls on arms sales and the transfer of sensitive technologies—particularly to regions of tension and to states that pose a threat to international peace and security. While pursuing multilateral restraint through this and other mechanisms such as the U.N. conventional arms register and regional initiatives, the United States will exercise unilateral restraint in cases where overriding national security or foreign policy interests require us to do so.

WHITE HOUSE FACT SHEET ON CONVENTIONAL ARMS TRANSFER POLICY, FEBRUARY 17, 1995.

U. S. conventional arms transfer policy promotes restraint, both by the U.S. and other suppliers, in transfers of weapons systems that may be destabilizing or dangerous to international peace. At the same time, the policy supports transfers that meet legitimate defense requirements of our friends and allies, in support of our national security and foreign policy interests.

Our record reflects these considerations. U.S. arms sales during this period have been close to our historical average—approximately $13 billion in government-to-government sales agreements in FY 1994. U.S. arms deliveries have also remained flat. These sales have been primarily to allies and major coalition partners such as NATO member states and Israel.

United States Goals

The policy issued by the President will serve the following goals:

1) To ensure that our military forces can continue to enjoy technological advantages over potential adversaries.
2) To help allies and friends deter or defend themselves against aggression, while promoting interoperability with U.S. forces when combined operations are required.
3) To promote regional stability in areas critical to U.S. interests, while preventing the proliferation of weapons of mass destruction and their missile delivery systems.
4) To promote peaceful conflict resolution and arms control, human rights, democratization, and other U.S. foreign policy objectives.
5) To enhance the ability of the U.S. defense industrial base to meet U. S. defense requirements and maintain long-term military technological superiority at lower costs.

Supporting Arms Control and Arms Transfer Restraint

A critical element of U.S. policy is to promote control, restraint, and transparency of arms transfers. To that end, the U.S. will push to increase participation in the U.N. Register of Conventional Arms. We will also take the lead to expand the Register to include military holdings and procurement through national production, thereby providing a more complete picture of change in a nation's military capabilities each year.

The U.S. will also support regional initiatives to enhance transparency in conventional arms such as those being examined by the OAS [Organization of American States] and ASEAN [Association of Southeast Asian Nations], and will continue to adhere to the London and OSCE [Organization for Security and Cooperation in Europe] guidelines, while promoting adherence to such principles by others.

The U.S. will continue its efforts to establish a successor export control regime to the Cold-War era COCOM. Our goals for this regime are to increase transparency of transfers of conventional arms and related technology, to establish effective international controls, and to promote restraint—particularly to regions of tension and to states that are likely to pose a threat to international peace and security.

The United States will also continue vigorous support for current arms control and confidence-building efforts to constrain the demand for destabilizing weapons and related technology. The United States recognizes that efforts such as those under way in the Middle East and Europe bolster stability in a variety of ways, ultimately decreasing the demand for arms in these vital regions.

The United States will act unilaterally to restrain the flow of arms in cases where unilateral action is effective or necessitated by overriding national interests. Such restraint would be considered on a case-by-case basis in transfers involving pariah states or where the U.S. has a very substantial lead on weapon technology, where the U.S. restricts exports to preserve its military edge or regional stability, where the U.S. has no fielded

countermeasures, or where the transfer of weapons raises issues involving human rights or indiscriminate casualties, such as anti-personnel landmines.

Finally, the U.S. will assist other suppliers to develop effective export control mechanisms to support responsible export policies. The United States will also continue to provide defense conversion assistance to the states of the former Soviet Union and Central Europe as a way of countering growing pressures to export.

Supporting Responsible United States Transfers

Once an approval for a transfer is made, the U.S. Government will provide support for the proposed U.S. export. In those cases the United States will take such steps as tasking our overseas mission personnel to support overseas marketing efforts of American companies bidding on defense contracts, actively involving senior government officials in promoting sales of particular importance to the United States, and supporting official Department of Defense participation in international air and trade exhibitions when the Secretary of Defense, in accordance with existing law, determines such participation to be in the national interest and notifies Congress.

Decision-Making on United States Arms Exports: Criteria and Process

Given the complexities of arms transfer decisions and the multiple U.S. interests involved in each arms transfer decision, decisions will continue to be made on a case-by-case basis. These case-by-case reviews will be guided by a set of criteria that draw the appropriate balance between legitimate arms sales to support the national security of our friends and allies, and the need for multilateral restraint against the transfer of arms that would enhance the military capabilities of hostile states or that would undermine stability.

WHITE HOUSE FACT SHEET ON CRITERIA FOR DECISION-MAKING ON UNITED STATES ARMS EXPORTS, FEBRUARY 17, 1994

Given the complexities of arms transfer decisions and the multiple U.S. interests involved in each arms transfer decision, the U.S. Government will continue to make arms transfer decisions on a case-by-case basis. These case-by-case reviews will be guided by the criteria below.

General Criteria

All arms transfer decisions will take into account the following criteria:

- Consistency with international agreements and arms control initiatives.
- Appropriateness of the transfer in responding to legitimate U.S. and recipient security needs.
- Consistency with U.S. regional stability interests, especially when considering transfers involving power projection capability or introduction of a system which may foster increased tension or contribute to an arms race.
- The degree to which the transfer supports U.S. strategic and foreign policy interests through increased access and influence, allied burden sharing, and interoperability.
- The impact of the proposed transfer on U.S. capabilities and technological advantage, particularly in protecting sensitive software and hardware design, development, manufacturing, and integration knowledge.
- The impact on U.S. industry and the defense industrial base whether the sale is approved or not.
- The degree of protection afforded sensitive technology and potential for unauthorized third-party transfer, as well as in-country diversion to unauthorized uses.
- The risk of revealing system vulnerabilities and adversely impacting U.S. operational capabilities in the event of compromise.
- The risk of adverse economic, political, or social impact within the recipient nation and the degree to which security needs can be addressed by other means.
- The human rights, terrorism, and proliferation record of the recipient, and the potential for misuse of the export in question.

- The availability of comparable systems from foreign suppliers.
- The ability of the recipient effectively to field, support, and appropriately employ the requested system in accordance with its intended end-use.

Upgrade Criteria

Upgrades of equipment — particularly that of former Soviet-bloc manufacture — is a growing segment of the market. The U.S. government should support U.S. firms' participation in that market segment to the extent consistent with our own national security and foreign policy interests. In addition to the above general criteria, the following guidelines will govern U.S. treatment of upgrades :

- Upgrade programs must be well-defined to be considered for approval.
- Upgrades should be consistent with general conventional arms transfer criteria outlined above.
- There will be a presumption of denial of exports to upgrade programs that lead to a capability beyond that which the U.S. would be willing to export directly.
- Careful review of the total scope of proposed upgrade programs is necessary to ensure that U.S. licensing decisions are consistent with U.S. policy on transfers of equivalent new systems.
- U.S. contributions to upgrade programs initiated by foreign prime contractors should be evaluated against the same standard.
- Protection of U.S. technologies must be ensured because of the inherent risk of technology transfer in the integration efforts that typically accompany an upgrade project.
- Upgrades will be subject to standard USG written end use and retransfer assurances by both the integrator and final end user, with strong and specific sanctions in place for those who violate these conditions.
- Benchmarks should be established for upgrades of specific types of systems, to provide a policy baseline against which individual arms transfer proposals can be assessed and proposed departures from the policy must be justified.

Attachment 2-2
United States Conventional Arms Transfer Policy: Press Briefing

BY
ERIC NEWSOM, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF STATE,
BUREAU OF POLITICAL-MILITARY AFFAIRS

As you know, the White House has announced the release of the Administration's policy on conventional arms transfers. I'd like to make a short presentation on the Administration's policy, Presidential Decision Directive (PDD 34).

- The PDD codifies policies that the Administration has been following in this area for the past two years for decisions on individual arms transfers.
- Does not represent a new departure from our current national security and foreign policy goals.
- First, the conventional arms transfer policy, defined in PDD-34, is based on two fundamental emphases:
- We seek to promote restraint, both by the U.S. and other suppliers, in transfers of weapons systems that may be destabilizing or dangerous to international peace.
- At the same time, we approve transfers to meet legitimate defense requirements that support our national security and foreign policy interests abroad.
- The Administration's record in the past two years reflects these two emphases.
- This policy also is predicated on the reality that the end of the Cold War has not meant the end of dangers to the U.S., or to our interests abroad.
- In this still insecure world, conventional weapons remain legitimate instruments for self-defense and important elements of U.S. national security policy.
- Because not every state can produce the full range of weapons necessary for legitimate defense needs, trade in weapons is inevitable.
- Our policy also recognizes that conventional weapons, particularly with the advances of modern technology, can do enormous harm in the hands or hostile states or groups, and appropriate restraint measures can serve our national security interests.
- Unneeded or destabilizing weapons can also exacerbate tensions and place significant economic burdens on some states that seek to obtain and support large militaries.
- These facts argue for continued regulation and restraint in the transfer of weapons and related technology.
- Reflecting the continued role of conventional arms transfers for U.S. national security interests, our approach reflects continuity with past arms transfer policy. However, this Administration has given a new emphasis—in its foreign and national security policies—to regional security and stability. Examples:
- Our nonproliferation efforts, which are focused on regions of particular tension;
- Our defense strategy, which is based on planning for two major regional contingencies.

We will be placing the same type of regional emphasis and focus on our conventional arms transfer decisions.

United States Goals

The major goals which our conventional arms transfer policy will serve are:

1) Ensuring that our military forces can continue to enjoy technological advantages over potential adversaries.

2) Helping allies and friends deter, or defend against, aggression while promoting interoperability with U.S. forces when combined operations are called for.

3) Ensuring regional stability in areas critical to U.S. interests while preventing the proliferation of weapons of mass destruction and their missile delivery systems.

4) Promoting peaceful conflict resolution and arms control, supporting regional stability, avoiding human rights violations, and promoting other U.S. foreign policy objectives such as the growth of democratic states.

5) Supporting the ability of the U.S. defense industrial base to meet U.S. defense requirements and maintain long-term military technological superiority at lower costs.

The Global Arms Transfer Market

This Administration's record in transfers reflects an understanding of the need for restraint coupled with the realization that transfers to allies and friends bolster our own security. Let me now briefly review basic trends in global arms transfers, to give you the context for our conventional arms transfer policy. U.S. government arms sales agreements under this Administration have returned to levels below our historical average — approximately $12 billion a year. Meanwhile, U.S. arms deliveries have remained basically flat, a trend we expect to continue.

- Sales during this Administration have been primarily to NATO allies and other major friendly states such as Israel.
- U.S. market share has grown not because the U.S. is selling more weapons but because other suppliers — notably the Soviet Union — have disappeared from the market.
- The global market for arms has also shrunk because domestic procurement budgets have decreased.
- We expect that demand for U.S. arms will remain steady through the remainder of the decade.

The central fact in the international trade in arms is that the global market in conventional arms — measured in deliveries — has declined dramatically.

- Especially notable is the dropoff in sales by the states of the former Soviet Union.
- Over this same period, U.S. conventional arms deliveries stayed relatively steady.

Arms Transfer Policy Criteria

This Administration will allow a sale only if it meets a set of rigorous criteria. The list is rather long, but some of the most important are:

- Consistency with international agreements and arms control initiatives;
- The appropriateness of the transfer as a response to legitimate U.S. and recipient-country security needs;
- The transfer must be consistent with the U.S. interest in regional stability;
- A transfer must afford protection to sensitive technology, as well as protecting against unauthorized transfer to a third party;
- We will examine closely the human rights, terrorism and proliferation-related record of the recipient, and the potential for misuse of the export in question; and
- We will also examine closely the impact of any proposed transfer on U.S. military capabilities, and on the technological advantage enjoyed by U.S. forces.

Support for United States Industry

Our arms transfer decisions will not be driven by commercial considerations. However, once a decision has been made on national security grounds to approve a transfer, it is important that U.S. firms receive the support of this government to make the sale. The Administration will provide the following support to U.S. industry:

- Task our overseas mission personnel to support marketing efforts of American companies bidding on defense contracts;
- Support official Department of Defense participation in international air and trade exhibitions;
- Actively involve senior U.S.G. officials in promoting sales of particular importance to the United States
- Seek legislation to repeal the statutory requirement to recoup nonrecurring costs on government-to-government sales, and align retransfer restrictions applied to government-to-government sales with those now applicable to commercial sales.

A fundamental point here is that we see support for a strong, sustainable U.S. defense industrial base as a key national security concern of the United States, rather than a purely commercial matter.

Maintaining this industrial base against the uncertainties of future international development is a necessary investment in America's security.

Arms Control and Restraint

At the same time, a critical part of our policy is the control and restraint of arms and their transfer. We also seek to increase the transparency of arms transfers.

- Restraint and transparency are not ends in themselves.
- They are tools to help reduce mistrust, tension, instability, and ultimately, the destructive cost of conflicts when they occur.

We have made and continue to work on a number of initiatives to establish a new, global pattern of restraint on transfers of conventional arms:

- We will continue to negotiate the COCOM successor regime.
- On transparency, the U.S. will also push to increase participation in the U.N. Register of Conventional Arms.
- Since the categories of weapons contained in the Register may not be the most relevant to some regional situations, the U.S. will also support regional initiatives to enhance transparency in conventional arms.
- We will also continue to expand our successful programs in export control assistance to Central and Eastern Europe.
- Finally, we will continue our efforts with new emerging suppliers such as South Africa, to provide them with information on how to adopt and apply responsible arms transfer policies.

Supporting Responsible United States Transfers

The U.S. system of reviewing and considering arms transfers is the most rigorous and open in the world.

Arms transfers will continue to be made on a case-by-case basis.

We believe that the Administration's conventional arms transfer policy will achieve all of these goals, in the service of U.S. national security and foreign policy objectives.

Chapter 3

U.S. Government Organizations for Security Assistance

Introduction

The U.S. security assistance (SA) program has its roots in public law, which contain SA 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 SA. The majority of this chapter is based on material extracted from the *United States Government Manual 2008/2009*, Washington, D.C.: Office of the Federal Register, National Archives and Records Administration, revised 1 June 2008. This manual can also be viewed at: http://www.gpoaccess.gov/gmanual/browse-gm-07.html.

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, congressional power and influence are exercised in several ways:

- Development, consideration, and action on legislation to establish or amend basic SA authorization acts
- Enactment of appropriation acts
- Passage of joint continuing resolutions to permit the incurrence of obligations to carry on essential SA 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 foreign military sales (FMS), direct commercial sales (DCS), third country transfers, and leases
- Ratification of treaties which may have SA implications

A major dimension of the U.S. SA 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 (S/FOAAs), 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 security cooperation authorities have been generated by the Senate Armed Services Committee (SASC) and the House Armed Services Committee (HASC) with the annual National Defense Authorization Acts (NDAAs).

Special Congressional Offices

Within the legislative branch, three offices have a significant impact on the conduct and management of the U.S. SA 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 staffs. The GAO is under the control and direction of the Comptroller General of the U.S. 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 U.S. The CBO is tasked with the collection of data and with 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 issues and policies. One such annual report is entitled *Conventional Arms Transfers to the Developing Nations*, which covers a five-year period.

Judicial Branch: The Courts

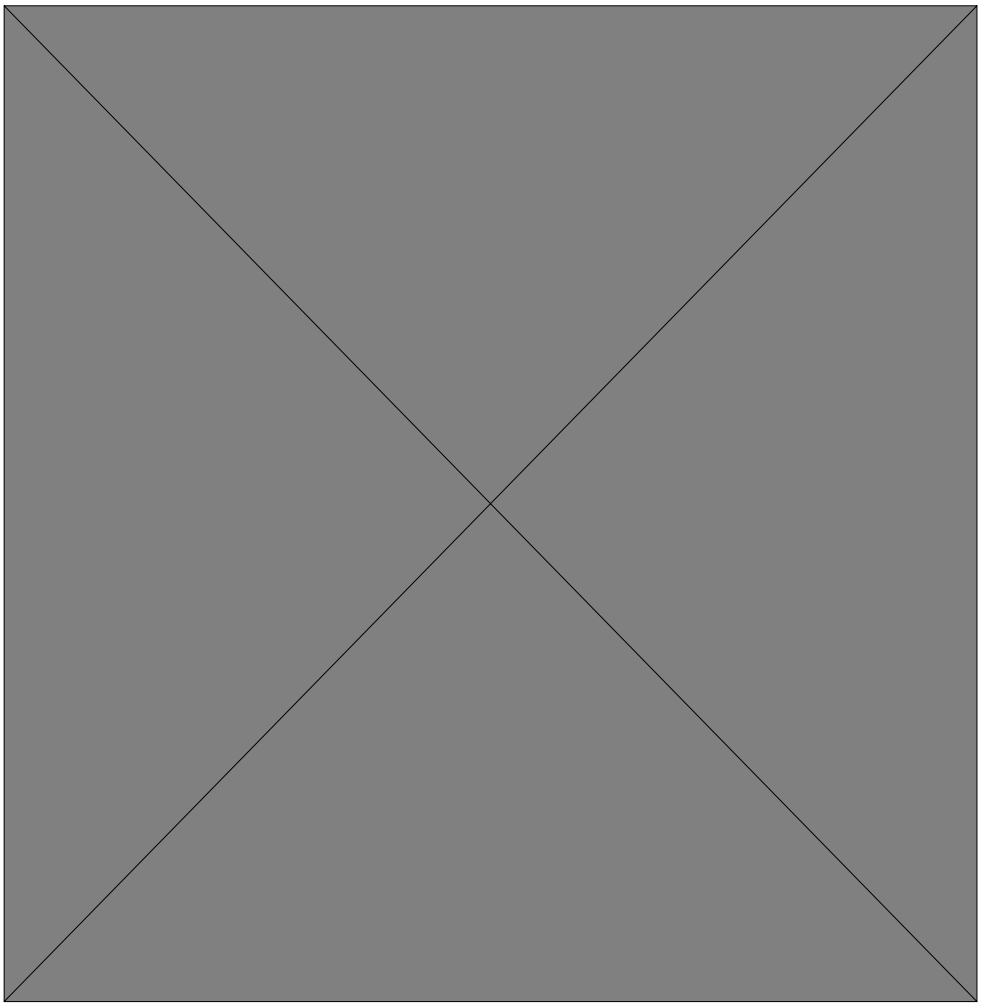
Article III, Section 1, of the U.S. Constitution provides for the federal court system. Federal courts are responsible for interpreting federal laws and determining the constitutionality of U.S. law. Historically, the courts have had limited involvement in the day-to-day activities of SA. Judicial involvement 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 United States 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 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 of the activities of the executive branch. The President has numerous assistants, cabinet officers, and other subordinate officials to oversee the conduct of the U.S. SA program (Figure 3-1).

Figure 3-1
United States Government Organization for Security Assistance



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 which impact SA. The NSC is chaired by the President. The function of the Council is to advise the President with respect to the integration of domestic, foreign, and military policies relating to national security. The NSC is also involved in the review of the annual SA 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. Since SA programs are part of the U.S. budget, OMB is interested in the impact the SA programs have on DOD military and civilian manpower, facilities, and performing accounts, as well as the amounts of the appropriations themselves. The OMB also controls the apportionment of appropriated funds for obligation and expenditure in support of SA activities.

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, *Arms Export Control Act* (AECA). Under the direction of the President, the Secretary of State shall be responsible for:

- 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
- Insuring 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 is the senior adviser to the President and Secretary of State for arms control 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.

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 an elevation (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, 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:

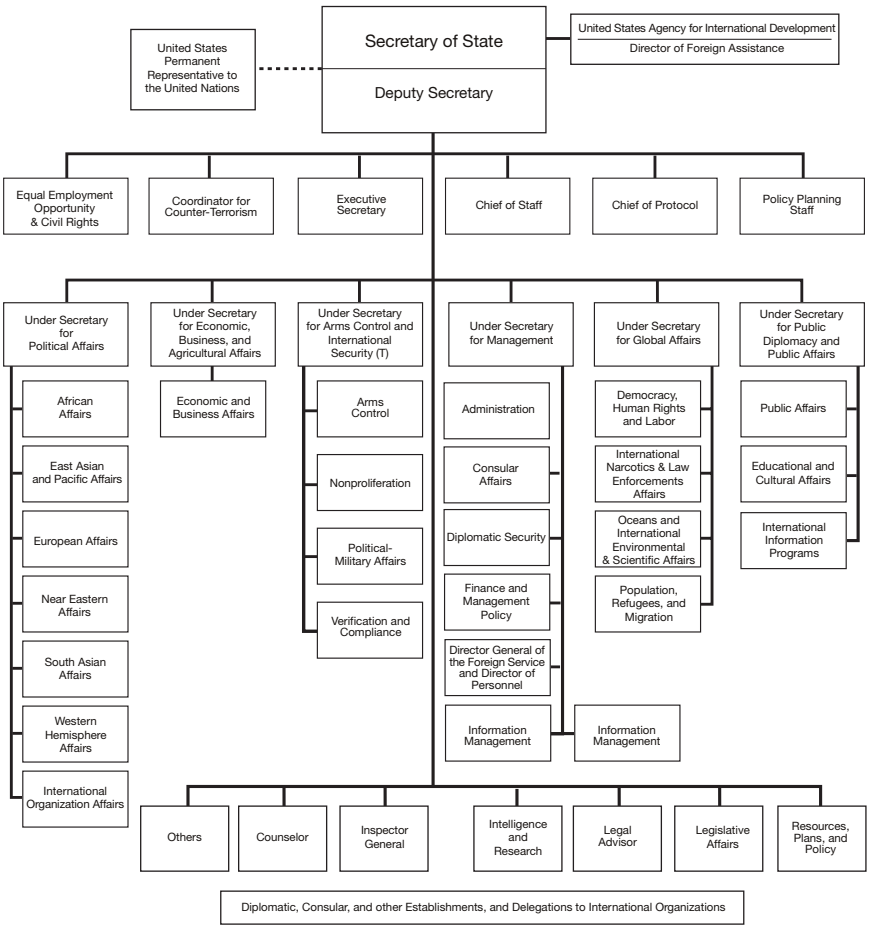
- Advise the Secretary on issues and policy problems arising in the areas where foreign policy and defense policy of the U.S. impinge on one another
- Serve as the principal channel of liaison and contact between the DOS and DOD
- Take the lead in developing the positions of the DOS on political-military questions, including those under consideration within the NSC
- Assist the Secretary in carrying out his responsibility for supervision of the military assistance and sales programs, and for licensing the commercial export of military equipment

Various offices within the bureau 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. Two 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 prepares 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 for the Secretary of State. It works closely with the DOD offices as described later in this chapter.

Figure 3-2
United States Department of State



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 *Country Reports on Human Rights Practices* is located on the web at: http://www.state.gov/g/drl/rls/hrrpt/. 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 (U.N.). 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.

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 direct 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 (shown on the next page). They have a direct role in the SA budget formulation process and other day-to-day SA matters.

United States 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, D.C., and missions and offices overseas. The FAA authorizes the agency to administer two kinds of foreign economic assistance:

- Development assistance 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
- The Economic Support Fund (ESF)

Beginning in 2006, the administrator for USAID was also appointed as the Director for Foreign Assistance (DFA) to include the appropriated SA programs. DFA 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, DFA is also responsible for the allocation of funding, by programs and countries, which is communicated to Congress via the Section 653(a) FAA report.

United States 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 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 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, 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 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 (ATFE) 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:

- U.S. Customs and Border Protection (CBP)
- 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 bureau 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 Commerce'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 Department of Transportation (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, "Foreign Military Sales Transportation Policy" provides additional information on U.S. flag shipping.

Department of Defense

The DOD, from the standpoint of overall effort measured in man-years, has the greatest involvement in SA of any department within the executive branch. When the full and part-time workloads are considered, the annual result is about 20,000 man-years.

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 Deputy Under Secretary of Defense for Technology Security Policy and National Disclosure Policy [DUSD (TSP & NDP)] 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* publication, NDP-1. This is performed by the National Disclosure Policy Committee (NDPC) which also includes DOS and Joint Staff representatives in its general membership. The office of the NDPC also manages the International Program Security (IPS) education and oversight programs within DOD.

DUSD (TSP & NDP) is also Director, Defense Technology Security Administration (DTSA). 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, International Program Security (IPS), and DTSA processes and programs.

The USD(P) also includes five assistant secretaries:

- The Assistant Secretary for International Security Affairs [ASD(ISA)] responsible for DOD policy within Europe, the Middle East, and Africa
- The Assistant Secretary for Asian and Pacific Security Affairs [ASD(APSA)] responsible for DOD policy with the Asian Pacific, South Asia, and Central Asia

- The Assistant Secretary for Homeland Defense and Americas Security Affairs [ASD(HD&ASA)] responsible DOD policy regarding homeland defense, civil support, crisis management, and the Western Hemisphere
- The Assistant Secretary for Global Strategic Affairs [ASD (GSA)] responsible for countering weapons of mass destruction, nuclear and missile defense policy, and space and cyber policy
- The Assistant Secretary for Special Operations/Low Intensity Conflict and Interdependent Capabilities [ASD(SOLIC-IC)] responsible DOD policy regarding special operations, strategic capabilities, stability operations, and forces transformation

The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics [USD (AT&L)] is responsible for the coordination of all international defense cooperative issues, to include cooperative research, development, production, acquisition, and logistics support programs. USD (AT&L) promulgates policies and procedures on a variety of SA functional areas, to include international coproduction agreements. The Defense Threat Reduction Agency (DTRA) reports to this office, with responsibilities for reducing the threat to the U.S. and its allies from weapons of mass destruction and special weapons. USD (AT&L) also provides oversight to the Defense Contract Management Agency (DCMA) described later in this chapter.

The Director for International Cooperation is responsible to USD (AT&L) for establishing policies for industrial base, dual-use technology, and international armament cooperation programs. Refer to Chapter 13 of this textbook, "International Armaments Cooperation Programs," for further information regarding these programs.

The Director for Defense Research and Engineering (DDRE) assures considerations of rationalization, standardization, and interoperability in SA programs with North Atlantic Treaty Organization (NATO) allies, provides analysis of the risks of compromise of U.S. weapons systems, and participates in the technology transfer review process.

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 Assistance of the Defense Finance and Accounting Service (DFAS-IN) located in Indianapolis, Indiana, 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 the DFAS, Washington, D.C. which is responsible to the USD (C). Refer to Chapter 5 of this textbook, "Foreign Military Sales Process," 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 Security Service (DSS). 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. DSS 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 DSS role in SA.

Joint Chiefs of Staff

The Chairman of the Joint Chiefs of Staff (Joint 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 commanders of Geographic Combatant Commands (GCC). The Joint Staff communicates instructions from the Secretary of Defense to the GCC, and furnishes the Secretary with information from the GCC.

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

- 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 recipients
- Determining the impact of SA programs on U.S. programs and defense readiness
- Recommending SA organizational and manpower requirements for SCOs and SA personnel augmentations to defense attaché offices
- Recommending the designation of military services responsible for furnishing chiefs of SCOs, other than defense attachés, assigned SA responsibilities
- For other than defense attachés assigned SA 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 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 insures that SA factors are included in the joint planning process. The focal point for SA matters within the Joint Staff is the Weapons Technology Control Division, Politico-Military Affairs, Asia Directorate, with the Director for Strategic Plans and Policy (J-5/DDPMA-A/WTC). This office also represents the Joint Staff and the GCCs on the NDPC.

Geographic Combatant Commands

Six of the GCCs have responsibilities for the conduct of the U.S. SA program within their respective geographical regions. The following is a list of the GCCs:

- The U.S. European Command (EUCOM)
- The U.S. African Command (AFRICOM)
- The U.S. Southern Command (SOUTHCOM)

- The U.S. Pacific Command (PACOM)
- The U.S. Northern Command (NORTHCOM)
- The U.S. Central Command (CENTCOM)

With regard to SA, the functions of the regional combatant commands include the following:

- Make recommendations to the Joint Staff and the Secretary of Defense on any aspect of SA programs, projections, or activities
- Keep informed on all SA 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 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 military departments (MILDEPs) informed on matters that could have an impact on SA and on SA programs, or actions that could impact other DOD programs under their cognizance
- Ensure coordination of regional SA 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 organizations

Security Cooperation Organizations

The SCO is the generic name for the DOD organization overseas with the primary responsibility for interfacing with the host nation on SA and security cooperation programs. The SCO is normally co-located with 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), etc. The chief of the SCO is responsible to four authorities:

- The ambassador
- The senior defense official/defense attache (SDO/DATT)
- The commander of the GCC
- The director, 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 5105.38, DODD 5132.3, and DOD 5105.38-M, *Security Assistance Management Manual* (SAMM), DSCA is established as a separate agency of the DOD under the direction, authority, and control of the USD (P) and receives policy direction and staff supervision from ASD (GSA). The principal SA functions of DSCA include:

- 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

In 1998, DSCA assumed the responsibility for administering the USD (P) Security Cooperation Programs of Humanitarian Mine Actions, Humanitarian Assistance, and Warsaw Initiatives. DSCA also has administrative management responsibilities for the DOD Combating Terrorism Fellowship Program (CTFP), DOD-funded/authorized security cooperation programs implemented using the pseudo-FMS process, and the five regional centers for security studies.

In accordance with DOD Directive 2140.5, the Defense Institute of Security Assistance Management (DISAM) has the following responsibilities:

- The conduct of courses of study that will prepare military (U.S. and foreign) and civilian (USG, foreign, and U.S. contractor) personnel for assignments in SA management positions
- The conduct of research in defense SA concepts and methods
- The assembling and dissemination of information concerning new policies, methods, and practices
- The providing of consulting services to the Office of Secretary of Defense (OSD) and the MILDEPs

DISAM is organized as directorate within DSCA but located at Wright-Patterson Air Force Base, Ohio. The U.S. Air Force, as the executive agent, provides logistics and administrative support to DISAM with reimbursement from DSCA.

The Defense Security Assistance Development Center (DSADC) was established in October 1997 to develop the Defense Security Assistance Management System (DSAMS). DSADC is located in Mechanicsburg, Pennsylvania. Like DISAM, DSADC is organized as a directorate within DSCA.

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, located in Newport, Rhode Island, is likewise organized as a directorate within DSCA.

Defense Logistics Agency

The Defense Logistics Agency (DLA) is a DOD agency within the USD (AT&L) organization, headquartered at Ft. Belvoir, Virginia, under the control of the Deputy Under Secretary of Defense for Logistics and Materiel Readiness. The mission of DLA is to provide support to the military services, other DOD components, federal civil agencies, and foreign governments. Such support includes the providing of 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 was established from the resources of materiel management directorate of Headquarters, DLA. This office was formerly known as the Defense Logistics Support Command and is located at Ft. Belvoir, Virginia. It assumed all of the former materiel management missions, functions, and organizations, to include the following organizations that support U.S. SA programs
- Defense Logistics Information Service (DLIS), Battle Creek, Michigan, operates the federal catalog system for the entire USG. It also provides cataloging services to NATO and other foreign countries
- Defense Reutilization and Marketing Service (DRMS), also located at Battle Creek, 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 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 DCMA and its area offices, administer, on behalf of defense and MILDEP acquisition offices, FMS contracts at numerous contractor facilities throughout the U.S. It can also provide quality assurance for DCS, if such service is requested and purchased 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 (AT&L) organization.

Defense Contract Audit Agency

The Defense Contract Audit Agency (DCAA) is a separate agency under the control of the Under Secretary of Defense (Comptroller) to audit DOD contracts. Through its field audit offices, it provides audit services for many FMS-related contracts.

Defense Language Institute English Language Center

The Defense Language Institute English Language Center (DLIELC), located at Lackland Air Force Base, Texas, operates under the command and control of Headquarters, 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), offers support on matters of mapping, charting, and geodesy to foreign countries under the U.S. SA program. NGA components include:

- NGA Headquarters, Fairfax, Virginia
- NGA Aerospace Center, St. Louis, Missouri
- NGA Hydrographic/Topographic Center, Bethesda, Maryland
- The Defense Mapping School, Fort Belvoir, Virginia
- NGA Systems Center, Reston, Virginia

Military Departments

The secretaries of the MILDEPs serve as advisers to the Secretary of Defense on all SA and security cooperation matters impacting on, 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:

- 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, GCCs, 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 matters

- Within policies and criteria established by the [ASD (GSA)], and under direction of the Director, DSCA, make sales of defense articles and services to eligible countries and international organizations
- Integrate acquisition for SA 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 functions, subject to the direction and policy guidance of ASD (GSA)
- In accordance with approved tables of distribution and other authorizations, directives, and requests, recommend and provide qualified military personnel to carry out SA assignments
- Assist the ASD (GSA) and the Director, DSCA, as requested, in government-to-government or interdepartmental discussion involving SA policies, plans, and programs
- Assist the ASD (GSA) and the Director, DSCA, as requested, in government-to-government negotiations involving SA and the director for international cooperation, or designee in government-to-government negotiations involving international logistics arrangements

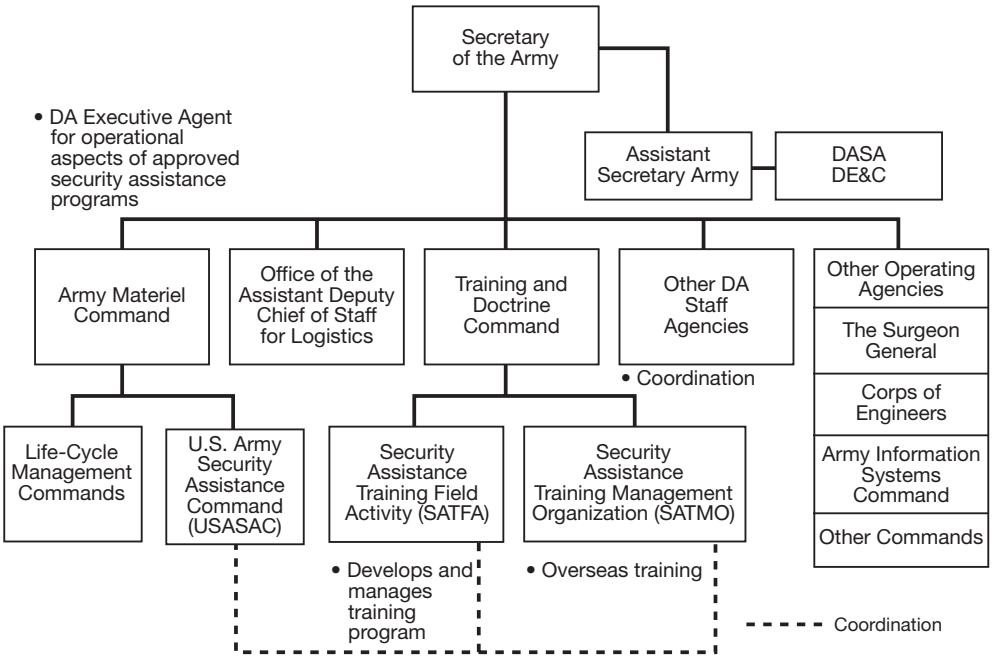
Department of the Army

SA policy and oversight for the Department of the Army is the responsibility of the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation (DASA/DE&C), located in Washington, D.C. This office reports to the Assistant Secretary of the Army for Acquisition, Logistics and Technology [ASA (ALT)]. This office consolidates SA policy with that of other international activities, programs, and affairs to provide the Army a single focal point for policy on international matters similar to that of the Navy and Air Force.

The Commander, U.S. Army Materiel Command (AMC), is the Department of the Army executive agent for implementing, administering, and managing Army FMS programs. The Commander, U.S. Army Security Assistance Command (USASAC), performs the executive agent's functions for AMC. USASAC consists of three major elements, the Directorate for Plans and Management located at Huntsville, Alabama, the Directorate for Operations located at New Cumberland, Pennsylvania, and the comptroller directorate with offices at both locations.

The USASAC Deputy for Plans and Management reviews Army letters of offer and acceptance (LOAs) and forwards them directly to DSCA for approval and countersignature as required. Certain LOAs still must go through the Army Staff, but these are few in number and usually involve high visibility, national policy, and readiness impact considerations.

Figure 3-3
Department of the Army Functional Organization for Security Assistance



Army Materiel Command (AMC):

U.S. Army Security Assistance Command (USASAC), Huntsville, Alabama

Communications/Electronics Command (CECOM), Ft. Monmouth, New Jersey

Aviation and Missile Command (AMCOM), Redstone Arsenal, Alabama

Joint Munitions and Lethality Command (JM&L), Rock Island Arsenal, Illinois

Tank, Automotive, and Armaments Command (TACOM), Warren, Michigan

Army Medical Command (MEDCOM)

U.S. Army Medical Materiel Agency (USAMMA), Ft. Detrick, Maryland

Army Corps of Engineers (USACE), Washington, D.C.

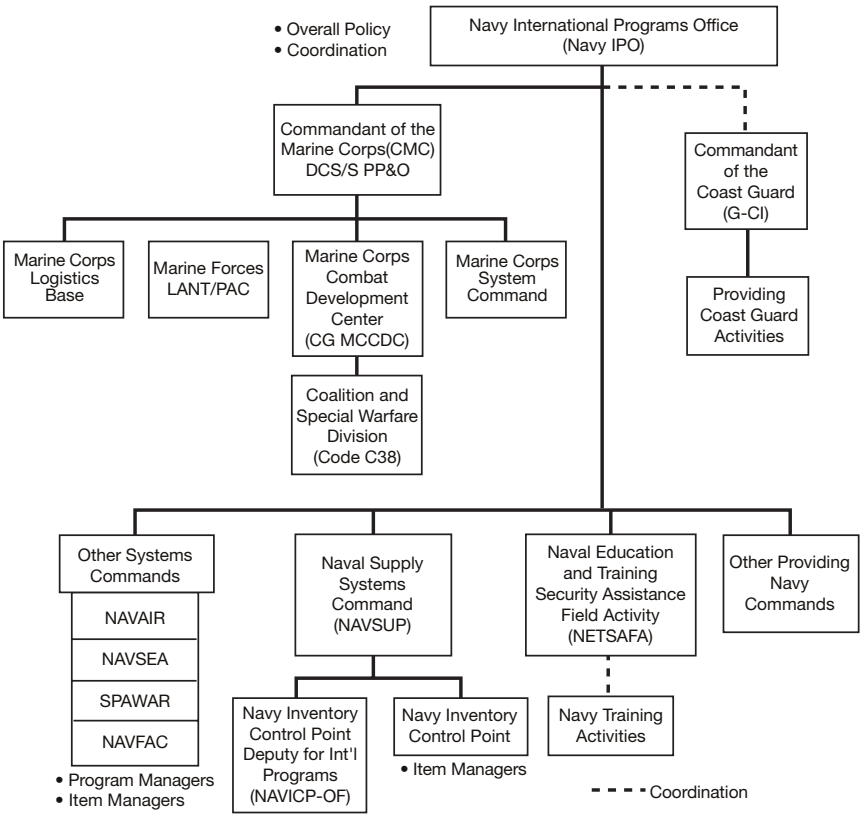
PEO Simulation and Instrumentation (PEO-STRI), Orlando, Florida

The Army is decentralized in the preparation of LOAs. Cases involving material or services to be provided by AMC are prepared by the applicable Life-Cycle Management Command (LCMC). Training cases that are the responsibility of the Training and Doctrine Command (TRADOC) are prepared by that command's Security Assistance Training Field Activity (SATFA), located at Ft. Monroe, Virginia. Cases may also be prepared by other commands. Even though the preparation of LOAs is decentralized, USASAC maintains overall control in that all cases are forwarded to USASAC for review and signature before going to DSCA, when required, and the purchaser.

Department of the Navy

The principal Navy organization for handling SA matters is the Navy International Programs Office (Navy IPO), located in Crystal City, Virginia. Under the direction of the Deputy Assistant Secretary of the Navy for Research, Development, and Acquisition (DASN-RD&A), Navy IPO formulates and implements Navy SA policy, and interfaces with other government agencies. Sales negotiations for all types of Navy service FMS requirements are carried out by Navy IPO (Figure 3-4).

Figure 3-4
Department of the Navy Functional Organization for Security Assistance



Detailed management of the Department of the Navy Security Assistance programs occurs at the systems commands and at the Naval Education and Training Security Assistance Field Activity (NETSAFA), which is located in Pensacola, Florida. Within each system's command and in NETSAFA, a SA coordination office oversees and monitors the command's SA 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 Inventory Control Point for International Programs (NAVICP-OF) located both in Mechanicsburg, Pennsylvania, and Philadelphia, Pennsylvania.

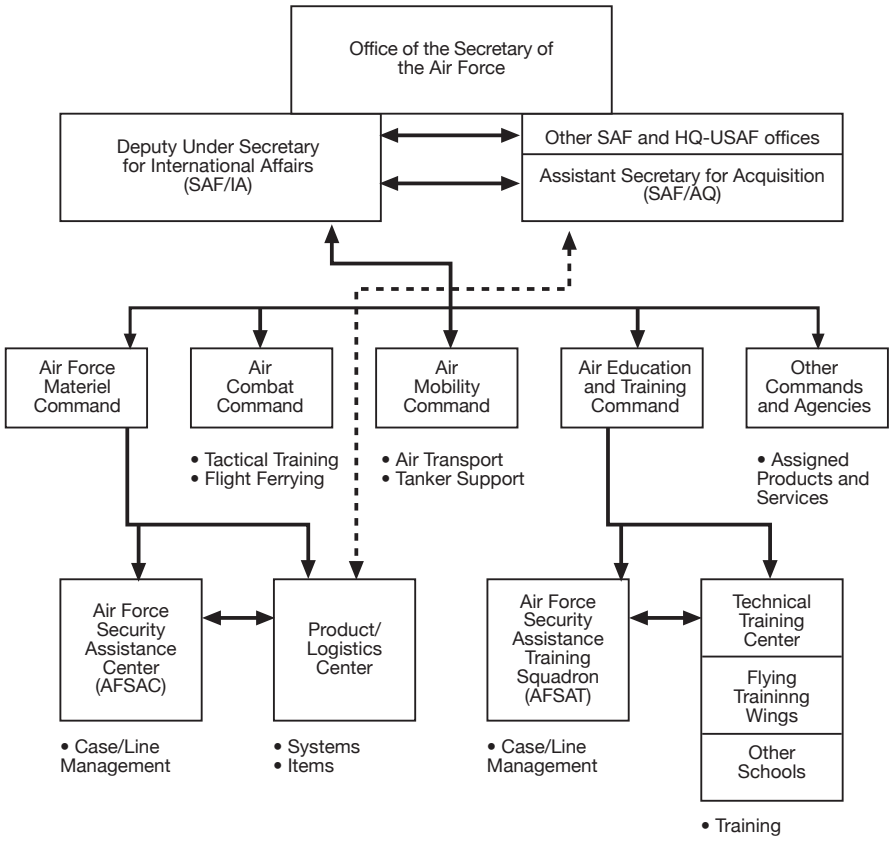
The U.S. Marine Corps is a component of the Department of the Navy. As such, Navy IPO handles all direct interfacing with foreign customers. The Marine Corps System Command (PLS-SA) provides LOA input data to Navy IPO on behalf of the Commandant of the Marine Corps. Subsequent training case management is provided by the Marine Corps Combat Development Center, Coalition and Special Warfare Division (MCCDC/C38) located at Quantico, Virginia.

Although a component of the DHS, and not the DOD, the USCG participates in certain SA programs. The Headquarters, USCG international affairs staff for SA and international training (G-CI), located in Washington D.C., coordinates USCG SA policy and directs the performance of SA 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 program.

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 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 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.

Figure 3-5
Department of the Air Force Functional Organization for Security Assistance



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

Within an FMS case, 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 coordination of the lines. (See Figure 3-5).

Detailed management of USAF SA 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, Texas.

Summary

The development and management of the U.S. SA 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., 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

With the recent publications of: DODD 5132.03, *DOD Policy and Responsibilities Relating to Security Cooperation;* DODI C-5105.81, *Implementing Instructions for DOD Operations at U.S. Embassies*; and DODI 5132.13, *Staffing of Security Cooperation Organizations (SCOs) and the Selection and Training of Security Cooperation Personnel,* the Department of Defense is changing the generic name security assistance organization (SAO) to security cooperation organization (SCO). DSCA has made a similar change throughout the DOD 5105.38-M, *Security Assistance Management Manual* (SAMM). SAMM E-Change 123 notes that "the terms security assistance organization, security assistance officer, and the acronym SAO are replaced, respectively, with the terms security cooperation organization, security cooperation officer, and the acronym SCO." This edition of the DISAM textbook therefore follows suit.

As indicated in Chapter 3 of this textbook, "U.S. Government Organizations for Security Assistance," the SCO is only one of numerous organizations within the United States Government (USG) and the Department of Defense (DOD) which 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 on all SA issues. Equally important, the SCO is generally the lead agency within each geographical combatant command (GCC) for the execution of most of DOD's SC programs in the country assigned. A discussion of the relationship between SC and SA is presented in Chapter 1, "Introduction to Security Cooperation." The SCO operates under the direction and authority of the Senior Defense Official/Defense Attaché (SDO/DATT), whose duties are discussed below.

DEFINITION AND PURPOSE OF THE SECURITY COOPERATION ORGANIZATION

The generic term SCO encompasses all DOD organizations, regardless of actual title or size, located in foreign countries to carry out SC and SA management functions under the *Foreign Assistance Act* (FAA), the *Arms Export Control Act* (AECA), and other authorities. In many countries, the primary program is Foreign Military Sales (FMS), whether funded by host nation cash and/or by U.S.-appropriated Foreign Military Financing (FMF). Other SA programs available to most countries are the International Military Education and Training (IMET) program and excess defense articles (EDA).

Throughout this textbook, the term "SCO" refers not only to the organization, but to each of its assigned personnel (i.e., Security Cooperation Officers), whether or not they are actual military officers. Although SCO is used as a generic name, each specific SCO has its own formal title or designation. Table 4-1 contains a list of the current SCO designations around the world. In most cases, these organizational titles were established through joint diplomatic agreement between the U.S. Government (USG) and the host nation. Regardless of the title or size of the organization, all are SCOs, and the individual names are not necessarily reflective of anything more than local political sensitivities. Where no SCO is assigned in country, the SA functions are normally handled by the Defense Attaché Office (DAO), either as an additional duty or with augmented personnel. In a small number of embassies (primarily in developing countries) where there is no defense attaché

representation, the SA program is managed by foreign service personnel through the Department of State (DOS).

Table 4-1
United States Security Cooperation Organizations

Acronym	Local Title
JUSMAG	Joint U.S. Military Assistance Group (Philippines)
JUSMAG	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)
NLO	Navy Liaison Office (Bahamas)
ODC	Office of Defense Cooperation (approximately 50 European, East Asian countries, and others)
ODC	Office of Defense Coordination (Mexico)
ODR	Office of Defense Representative (Costa Rica)
ODRP	Office of Defense Representative - Pakistan
OMC	Office of Military Cooperation (Bahrain, Egypt, Kazakhstan, Kyrgyzstan, Oman, Qatar, Turkmenistan, Uzbekistan, Yemen)
OMC-K	Office of Military Cooperation - Kuwait
OSC	Office of Security Cooperation (all African countries except Kenya)
USLO	U.S. Liaison Office
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)

Currently, USG security cooperation activities in Afghanistan and Iraq are conducted by the organizations below:

CSTC-A	Combined Security Transition Command-Afghanistan
ISAM	Iraq Security Assistance Mission (a component of the Multi-National Security Transition Command – Iraq)

Both CSTC-A and ISAM are organizations under the control of United States Central Command (USCENTCOM). The organizations in Afghanistan and Iraq can loosely be termed "pseudo-SCOs" for a variety of reasons. First, their mission, including operational advice and training, exceeds that of a normal SCO under U.S. law. Secondly, these organizations are operational commands, rather than administrative offices. As such, they do not report to the U.S. Ambassador, but only to the GCC through channels. In the case of CSTC-A, its mission includes training and equipping the host nation police forces which, while permitted by the *Arms Export Control Act*, is severely constrained under normal circumstances.

Within Saudi Arabia, in addition to USMTM, there are two DoD organizations which 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. They are:

OPM-SANG Office of the Program Manager, Saudi Arabian National Guard

(This organization is chartered by the U.S. Army, reports to U.S. Army channels through USASAC, and is funded by a FMS case. OPM SANG's mission is to train and equip the Saudi Arabian National Guard).

OPM-FSF Office of Program Management, Facilities Security Force

(OPM-FSF, also funded by a FMS case, conducts a train and equip mission for the Facilities Security Force of the Saudi Arabian Ministry of the Interior).

Each SCO operates under the oversight of the SDO/DATT who, as implied in the title, has the dual role of chief of both the SCO and the DAO. The role of the SDO/DATT is discussed further below.

Security Assistance and Security Cooperation

The definitions of SC and SA, as per Joint Pub 1-02, are in the glossary of this textbook and specific programs within each are discussed in Chapter 1. The major SA programs were created by the FAA, the AECA, and other legislation. However, the key aspect of these programs is that their permanent legal authority stems from the *United States Code, Title 22* (22 USC), entitled "Foreign Relations and Intercourse." (The USC is the codification of the general and permanent laws of the U.S., divided into 50 titles by subject matter). As such, the primary responsibility for their implementation within the executive branch has been delegated to the DOS. The SCO thus administers SA programs officially on behalf of the Ambassador, even though the bulk of the workload is performed by DOD personnel.

On the other hand, DOD considers "security cooperation" to be all DOD interactions with foreign defense establishments which promote U.S. security interests and enhance the military capabilities of our international partners. This clearly includes the long-established SA programs at its core, as well as the many legal authorities Congress has given DOD in its own right to pursue a wide range of cooperative military programs with other countries. Many of these authorities are codified in *Title 10 USC*, entitled "Armed Forces." DOD has also taken other initiatives for international cooperation, often through its components. Thus, SC is an umbrella term that is loosely defined and encompasses a variety of programs, including SA. In a narrower sense, "security cooperation" is sometimes used to refer to only the DOD-sponsored programs with other nations under 10 USC (as distinguished from SA). The SCO administers SC programs officially under DOD guidance, but ensures that those programs are compatible with the Ambassador's vision and goals for the host nation. Under the previous administration, "security cooperation" replaced previously used terminology such as "peacetime engagement" and "mil-to-mil programs." The scope of SC programs is quite broad and essentially includes almost any activity by which DOD interacts with foreign defense establishments.

There is no single comprehensive list of SC programs, although many DOD organizations have drawn up their own lists for internal use. For example, U.S. European Command (EUCOM) maintains a *Handbook of Theater Security Cooperation Resources* and the military departments (MILDEPs) are required to publish their own SC strategies. Individual SC programs may be managed by a GCC, a MILDEP, DSCA, or other DOD agency. Each program has its own authority in law and/or in DOD or agency policy.

The term "security cooperation" encompasses a combination of legal authorities, annual appropriations, organizations, and initiatives from within DOD resources. It should be emphasized that the list in Chapter 1 of this textbook is only a sample of the current SC programs and is by no means complete. Note that some DOD programs, such as counter-narcotics, are complemented by similar DOS programs, which the SCO may help manage within any given embassy country team. Similarly, DOS receives an annual appropriation for Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR), which supports a broad range of U.S. security interests, and which the SCO may be called upon to manage at the local level.

The SCO plays a key role in implementing many (not necessarily all) of these SC programs with the host nation. Some may be managed by the Defense Attaché Office (DAO), such as intelligence exchanges, and some may be managed through the host nation military attaché in Washington or a

liaison officer to a DOD organization. In any case, the SCO is generally considered the focal point for SC and should be aware of the existence of all such programs.

References for Security Cooperation Office Functions and Responsibilities

Legislative Provisions

Since the end of the Vietnam conflict, the U.S. Congress has maintained a keen interest in the activities of USG personnel assigned overseas to perform SA functions. Section 515(a) of the FAA outlines the legal functions of SCOs as follows below:

- Equipment and services (i.e., FMS case management)
- Training management
- Program monitoring
- Evaluation and planning of the host government's military capabilities and requirements
- Administrative support
- Promoting rationalization, standardization, interoperability (RSI), and other defense cooperation measures
- Liaison functions exclusive of advisory and training assistance

Department of Defense Provisions

In addition to legislative direction, DOD guidance is contained in recently issued DODD 5132.03, *DOD Policy and Responsibilities Relating to Security Cooperation*. This document does not list specific responsibilities for the SCO, but does provide guidance to all higher entities within DOD for the policy oversight and resourcing of SC activities.

Defense Security Cooperation Agency Provisions

DOD 5105.38-M, *Security Assistance Management Manual* (SAMM), Chapter 2, Table C2.T2, lists the following functions for SCOs but states that this is not an all-inclusive list.

- Provide interface for exchange of information and advice between the host nation's military establishment, the Chief of Mission (COM), and the DOD components responsible for SA programs. This includes promotion of rationalization, standardization, and interoperability (RSI) and other armaments cooperation measures in connection with SA programs.
- Provide the host country information needed to make decisions concerning SA programs. Encourage the host country to establish and depend on its procurement mission in the U.S.
- Evaluate host military capability to employ and maintain requested equipment and assist, as required, in processing SA requests [referred to as the country team assessment on letters of request (LOR)].
- Assist the National Disclosure Policy Committee in evaluating host country security programs and negotiating security agreements.
- Facilitate the timely and efficient implementation of approved host country SA programs.

- Assist U.S. MILDEPs and the host country in the receipt, transfer, and acceptance of SA materiel, training, and other services to include drawdowns, etc.
- Monitor the progress of SA programs and transactions, initiate appropriate remedial action, or advise the appropriate DOD components of problems and issues encountered.
- Perform programming, planning, management, and implementation functions relating to FMS and IMET programs.
- Inform host country of U.S. SA laws, policies, and procedures.
- Monitor FMS billing statements and payments and inform the host country of financial requirements.
- Engage the host military, to the extent practicable, in cooperative planning for total military acquisitions over a 3 to 5 year planning period.
- Acquire information on host country potential defense acquisitions and anticipate demands on U.S. resources.
- Report on the use of U.S.-origin defense articles, services, and training by the host country. These procedures vary from country to country; therefore, no standards are prescribed. The SCO should use available resources, e.g., country reporting or documentation, temporary duty personnel assigned in-country performing other duties, other elements of the U.S. diplomatic mission, and spot checks during the normal course of SCO duties and travel. The SCO should report on an exception basis through established SA channels and maintain records on file. See SAMM, Chapter 8, for more details on end use monitoring. Also, a discussion of the SCO responsibilities for equipment under the old Military Assistance Program (MAP) can be found in SAMM, Chapter 11.
- Assist the host country to identify, administer, and properly dispose of excess SA materiel.
- Provide input to the COM for the mission strategic plan (MSP) (formerly the mission performance plan).
- Coordinate and supervise activities of DOD personnel and elements that are in-country under DOD sponsorship excluding those under Defense Intelligence Agency or other SA authority. See the SAMM, Section C11.13, "Security Assistance Teams," for more information on these responsibilities.
- Coordinate between U.S. defense industry representatives and the host nation defense establishment, and provide oversight, without limitation to any country or group of countries, for in-country RSI and defense industrial cooperation initiatives.
- Supervise C-12 aircraft activities where applicable.
- Perform SDO/DATT administrative functions to include budget preparation and execution and review of organizational and manning requirements.

Administrative and Logistical Provisions

SCOs have administrative and logistical guidance through a tri-service regulation, *Administrative and Logistical Support of Overseas Security Assistance Organizations*, known as AR 1-75, SECNAVINST 4900.49, and AFJI 16-104. In part, this regulation provides the following guidance to SCOs:

- Submit administrative and logistical support requirements to the GCC in accordance with this regulation and guidance issued by the GCC, MILDEPs, and DSCA
- Represent all DOD activities assigned to the SCO for administrative support on the international cooperative administrative support services (ICASS) council; request only required administrative support; and, where required by the GCC, negotiate ICASS agreements for non-SA DOD activities assigned to the SCO for administrative support and coordinate billing/reimbursement requirements between the DOS and DOD activities and parent commands
- Insure that ICASS financial charges to SCOs are prepared according to Foreign Service Instructions CA-10025 and CA-10803
- Provide the MILDEPs with current information on desired or required routing for travel and training for SCO and SA teams' personnel and their dependents, as well as movement of household goods, personal baggage, and privately owned vehicles

Chapter 17 of this textbook, "Resource Management for the Security Cooperation Organization," provides details on these functions.

Routine Security Cooperation Organization Duties

Official functions and responsibilities of the SCO are delineated in the four sources referenced above. While these documents provide overall policy and administrative guidance, the SCO tends to divide up its routine SA workload according to the major functions below.

Foreign Military Sales Case Management

The SCO assists the host nation military with obtaining information on military articles and services of interest from DOD organizations, public sources, and U.S. vendors. It may assist the host nation in documenting its requirements and articulating its requests in terms that DOD organizations can translate into an FMS case. It ensures that the concept of a total package approach (TPA) is utilized as appropriate. Chapter 5 of this textbook, "The Foreign Military Sales Process," presents a detailed discussion on the FMS process and TPA. The SCO serves as the intermediary between the FMS case manager and the host nation to ensure that each case is both prepared and implemented in accord with host nation desires. It facilitates any requirement to change the original FMS case by either amendment or modification. Finally, the SCO assists the host nation in planning for the receipt and integration of FMS materiel and services into its defense organization and force structure. This case management function, which is actually one of liaison and coordination, is the bread and butter of most SCOs and may comprise half or more of the workload in some SCOs.

Concerning transportation, the SCO normally has no involvement in the actual receipt of articles shipped via the FMS process. In most cases, the host nation coordinates the movement of items through its freight forwarder, which is a commercial transportation agent under contract to the host nation. However, in some cases, whether by host nation choice or USG policy, items are moved through the Defense Transportation System (DTS). In such cases, the SCO may have responsibilities, particularly if the materiel being shipped is classified. Chapter 11 of this textbook, "Foreign Military Sales Transportation Policy," includes a discussion of SCO responsibilities in this area.

A recent new responsibility for SCOs concerns automation, specifically the Security Cooperation Information Portal (SCIP). This password-protected web site allows both U.S. and host nation personnel to review and input data on FMS cases as well as end-use monitoring (EUM) information. Host nation personnel and authorized foreign service nationals (FSNs), who are non-U.S. citizen employees of

the SCO, are required to be issued a secure electronic token for this access. The SCO is required to identify and maintain contact with the primary and alternate host nation administrators for SCIP tokens. Information and guidance for the SCO concerning SCIP access by the host nation is found at DSCA Policy Memorandum 03-11, "Enrollment Process for the Security Cooperation Information Portal", available on the DSCA web site. Appendix 2, "Security Assistance Automation," of this textbook, provides more information.

Training Management

The SCO manages all military training conducted, or contracted to be conducted, by DOD for the host nation. It assists the host nation in identifying, forecasting, and programming training requirements of all kinds, e.g., professional military education, tactical training, technical skills, etc. It helps ensure that properly qualified candidates are chosen for training, especially by ensuring that prospective students have sufficient English language skills. The SCO is responsible for management of training purchased under the FMS program. In addition, if the country receives USG appropriated funding for training under IMET, the DOD-funded Combating Terrorism Fellowship Program (CTFP), or other sources, those are also managed by the SCO. The SCO cannot treat the training function as an independent task separate from FMS case management. Rather, the two functions should be smoothly integrated to ensure that training needs associated with the acquisition of equipment, whether by FMS or DCS, are identified early and appropriately addressed. Besides routine coordination between host nation counterparts and DOD agencies, this function requires specialized training in a software program called the Training Management System (TMS). A detailed discussion of international training and the role of the SCO is found in Chapter 10 of the SAMM and in Chapter 14 of this textbook, "International Training."

End-Use Monitoring

The SCO function in the FAA described as "program monitoring" refers to the requirement to monitor host nation utilization of FMS and grant program materiel and training, as well as the eventual disposal of equipment. This includes the integration of U.S.-origin equipment, training, and services into the host nation force structure. Additionally, in rare cases, the host nation will lease (rather than purchase) articles under FMS. Because leased equipment remains the property of the USG, the SCO has a special responsibility for monitoring it. However, the most time-consuming aspect of program monitoring involves EUM. In performing this function, the SCO is essentially determining the answers to four questions:

- Is the equipment accounted for?
- Is it adequately secured and safeguarded?
- Is it being used only for purposes for which it was transferred?
- Is the eventual transfer or disposal of the equipment in accord with U.S. guidelines?

Where possible, the SCO should integrate EUM into other routine duties, such as visits to military bases and depots, observation during combined exercises, etc. In some cases, however, EUM generates its own workload, such as with the requirement for a periodic inventory of specified items or the need to observe the destruction of materiel. The SCO should recognize the sensitivity about this function on the part of the host nation, which may, incorrectly, view it as a lack of trust on the part of the USG, rather than a legislated requirement by Congress. A key challenge for the SCO is to cultivate a cooperative, rather than confrontational, atmosphere over this function. The DOD requirements for EUM are formalized by DSCA in the Golden Sentry program for articles transferred

through government channels (e.g., FMS, excess defense articles, etc.). The SCO may occasionally be called upon to coordinate and host a DSCA-sponsored visit under the Golden Sentry program, to assess compliance with EUM guidelines by the host nation. For those articles transferred through DCS, the guidelines are established by the DOS in its Blue Lantern program. An in-depth discussion of EUM is found in Chapter 8 of the SAMM and Chapter 18 of this textbook, "End-Use Monitoring and Third-Party Transfers."

Rationalization, Standardization, and Interoperability

As mentioned above, the FAA requires SCOs to promote RSI with the host nation. While this is not a task for the SCO *per se,* it remains a consideration in the course of accomplishing other duties. RSI is not limited to standardization of equipment and ammunition and interchangeability of repair parts. Rather, it covers the full spectrum of operations and logistics, including, for example, military terminology, doctrine, communications, medical, and mapping functions. DOD's policy is governed by CJCSI 2700.01A, *International Military Agreements for Rationalization, Standardization, and Interoperability (RSI) between the United States, Its Allies, and Other Friendly Nations*. The policy can be summarized as follows:

- Interoperability with partner nations is in the best interests of the U.S.
- The degree of RSI with any given partner is subject to financial, technical, and policy considerations
- Worldwide standardization with friends and allies is a goal, but should not impede efforts at the regional or bilateral level

In short, if the host nation is obtaining articles, services, and training from the U.S. RSI is being promoted to some degree.

Security Cooperation Activities

In addition to the traditional SA functions just described, the SCO also typically manages a variety of SC programs, many of which are addressed in Chapter 1, "Introduction to Security Cooperation." Combined exercises, humanitarian assistance programs (with many developing countries), and armaments cooperation (with selected developed countries) are prime examples. No two countries will have the same combination of, or emphasis on, SC activities. Where possible, the SCO should integrate SC activities with traditional SA to advance the U.S. goals and objectives for the host nation. This is accomplished through the planning process, described below.

Security Cooperation Organization Planning

Although not normally conducted on a daily basis, the planning function of the SCO remains the most critical. Planning is an SCO function per the FAA, as stated above, and is also required by the annual planning and budget cycles of both DOD and DOS. Planning should normally be done by the SDO/DATT, in his capacity as SCO chief or, where delegated, should be closely scrutinized. The planning tasks of the SCO are identified in SAMM Table C2.T2, but the process deserves further explanation. The SCO will draft, or provide input to, up to four planning documents on an annual basis, which, when approved, serve as country-specific policy guidance or funding authority. While each of these four documents has its own annual timeline, format, and approval process, they all begin with the SCO. As the SCO goes about its routine duties of FMS case management, training management, and other functions, it is critical to conduct an occasional "compass check" to ensure that the various programs and initiatives being pursued do in fact support the goals and objectives identified on the planning documents. The four documents and processes are discussed below.

Mission Strategic Plan

First and foremost is the ambassador's MSP, drafted with input from the SCO and the rest of the embassy country team. The MSP, which replaced the now obsolete mission performance plan (MPP), was utilized for the first time in 2007 to feed the fiscal year (FY) 2009 foreign operations budget. The MSP is the primary planning document within the USG that defines U.S. national interests in a foreign country and coordinates performance measurement in that country among USG agencies. The MSP creates a framework for all federal agencies, including DOD, to define priorities, to articulate the goals and objectives of their programs, and to relate program accomplishments to agency-specific and government-wide strategic goals. MSPs must reflect the embassy's program to support the DOS and USAID Strategic Plan. Once approved by the Ambassador, the MSP is sent to Washington for interagency review. For countries which receive appropriated foreign aid, including SA (FMFP, ESF, IMET, etc.), the MSP also acts as the vehicle to transmit that request to DOS. The MSP focuses on out-year diplomatic and assistance planning, and is supplemented by the new Mission Operational Plan, which provides a current year game plan for execution of programs, expenditure of funds, and assessment of results. The remaining three planning documents for the SCO, submitted into DOD channels, must be consistent with the MSP in terms of goals and objectives.

Theater Campaign Plan

The second planning document for the SCO is the GCC's theater campaign plan. Specifically, the SCO is concerned with the country-specific component of that document, variously called a country campaign plan, country action plan, etc., by the GCCs. Although officially drafted by the GCC staff, the SDO/DATT is normally the unofficial "point man" for the development and execution of the country-level campaign plan. It should draw on the Ambassador's MSP, as well as regional guidance within the GCC regional campaign plan, and integrate the national security interests of the host nation. While not ignoring traditional SA, the country-level plan should focus on DOD-sponsored SC tools and indicate how they will support the GCC's goals and, of course, the Ambassador's MSP. The requirement for each GCC to develop a theater campaign plan originates in the *Guidance for Employment of the Force*, issued by the Secretary of Defense. On a regular basis, each GCC will assess the results of its efforts towards the implementation of the theater campaign plan and modify objectives and reallocate resources as appropriate.

Combined Education and Training Program Plan

The SCO itself prepares the third annual plan, known as the CETPP. This document focuses on the goals and objectives for international education and training for the host nation. Guidance for preparation is contained in the SAMM, paragraph C10.4 and Figure C10.F1. The SCO uploads the draft plan electronically onto the Security Assistance Network (SAN) for review and approval by the GCC. The approved plan is utilized each spring during the GCC's Security Cooperation Education and Training Working Group (SCETWG). Further details are in Chapter 14 of this textbook, "International Training."

Security Assistance Budget Web Tool

Finally, if the host nation receives, or is proposed to receive, appropriated funds through FMFP or IMET, the SCO will also make an annual submission and justification for these funds. This request is submitted electronically through the Security Assistance Budget Web Tool, managed by DSCA. This document is forwarded upward through channels for endorsement and comment, i.e., to GCC's staff, Joint Staff, DSCA and OSD policy offices, where a final DOD position is developed for each country.

This position is then used by DOD representatives in discussions with DOS in the development of an eventual congressional budget justification to be submitted by the Secretary of State to Congress. SDO/DATTs must coordinate their submissions in this document with those in their Ambassador's Mission Strategic Plan.

Security Cooperation Organization Personnel Selection

Personnel are nominated to SCO positions in accordance with the following criteria established in DODI 5132.13, *Staffing of Security Cooperation Organizations (SCOs) and the Selection and Training of Security Cooperation Personnel*:

- Military and civilian personnel selected to serve in a SCO shall possess the demonstrated personal and professional qualifications necessary to effectively carry out the functions to which they are assigned. Prior to consideration, it is essential that personnel are screened carefully to ensure that the selectee has the appropriate qualifications, experience, and suitability for the assignment.
- Prior to selection, all prospective candidates for SCO assignment will receive full and accurate information specific to the foreign area for which they are being considered. This information must include the type of facilities and services available to them and their family members, the nature of the work the member will perform, the conditions of their employment, and their conduct and responsibilities as official representatives of the United States.

Most SCO positions are nominative, joint duty billets. Requirements for nomination may entail slightly different criteria from the norm with respect to civilian education, training, language qualifications, military schooling, experience, area familiarity, health, and family considerations. A nomination, however, does not assure the job, because the GCC, the Ambassador, and the SDO/DATT retain final selection rights.

Chapter 17 of this textbook, "Resource Management for the Security Cooperation Organization," contains an in-depth discussion of the human resources of the SCO, including personnel billets and manpower issues.

Interaction and Relationships

To be effective, SCO personnel must cultivate relationships with, and respond to, a variety of organizations, agencies, and individuals. Many organizations and individuals lay claim to SCO resources in furthering their own missions and agendas, occasionally giving rise to conflicts in priorities and competing interests.

SCOs traditionally respond through two chains of command: one through the embassy and the other through the GCC. A key challenge for the SDO/DATT is to respond to the direction of the Ambassador while at the same time satisfying requirements levied by the GCC.

The SDO/DATT acts as a key player within the embassy and the GCC because of his influence, advice, expertise, and not because of his authority. The successful SDO/DATT knows how and when to leverage his influence with other players – the Ambassador, the GCC, the host nation, and others – to maximize the advancement of USG foreign policy and national security goals.

Role of the Senior Defense Official/Defense Attaché

With the publication in December 2007 of DODD 5105.75, *Department of Defense Operations at U.S. Embassies,* DOD has updated the policy and assigned responsibilities for the operation

of the DOD elements at U.S. embassies. This directive creates the position of SDO/DATT as the principal DOD official in U.S. embassies. It establishes the SDO/DATT as the diplomatically accredited DATT and Chief of the SCO. It further delegates joint responsibility for the oversight and management of the SDO/DATT to the Under Secretary of Defense for Policy [USD(P)] and the Under Secretary of Defense for Intelligence [USD(I)]. This directive is amplified by the CONFIDENTIAL and NOFORN DOD Instruction 5105.81 *Implementing Instructions for DOD Operations at U.S. Embassies (U)*, issued in November 2008.

DODD 5105.75 continues DOD's long-standing policy that DOD personnel in a foreign country who are not under the command of a U.S. area military commander shall be under the authority of the COM in that country. By law, this includes SCO personnel, even though they are assigned under a GCC (see the discussion of COM authority below). However, the directive implements a policy change by creating one formally designated military officer in each embassy to be responsible for all DOD actions and DOD personnel in that country. To this end, the directive gives each SDO/DATT coordinating authority over DOD elements under the direction and supervision of the COM, with the exception of the Marine Security Guard (MSG) detachment at the embassy. For the purpose of the directive, coordinating authority is defined as "a commander or individual assigned responsibility for coordinating specific functions or activities involving forces of two or more MILDEPs, two or more joint force components, or two or more forces of the same service. The commander or individual has the authority to require consultation between the agencies involved, but does not have the authority to compel agreement. In the event that essential agreement cannot be obtained, the matter shall be referred to the next senior in the reporting chain."

According to DODD 5105.75, the SDO/DATT in each embassy shall:

- Serve as DATT and Chief of Security Assistance (i.e., SCO Chief) under the joint oversight and administrative management of the USD(P) and USD(I) through the Directors of the Defense Security Cooperation Agency (DSCA) and the DIA, in coordination with the respective GCC.
- Act as the in-country focal point for planning, coordinating, supporting, and/or executing U.S. defense issues and activities in the host nation, including the TSC programs under the oversight of the GCC.
- Serve as the principal embassy liaison with host-nation defense establishments and actively participate in national security and operational policy development and coordination.
- Represent the Secretary of Defense (SECDEF) and the DOD components to host nation counterparts and foreign diplomats accredited to the host nation, and act as the principal in-country DOD diplomatic representative of the Secretary of Defense.
- Present coordinated DOD views on all defense matters to the COM and act as the single DOD point of contact to the COM to assist in carrying out the COM's responsibilities.
- Represent the Secretary of Defense and the appropriate commanders of the GCCs for coordination of administrative and security matters for all DOD personnel not under the command of a U.S. area military commander.
- Carry out the duties and instructions as set forth in the *Chairman of the Joint Chiefs of Staff Instruction* C-3310.01C.
- Exercise coordinating authority (definition above) over DOD elements under the direction and supervision of the COM. This shall not preempt the authority exercised

over these elements by the COM, the mission authority exercised by the parent DOD components, or the command authority exercised by the GCC under the *Unified Command Plan*. Additionally, this authority does not include authority to impose punishment under the Uniform Code of Military Justice.

- As required, provides information to USG officials on the general scope of in-country activities for all DOD component command elements assigned to the mission. This includes the missions, locations, organizations, and unique security requirements.

Normally located within the U.S. embassy in the host nation, the SDO/DATT and other SCO personnel by law are under the direction and supervision of the U.S. Ambassador, also known as the COM. On SA and other issues, the SDO/DATT acts as an advocate for host nation concerns and interests to DOD and the USG. At the same time, the SDO/DATT recognizes his responsibility to advance U.S. foreign policy goals under the Ambassador and promote theater campaign plan objectives under the GCC. The SDO/DATT must accept direction from multiple "bosses," i.e., Ambassador, GCC, DSCA, and DIA, and anticipate or recognize the occasional need to reconcile conflicting guidance. Indeed, the SDO/DATT is the link which ensures compatibility of DOS and DOD policies and promotes synergy of their resources. This also requires the ability to work routinely and smoothly with host nation counterparts and to interpret or explain USG policies and procedures for a variety of programs. Finally, in the performance of these duties, the SDO/DATT must often bridge the "culture gap" between the U.S. and the host nation.

Each SDO/DATT, upon completion of training, receives a formal appointment letter from the Secretary of Defense. The SECDEF and the Chairman of the Joint Chiefs of Staff also provide a total of three other letters of introduction, identifying the new SDO/DATT by name. Generic copies of these four letters (listed below) are found at Attachments 4-4 through 4-7 of this chapter.

- Letter from the SECDEF to the appointed SDO/DATT
- Letter from the SECDEF to the U.S. Ambassador in the host nation
- Letter from the SECDEF to the Minister of Defense (or equivalent) in the host nation
- Letter from the Chairman of the Joint Chiefs of Staff to his host nation counterpart

Chief of Mission Authority

The Ambassador is the personal representative of both the President and the Secretary of State. As the principal officer in the embassy, he oversees all USG programs and interactions with and in the host nation. The Ambassador derives his authority and responsibilities from the *Foreign Service Act of 1980* [P.L. 96-465], Section 207, which is summarized below:

- 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 a GCC or a subordinate commander).
- 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, the FAA, Section 515(e), states that members of the 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 the DOS, the SDO/DATT must seek guidance for their implementation from the Ambassador.

The President typically refers to these legal authorities and responsibilities in his letter of instruction to each Ambassador. President Barak Obama's letter of instruction to his ambassadors is at Attachment 4-1. Note that the President refers to the responsibility of the Ambassador and the GCC to "keep each other currently and fully informed and cooperate on all matters of mutual interest." This is accomplished primarily through the continuous liaison of the SDO/DATT.

The Ambassador may be a career foreign service officer, having risen through the ranks at the DOS, or he may be a political appointee of the President. In either case, his authority under the law and under Presidential directive is the same.

Country Team

The country team is the principal means by which a diplomatic mission comes together as a cooperative, coordinated, and well-informed staff. In its broadest sense, the team is all elements and all USG employees of the American mission in a foreign country. More narrowly, it is a management tool, a council of senior officers, heads of the various sections of the mission, working together under the Ambassador's direction, to pool their skills, resources, and viewpoints in the national interest. The country team has no legal standing and its composition and functions are not specifically delineated in any formal document. The Ambassador determines the type of team that best suits his needs.

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 of American programs, 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; the team changes its composition according to the kind of problem being considered. However, at most posts, typical membership includes the Ambassador, the DCM, the chief of the political and economic sections of the embassy, the chief of the SCO and the DATT, the regional security officer, and the management counselor. The country team may also include representatives from other embassy agencies as the Ambassador desires.

The country team coordinates with and advises the Ambassador 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 collective meetings of the team, chaired by the Ambassador, are the norm.

The country team is also an executive organ 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 agencies that can best execute them, based on resources and expertise. Finally, the country team is the planning body, which analyzes the situation in country, formulates plans and strategies for executing U.S. foreign policy in country, e.g., through the MSP, and recommends policy to Washington. 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 task at hand. The formal country team is thus an advisory body, a forum for consultation, and a means of promoting a coordinated effort.

The Ambassador as Team Chief

The Ambassador, as personal representative of the President, is sole head of the country team. The Ambassador uses his team as a tool for assembling the best information, ideas, and judgments of all USG officials in country and to produce effective action to reach his objectives. He must mold the entire staff into a cohesive unit, with a common sense of purpose and direction. The Ambassador must keep in perspective all U.S. interests and activities in the country. He insures that recommendations of the country team are balanced and that the enthusiasm or partiality of employees for their own programs does not carry them astray. The Ambassador must balance all the implications of proposed courses of action and decide what is best for American interests as a whole.

Role of the Deputy Chief of Mission

The deputy chief of mission (DCM) serves as the chief of staff of the embassy and manages the daily 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 assumes the temporary title of chargé d'affaires. While the Ambassador normally focuses his attention outward toward the host nation, the DCM's focus is primarily internal, ensuring that the country team is working smoothly in support of the Ambassador's objectives. The DCM is almost always a career foreign service officer.

Other Mission Relationships

SCO personnel deal with all country team members from time to time, but are particularly concerned with the following members:

- The political-military officer. Normally located within the embassy's political section, the "pol-mil" position may be either full-time or an additional duty. The SCO coordinates with him especially on issues of visibility to the DOS in Washington, such as a proposed major weapons sale which requires a formal country team position, or a proposed third-party transfer of U.S.-origin equipment.
- The consul general, in charge of the consular section which issues U.S. visas to host nation citizens. The SCO works closely with him on the vetting and issuance of visas for international military students.
- The economic counselor can provide valuable information on the host country's economy, budget, and its ability to support arms purchases.
- The public affairs officer (PAO) can provide background data and information on sensitivities of the host nation government and citizens, which can facilitate the SCO's relationships with host nation counterparts. Additionally, through the embassy's web site, press releases, and other interactions, the PAO can disseminate information on the benefits to the host nation of SA and other USG programs. The SCO should coordinate all significant events, such as the visit of senior DOD officials and conduct of combined military exercises, through the embassy PAO.
- The regional security officer (RSO) has overall responsibility for security, anti-terrorism and force protection for all personnel under the authority of the Ambassador. The RSO is the focal point for the SCO in all matters pertaining to force protection, to include security requirements and country clearance for official and distinguished visitors. The RSO also supervises the MSG detachment, where assigned.

- The director of the U.S. Agency for International Development (USAID) office, where assigned. The USAID staff administers humanitarian assistance and other non-military foreign assistance programs for developing countries on behalf of the Ambassador. USAID also has the lead responsibility for disaster relief actions within the country team.

The SDO/DATT represents all of DOD within the country team, including the GCC, DSCA, and the DIA. Under the SDO/DATT, it is critical that good communication and routine cooperation exist between the DAO and the SCO. However, their distinctly different mission responsibilities, must be kept segregated. From a functional standpoint, the SCO and the DAO are independent DOD "stovepipe" agencies within the embassy, each accountable to a different defense agency in Washington (DSCA and DIA respectively). 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 coordinated with the host nation.

The SCO also interacts daily with the embassy staff on numerous requirements necessary for its administrative support. Such issues include housing, communications, commissary support, medical support, local manpower, financial support, and customs clearance of personal and official property, as well as dependent schooling, and numerous other areas.

Relationships Between Security Cooperation Offices and Geographic Combatant Commands

Relationships between the SCO and the GCC can generally be classified as both operational and administrative. The operational relationships are primarily related to the SCO's execution of the GCC's SC strategy with the host nation military, as discussed above. Concerning the administrative relationships, the GCC is required to perform the following functions, among others:

- 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 the DIA and the GCC.
- 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 points for reviewing and consolidating SCO operational budgets and forwarding to DSCA.

The GCC and the Ambassador must 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 chief is in the occasionally difficult position of responding to two masters, he is also uniquely able to understand both the GCC and the Ambassador, balance their respective priorities, and leverage their resources. In particular, the SDO/DATT must be alert to take advantage of the wide range of support and expertise available from the GCC, despite the distances separating the two activities. It is imperative for the SCO/DATT to maintain routine and timely communications with the GCC on behalf of both the Ambassador and the host nation.

Host Country Relationships

If the USG has made a considerable commitment to a partner nation, shares kindred interests, and is on excellent diplomatic terms, it is probable that the SCO's relationship, accessibility, and credibility with the host nation's military establishment will be equally solid. However, if the diplomatic climate between the U.S. and the host nation is less amicable, the SDO/DATT's job will be more challenging as it works to cultivate an improved relationship with the host nation military. Whatever the situation, the SDO/DATT's total professionalism and integrity in executing all responsibilities remains paramount.

Establishing a good working relationship begins with a sharing of 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. The successful SDO/DATT 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 forms the basis of life-long contacts and friendships.

Within the professional relationships, the SCO will be called upon to answer many questions, some of which will be difficult, unexpected, irritating, or time-consuming. Some situations will involve practices and decisions that may encroach on sensitive U.S. foreign policy positions or business ethics. Obviously, responses to these and other difficult inquiries must be handled with the great care, tact and honest professionalism. Nothing discredits a SCO more quickly than duplicity, failure to respect host nation concerns or the inability to fulfill a commitment made in unthinking haste.

In summary, 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 its professional judgments and recommendations, or compromise official U.S. policy.

Security Cooperation Organization Limitations and Security Assistance Teams

SCO personnel have a mandate from Congress to act in a management, coordination, and liaison capacity for SA programs. First and foremost, SCOs are noncombatants. Second, they are generally not to provide training or technical assistance. These functions are defense services and must be specifically authorized, costed, and paid by the host nation, normally through the FMS process. When these functions are performed in country, they are normally done so by SA teams (SATs).

According to Section 515(b), 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 . . .", i.e., SA teams, which are detailed for limited periods to perform specific tasks. Likewise, advisory assistance by SCOs is not to extend to combat operations. SCOs must refer any such requests to the Ambassador and the GCC.

There are a variety of SATs that may be dispatched to a country for training or other missions. Teams may be deployed on either a permanent or temporary basis. Some teams have an official existence of ten years or longer. A source of funding is required to establish and maintain 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 following is a listing of the common types of SATs. The terminology sometimes varies according to the U.S. military service providing the team.

- Extended training service specialist (ETSS)
- Contract field services (CFS)
- Technical assistance field teams (TAFTs)
- Mobile education teams (METs)
- Mobile training teams (MTTs)
- Technical assistance teams (TATs)
- Language training detachments (LTDs)
- Weapon system logistics officers (WSLOs)
- Quality assurance teams (QATs)
- Site survey teams
- Defense requirements survey teams

Security Cooperation Organization Oversight and Support of Security Assistance Teams

Guidance on SATs, including the requirement for SCO oversight and support, is found at SAMM, Section C11.13, including Table C11.T25. The SDO/DATT exercises operational oversight for, and provides administrative support to in-country SATs. Specific duties include the following:

- Oversee, along with the team chief, the effective and professional execution of the team's mission in accord with its specified charter.
- Reconcile any disagreements or misunderstandings with the host nation concerning the mission of the SAT and its execution.
- Integrate, as necessary, team activities with other U.S. efforts in SA, SC, and foreign policy.
- Ensure team compliance with relevant directives on SA, anti-terrorism/ force protection, and other areas.
- Keep the Ambassador, the GCC, and the supporting MILDEP and/or FMS case manager informed of SAT activities and progress.
- Oversee and support, as necessary, administrative issues for the team, such as housing, budget, force protection, quality of life and mission sustainment.

The Security Cooperation Organization Environment

The vast majority of SCOs are small offices which are tasked with administering a wide range of programs, often – even usually – outside the personal military expertise of its members. It is common for one member, without regard to parent military service, to be tasked to manage an FMS case or other program sponsored by another military service, with its associated requirements involving logistics, training, and other areas. A common example is the U.S. Air Force officer assigned to an SCO who assumes the in-country responsibility for a U.S. Army helicopter purchase by the host nation air force. Likewise, the common administrative tasks and extra duties incumbent in every SCO – personnel issues, budget, property, vehicles, etc. – may be accomplished by a field grade officer, a non-commissioned officer, a U.S. civilian employee, or an FSN, depending on a variety of local circumstances. As with other organizations, delegation of routine duties is a valid management tool, but can only succeed to a point in a small office. The field-grade officer who is reluctant to pick up a visitor's suitcase, put gas in his SCO vehicle, or send his own faxes will likely not be successful in the

SCO environment. Because of the relative scarcity of manpower, SCOs must recognize the need for effective and flexible management. Key tools include:

- Developing and maintaining a thorough point of contact list for both host nation personnel and relevant DOD organizations.
- Using e-mail with multiple addressees in all organizations working an issue.
- Accessing official publications and other guidance (DOD directives and instructions, service regulations, etc.) on the internet wherever possible.
- Leveraging personnel and other resources, within the embassy country team, the GCC, and elsewhere, for information or support as necessary.

There is normally a direct correlation between the size of an SCO and the magnitude of a country's SA program. Those countries with large FMS programs and those in which the U.S. has key strategic interests generally have larger SCOs. In developing countries where SA programs are small, usually because of limited funding, SC programs often take on a more prominent role. In developed countries, on the other hand, the host nation may be largely self-sufficient in both its financing and management of SA, so the role and responsibilities of the SCO will take on a different tone. However, the importance of a program vis-a-vis its size may be relative; in some countries, a small program can be as meaningful and as politically influential as larger programs in other countries. 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.

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 in the form of sales, jobs, and profits. Nearly all FMS cases involve procurement of goods and services, directly or indirectly, from U.S. industry. For reasons of foreign policy, standardization and interoperability with U.S. forces, and economic self-interest, it is to the advantage of the U.S. that other countries buy American when they identify a military requirement. In this regard, the relationship between SCO personnel and representatives of U.S. industry, although unofficial, is important to both sides. Note the following extracts of applicable documents:

- The U.S. will take such steps as tasking our overseas mission personnel to support overseas marketing efforts of American companies bidding on defense contracts, actively involving senior government officials in promoting sales of particular importance to the U.S. [Secretary of State Message, 180317Z February 1995, Subject: Conventional Arms Transfer Policy].
- The 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., DCS, FMS, or a combination of the two [OSD Memorandum, 05 May 1999, Subject: Department of Defense Policy for Relations with U.S. Industry in Sales of Defense Articles and Services to Foreign Governments]. See Attachment 4-2, "SCO-Industry Relations," for the complete memorandum.
- To support U.S. policy, trade, and interests, including enhancement of U.S. defenses through support to friendly countries, the USG and U.S. industry must work together through both FMS and DCS channels to effectively market U.S. military items and services. [SAMM, Section C2.5.7.2]

Promotion of Sale of United States Systems

The SCO is normally the primary point of contact in a U.S. embassy for American defense industry representatives. In principle, the SCO should support the marketing efforts of U.S. defense vendors over those of foreign competitors. The SCO can play a key role in facilitating the exchange of information between host nation officials and U.S. vendors. The SCO must, however, maintain strict neutrality between U.S. firms competing for the same potential sale and should not endorse one specific American product or vendor over another to the host nation unless specifically directed by higher DOD or USG authority. In cases where it is clear that there is only one U.S. source of production for a certain product, 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, or is inappropriate for the host nation's best interests, or could adversely impact U.S. credibility or bilateral relations, he should relay these concerns to the Ambassador, DSCA, and the GCC.

Security Cooperation Organization Support to United States Defense Industry

The SAMM, Section C2.5.7, is the primary source for policy guidance on the interface between SCOs and U.S. industry. Attachment 4-3 is a briefing checklist for SCO personnel for use in meetings with representatives of U.S. defense vendors. Upon request, the SCO can provide the vendor with a wide range of unclassified information pertaining to the host nation. This typically includes defense organization charts, names of key decision makers, budget process and spending limits, current and proposed requirements, information on any foreign competitors, and capabilities of the host nation defense industry, as applicable. Further, the SCO can:

- Provide advice on sales tactics to include unique cultural aspects of conducting business in that country
- Assist with appointments with host nation officials
- Provide specific information on the host nation acquisition and decision-making process
- Offer realistic estimates of what the country will probably buy

If possible, the SCO should attend vendor meetings with the host nation to prepare for host nation officials seeking follow-up information. The SCO must ensure a level playing field in country among U.S. vendors competing for the same potential sale unless directed to do otherwise. Assistance rendered to one must be offered to a competitor. Likewise, the SCO should not disclose information about a U.S. vendor that may provide an unfair advantage to its American competitor. Industry representatives are encouraged to debrief the SCO on the results of their in-country marketing efforts and their future plans.

Role of the Department of Commerce and the Commercial Attaché

The Department of Commerce (DOC) has the primary responsibility to promote U.S. trade with other countries and has an office for the promotion of international trade. The commercial attaché (stationed in most embassies) is the DOC representative on the country team, responsible for supporting U.S. trade and conducting market research on the host nation. Some larger embassies and consulates have U.S. and Foreign Commercial Service (FCS) trade specialists who have greater expertise in fostering trade between the U.S. and the host country, to include some defense items sold

commercially. These officials of the DOC can provide assistance to both industry representatives and SCOs on issues of marketing in the host nation.

Vendors may seek USG advocacy for their proposed exports through the advocacy center of the DOC. Under certain circumstances, DOC may coordinate with DOS, DOD, and other agencies as appropriate, and determine that it is U.S. national interest to support a proposed sale. If such determination is made, the SCO and local embassy will be formally notified and may then advocate for the proposed sale with the host nation. This advocacy function is not primarily intended to support the sale of military items, but may still be appropriate in some cases. Current guidance is contained in the advocacy center's web site, at http://www.export.gov/advocacy/.

Miscellaneous Functions

In addition to their primary 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 Responsibilities

The SDO/DATT has additional responsibilities for anti-terrorism and force protection (AT/FP), as indicated in DODD 5105.75, *Department of Defense Operations at U.S. Embassies*. For most U.S. missions, a memorandum of agreement (MOA) on AT/FP responsibilities is in effect between the Ambassador and the GCC The MOA delineates whether the Ambassador or the GCC has AT/FP responsibility for which DOD personnel and dependents in country. The individual MOAs in U.S. embassies worldwide are implemented pursuant to DOD 5210.84, *Security of DOD Personnel at U.S. Missions Abroad*. This document includes, as an enclosure, the 1990 memorandum of understanding (MOU) between DOS and DOD concerning overseas security support for DOD personnel. Subsequently, in 1997, DOS and DOD signed a second, universal MOU in order to clearly define the authority and responsibility for the security of DOD elements and personnel in foreign areas not under the command of a GCC. The MOUs and the implementing MOAs were made necessary by *The Omnibus Diplomatic Security and Antiterrorism Act of 1986*, P.L.99-399. This law is the statutory authority for the Secretary of State to provide for the security of USG personnel and their dependents on official duty abroad, except for those personnel under the command of the GCC. Because SCO personnel are generally located within the embassy, the implementing MOAs usually assign the responsibility and authority for their security to the COM, rather than the GCC. The SDO/DATT must work closely with the embassy's regional security officer and the AT/FP points-of-contact at the GCC.

Administrative Duties

As a largely stand-alone office, the SCO is responsible for numerous administrative or housekeeping functions. Depending on the issue, the SCO may rely on the GCC, or the embassy, or both, for policy guidance and support in accomplishing these tasks. The common administrative functions include:

- Planning and executing the SCO budget.
- Maintaining accountability for both office and residential property.
- Performing necessary personnel actions for assigned military, U.S. civilians and FSN personnel such as evaluations, promotions, awards, and pay actions.
- Maintaining the SCO vehicles.
- Assisting assigned personnel with housing matters and other quality of life concerns.

- Assisting visiting temporary duty (TDY) personnel and coordinating VIP visits (also see discussion of DOD foreign clearance responsibilities below).
- Managing SCO computers and communications equipment.

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 various committees such as housing boards, FSN personnel boards, ICASS council, embassy employees club, and organizing committees for community events such as the embassy National Day (4th of July) reception and celebration.

Department of Defense Foreign Clearance Responsibilities

A key mission of DOD personnel stationed in U.S. embassies around the world is to control and process requests for foreign clearance (also called country clearance), both for official DOD visitors and for DOD aircraft. Depending on local arrangements and workload, this function may be managed by the DAO, the SCO, or (more probably) both offices. SCOs are frequently the action or information addressees in country clearance request messages because they have support responsibilities before and/or after the arrival of personnel/aircraft. Foreign clearance responsibilities are not confined to merely approving or disapproving DOD-sponsored personnel travel and DOD aircraft diplomatic clearance requests. Blanket clearances are occasionally negotiated with the host nation for personnel or over flight, landing and entry of DOD aircraft and personnel to support peacetime missions (e.g., weather reconnaissance or humanitarian assistance), exercises, or contingency operations. In addition, delivery of FMS equipment sometimes occurs via the DTS, principally through the Air Mobility Command (AMC). Logistics support for DOD-sponsored distinguished visitors, aircrews, or other travelers is arranged in advance of arrival. Likewise, ground servicing arrangements for DOD aircraft must be coordinated in advance or upon arrival.

The SCO must understand and enforce compliance with local embassy and DOD policy on the full spectrum of foreign clearance issues, to include:

- DOD personnel issues regarding host nation and U.S. passport policy for DOD-sponsored travel versus personal travel (i.e., while on leave status).
- Support for the DOD policy to minimize overseas travel.
- U.S. embassy and GCC policies regarding AT/FP and in-country uniform requirements.
- DOD aircraft and vessel freedom of navigation; sovereignty from unauthorized boarding, search and seizure; and support to DOD aircrews when host nation representatives or other officials attempt to assess charges for services exempt under agreement, custom, or practice.
- Recognition of the applicability of specific international laws, treaties, custom and practice.

Inherent in these responsibilities is the requirement to keep the *DOD Foreign Clearance Guide* (FCG) current for the country of assignment. The FCG, including the on-line, electronic version, contains instructions for SCOs and other organizations to submit changes, such as additional restrictions or increased lead-times. Changes originating within the U.S. embassy must contain a statement that the message has been coordinated with the U.S. Ambassador or COM.

Jurisdiction and Legal Status Overseas

The legal status of SA personnel who are performing their duties in foreign countries may be affected by the provisions of one or more treaties, international agreements, or laws. In most cases, the privileges and immunities afforded by these agreements are specific to the country and to the status of the individual involved. Each SCO has been established according to a diplomatic agreement between the U.S. and the host nation. This agreement generally allows a degree of immunity somewhat less than that granted under full diplomatic immunity, yet greater than that offered under status of forces agreements (SOFAs). This section discusses the various privileges and immunities that may be afforded to DOD personnel stationed or sent abroad under SCO-related orders.

Jurisdiction

A primary element of national sovereignty is the exercise of jurisdiction by a government over persons within its territory. The authority of a host nation government to exercise jurisdiction extends not only to its own citizens but also to most foreign nationals within that country's territory. The USG strives to obtain legally binding international agreements that provide protections, privileges and immunities for DOD personnel overseas on official duty, or to ensure that such personnel are accredited to the host government as U.S. embassy staff members. DOD personnel not accredited or otherwise protected under an existing agreement are entirely subject to the host nation's laws and jurisdiction while in that country. Jurisdiction applies not only to criminal issues that may involve arrest or prosecution, but also to routine civil matters such as taxation, importing and exporting of personal property and vehicles, issuance of driver's licenses, and other routine affairs.

Vienna Convention on Diplomatic Relations of 1961

The Vienna Convention on Diplomatic Relations (1961) is the primary international agreement which has regularized the functions, status, and privileges of foreign missions. It recognizes several categories of personnel with respect to immunity.

The most comprehensive category is that of "diplomatic agent" and is often referred to as full diplomatic immunity. Diplomatic agents and their families enjoy full immunity from the criminal jurisdiction of the host country as well as from most forms of administrative and civil jurisdiction. Diplomatic agents are exempt from most forms of taxation, inspection of personal baggage, and giving testimony as witnesses. Full immunity covers all acts of the diplomatic agent, both official and private. Diplomatic agents are placed on the host government's diplomatic list and normally include the Ambassador, deputy COM, and attachés, including military attachés.

A second recognized category of personnel is that of "administrative and technical" staff. Persons in this category and their families receive the full criminal immunity afforded diplomatic agents, but are exempt from the country's administrative and civil jurisdiction only in conjunction with their official duties. Most SCO personnel and their sponsored dependents fall into this category, however in some countries the SDO/DATT and selected other SCO personnel may be accorded "diplomatic agent" status. Inbound SCOs should ascertain their exact diplomatic status from the U.S. embassy.

Some U.S. embassy employees may retain third country nationals as private servants (e.g., maids or gardeners). These persons have no immunity under the Vienna Convention. They may, however, receive an exemption from taxation on their salary by the receiving state.

Status of Forces Agreements

In addition to the Vienna Convention, the USG has entered into agreements with many countries concerning the presence and activities of U.S. military and DOD civilian personnel within the territory of the host country. These agreements are typically called status of forces agreements, although defense cooperation agreements, access agreements or other international agreements may contain status-of-forces provisions. It is the policy of the USG to ensure, to the maximum extent possible, due process protections for all U.S. military and DOD civilian personnel visiting or stationed in foreign countries. This includes personnel and forces that are not performing a diplomatic mission, such as military units on exercises or operational deployments, and visiting SA personnel, such as those on mobile training teams. Status of forces agreements (SOFAs) (or status of forces provisions in other agreements) describe the rights, privileges, and responsibilities of visiting personnel within the territory of the other party to the agreement i.e., the host nation government. SOFAs also typically address issues such as claims by governments and third parties, security issues, governmental and personal tax exemptions, entry/exit (visa requirements), the carrying of weapons and the wearing of uniforms, construction, contracting, utilities, motor vehicles, official and personal importation, customs procedures, environmental health and safety, and the status of contractors. Each SOFA is negotiated separately with the host nation government. While there is no standard format, SOFAs generally address the same range of issues with every country. SOFAs are often tailored to the size of the presence and activities that the U.S. will be conducting within the territory of the host nation. DOS, working on behalf of and in coordination with DOD, normally negotiates such agreements and concludes them through an exchange of diplomatic notes. The U.S. currently has SOFA arrangements with more than 80 countries. While a permanent SOFA is normally the U.S. goal, in some cases it is mutually agreeable to conclude a "mini-SOFA" that covers a short-term presence such as a combined exercise.

The U.S. is partner to one multi-lateral SOFA negotiated with the original North Atlantic Treaty Organization (NATO) partners in 1951. This is formally known as the *Agreement Between the Parties to the North Atlantic Treaty Regarding the Status of Their Forces*. This agreement is in the form of a treaty, which was ratified by the U.S. Senate in 1953. The NATO SOFA was expanded in 1995 to include the new Partnership for Peace (PfP) nations of Eastern Europe. In most NATO countries, the U.S. has also entered into separate bilateral agreements that supplement the NATO SOFA, often providing greatly enhanced privileges and immunities.

Criminal Matters under Status of Forces Agreements

One of the key elements of SOFAs is the exercise of criminal jurisdiction. Typically, the USG seeks to have the host nation agree to limit its exercise of jurisdiction over DOD personnel (both civilian and military) in favor of jurisdiction by the U.S., to include court-martial of military members. There are various formulations under which the host government and the USG agree to exercise jurisdiction. Under concurrent jurisdiction, which is the formulation found in the NATO SOFA, either the U.S. or the host nation may exercise jurisdiction over U.S. forces for offenses committed against host nation law, depending on the circumstances under which the offense was committed. The U.S. has exclusive jurisdiction if a crime violates only U.S. law. However, if an act is illegal under both nations' laws, it will fall to one country or the other to exercise jurisdiction, depending on the circumstances surrounding the offense. For example, if a U.S. military member commits an offense that is illegal under both countries' laws while conducting official duties, the U.S. has jurisdiction. If the member of the force were to commit that same offense while off-duty, the host nation could exercise jurisdiction, although in some cases the host nation may opt to waive

jurisdiction. The U.S. always determines whether the member or employee was acting in the course of his or her official duty when the offense took place. Likewise, the U.S. generally has jurisdiction when a crime is committed against another military member or American citizen. Concurrent jurisdiction is a feature of many of our older SOFAs and is no longer the standard.

In most of the agreements the U.S. has concluded since 1990, DOD personnel are accorded a status equivalent to the administrative and technical staff of the U.S. embassy. This does not mean that these individuals are U.S. embassy staff or otherwise accredited to the host nation. Under this formulation, the U.S. has exclusive jurisdiction when personnel are alleged to have committed a criminal offense either on or off duty. If an off-duty act gives rise to a civil claim, the host government has jurisdiction.

Notes on Privileges and Immunities

The issuance of a diplomatic passport (or an official passport) by the USG does not grant diplomatic status or immunity in and of itself. That is, privileges and immunities are not afforded by issuance of a passport, but under various multilateral and bilateral agreements, as explained above. However, USG personnel transiting through third countries between the U.S. and their posts are granted inviolability by those third countries while en route, even though they are not accredited to that state.

Resident family members of the SCO are typically accorded the same level of protection as the sponsor. The DOS defines a family member as a spouse or any child twenty-one years old or younger; twenty-two if the child is still in school. Also included is anyone over fifty percent financially dependent upon the assigned member. However, if a family member is a national or permanent resident of the receiving state, he or she is not afforded the same level of immunity as the sponsor.

The duty-free import of household goods for members of the administrative and technical staff is permitted one time only, at the beginning of their assignment.

Persons immune from the jurisdiction of the host nation are still subject to the laws of the sending country (including the U.S. Uniform Code of Military Justice (UCMJ), when applicable).

Many SOFAs (including the NATO SOFA) provide for "sympathetic consideration" in which the state exercising jurisdiction waives that right and releases the military member to the other nation for prosecution. Sympathetic consideration can work both ways. It has been used by the USG to obtain custody of DOD personnel who otherwise would be prosecuted by the host nation. However, in egregious cases, the USG has also shown its willingness to waive jurisdiction and release military members to the host nation for trial.

It is not uncommon for different agreements to be in effect simultaneously in any given country. Thus, DOD military and civilian personnel in the same country may, and probably will, enjoy varying degrees of rights and privileges, depending on whether they are serving as a military attaché, a member of an SCO, on a deployed SA team, or as part of a deployed tactical unit.

Department of Defense Security Cooperation Personnel Visiting Foreign Countries

Personnel based in the continental U.S. who travel overseas on temporary duty are not considered part of the local U.S. embassy's administrative and technical staff and are not afforded immunity under the Vienna Convention. However, they may be protected under a SOFA or similar agreement. As part of the planning process for in-country teams, SCOs should know or verify the jurisdictional status of

those personnel. The staff judge advocate (SJA) of the appropriate GCC maintains this information and can determine if an existing agreement covers the proposed teams. If no agreement provides the desired coverage, the SJA should contact the Office of the Legal Advisor on the Joint Staff to determine what sort of coverage can be arranged. In turn, the Joint Staff will coordinate with the GCC, OSD, and the DOS to secure necessary protections. Without authorization from the DOS, the local U.S. embassy does not have authority to negotiate such an agreement, and cannot request accreditation of the team members to the host nation. If the USG is unable to secure such protections, the team members should be briefed prior to entering the country that they may be subject to host nation law.

Status of Forces Agreements and Article 98 Agreements

The traditional arrangements for jurisdiction under SOFAs were complicated in 1998 when a United Nations (U.N.) conference in Rome adopted a treaty, known as the *Rome Statute,* to create the International Criminal Court (ICC). The *Rome Statute* entered into force in 2002, although the USG, citing serious flaws, did not become a party. Article 98 of the *Rome Statute* allows for bilateral agreements by its members in which countries pledge not to seek the prosecution of each other's citizens under the ICC. With countries that have become parties to the *Rome Statute,* the USG has become concerned that existing SOFAs are insufficient to protect U.S. military members. While SOFAs do not explicitly provide for transfer of individuals to other jurisdictions, they do not prohibit such transfers either. Further, SOFAs do not protect private American citizens at all. The USG has since concluded Article 98 agreements with more than one hundred nations, which protect all American citizens from referral to the ICC for prosecution.

Ethics and Standards of Conduct

SCO personnel are expected to maintain the highest standards of ethics in both their professional and personal conduct. This is particularly important when SDO/DATTs, as representatives of the USG, interact with partner nation officials and with marketing agents of U.S. vendors. In all instances, SCO personnel must maintain strict standards of integrity and ethics, and avoid even the perception of impropriety.

The affairs of the USG, including SA and SC programs, are conducted by persons appropriately authorized to act on behalf of the government. The responsibility of those so authorized is akin to that of a fiduciary, i.e., a person holding a special relationship of trust, confidence, or duty to act primarily for another's benefit. In keeping with this fiduciary concept, stringent rules and standards are applicable to the activities and conduct of DOD personnel. 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.

Conflicts of Interest

Congress has provided a structure of laws that give guidelines as to what constitutes a breach of fiduciary duty by a federal official. Most of these laws have been codified under *Title 18 USC,* entitled "Crimes and Criminal Procedure." *18 USC* defines both bribery and graft and prescribes criminal penalties for each. Bribery is the corrupt giving or offering of anything of value to a public official with the intent to:

- Influence official acts
- Have the official perpetrate fraud or set up the opportunity for fraud
- Have that official do anything contrary to his public duty (*18 USC 201*)

The reciprocal of 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 prohibited by *18 USC*.

In addition to establishing penalties for bribery and graft, Congress has legislated *18 USC 207* which restricts the business activities of former USG employees. Section 207 provides that any former employee of the USG who, after his employment has ceased, acts for another in seeking a determination in regard to a claim or contract in connection with which he personally and substantially participated while an official shall be vulnerable to a $10,000 fine and no more than two years confinement. SCO personnel who anticipate leaving government service to join the workforce of 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, as well as for DOD members seeking outside (i.e., post-retirement) employment and their employment following government service.

Gifts and Gratuities

SCOs personnel, along with all other DOD personnel, are subject to the provisions of DODD 5500.7-R, *Joint Ethics Regulation* (JER). In this regard, DOD personnel shall avoid any action, or even the appearance of any action, of:

- Using public office for private gain
- Giving preferential treatment to any person or entity
- Impeding government efficiency or economy
- Losing complete independence or impartiality
- Making a government decision outside official channels
- Affecting adversely the confidence of the public in the integrity of the government

Among other limitations, DOD personnel are prohibited from accepting gratuities from those who have, or seek to have, business with DOD, e.g., defense contractors.

Certain USG employees, such as procurement officials (41 USC 423), are subject to additional restrictions. However, by law, so-called "micro-purchasers" (those making purchases of less than $2,500, not to exceed $20,000 in a 12-month period) are not considered procurement officials.

According to DODD 5500.7-R, all DOD employees, regardless of assignment, are prohibited from soliciting or accepting, with limited exceptions, any gift from a prohibited source which is given because of the employee's official position from those who have or seek business with the DOD, or from those whose business interests are affected by DOD functions. A gift is defined in DODD 5500.7-R as any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. It includes services as well as gifts of training, transportation, local travel, lodging and meals, whether provided in-kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred. The acceptance of a gift by DOD personnel or their families, no matter how innocently tendered, may prove to be a source of embarrassment to the DOD, may affect the objective judgment of the DOD personnel involved, and may impair public confidence in the integrity of the government.

Exceptions Involving Gifts and Gratuities

Title 5 Code of Federal Regulations, Section 2635 (5 CFR 2635) provides several exceptions to the general prohibition of accepting gifts.

- Government 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 and subject to a $50 limitation per donor per calendar year. Gifts of cash, stocks, bonds, or certificates of deposit are not covered by this exception and may not be accepted. This limitation applies to gifts from both contractors and state-owned industry.
- A USG employee may accept a gift based on a personal relationship if it is clear that acceptance of the gift is restricted to a family relationship or personal friendship and not by the official capacity of the employee. Relevant factors include the history of the relationship and who actually paid for the gift.
- Additionally, the definition of gift does not include any of the following items:
  - 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, which are intended solely for presentation.
  - Opportunities and benefits available to the general public or to a specific class of government employees, e.g., uniformed military members.
  - Anything for which fair market value is paid by the employee.

Gifts from Foreign Governments

DODD 1005.13, *Gifts and Decorations from Foreign Governments*, governs the acceptance and retention of gifts from foreign governments. This directive and the individual service regulations that implement it provide guidance for individuals to follow in reporting and determining if gifts can be retained or must be turned over to the appropriate custodian. The primary governing principle is that no DOD employee may request or otherwise encourage the offer of a gift from a foreign government. Whenever possible, individuals should politely refuse gifts of anything larger than minimal or token value (e.g., plaques, photographs, calendars, pens, etc.) Only if the refusal would cause embarrassment to the USG or the presenting government should gifts be accepted by a USG representative. As of June 2006, the maximum value of a gift that an employee may retain is $305.00. Gifts exceeding the maximum value are the property of the USG and should be deposited with the employing DOD component for disposition in accordance with DODD 1005.13. The burden of proof of the gift's value rests with the employee who received the gift.

DOD Directive 5500.7-R permits attendance or participation of DOD personnel in gatherings, including social functions, that are hosted by foreign governments or international organizations when:

- Acceptance of the invitation is approved by the DOD component
- Attendance or participation is for authorized purposes
- The social event involves a routine or customary social exchange with officials of foreign governments in pursuit of official duties

- The event is not in the context of the foreign government's commercial activities, i.e., attempting to make a sale to DOD

Disposition of Gifts

Should an employee accept a gift which is not allowable under the preceding guidelines, one of the following actions must be taken:

- The employee may request an exception to policy, in writing, to retain the gift.
- The employee may request to purchase the gift, or right of first refusal. Per DOD 1005.13, the request is made to the General Services Administration (GSA) and must be accompanied by a commercial appraisal. If the purchase is approved, the price to be paid is the appraised value and cost of the appraisal.
- The item may be shared with the office. If it is a tangible item, this would entail putting the item on the organization's property control records.
- If none of the above options is pursued, the item must be turned in to the organization's legal office for disposition.

Security Cooperation Organization Travel and Transportation

Air Travel

SCO personnel must adhere to the standard DOD requirements for travel and transportation, as found in the *Joint Federal Travel Regulations* (JFTR) for military members and the *Joint Travel Regulations* (JTR) for DOD civilians. This includes the requirement to use economy-class (coach) accommodations for all travel on common air carriers unless an exception for premium-class is authorized by a designated official. Additionally, it includes the requirement to use a contract commercial travel office, normally available in the local U.S. embassy, for all official travel requirements.

Military air transportation is rarely available or convenient for SCO personnel, so most of their travel is conducted via commercial air. However there may be unusual circumstances involving personal security or cost efficiencies that warrant military air. SCO personnel are expected to be alert to opportunities to use military air where appropriate, both for themselves and their DOD visitors in country. However, this must be balanced with host nation entry/exit requirements. For example, if a visitor arrives via commercial air and plans to depart via opportune military airlift, the SDO/DATT and U.S. embassy must clear the visitor with host nation immigration officials. SCOs in a few countries have DSCA-managed C-12 aircraft which are useful for in-country and regional travel. In other countries, DIA operates C-12 aircraft which may be available for SCO official use. The SAMM C11.2 contains policies and procedures for SCO utilization of C-12 aircraft.

Regardless of the source of funds for official travel, the SCO is expected to be a good steward of USG resources. If official travel is manipulated in order to acquire frequent flyer miles or other promotional items and results in an increased cost to the government, it is a violation of the *Joint Ethics Regulation* and, potentially, a violation of criminal law as well. If the SDO/DATT cannot resolve a travel issue by reference to the JFTR/JTR, it should refer the matter to the GCC for guidance or resolution.

Vehicle Transportation

Most SCOs have an authorization for USG motor vehicles to support their official duties. DOD guidance stems from DOD 4500.36-R, *Management, Acquisition, and Use of Motor Vehicles*, which is supplemented by regulations at the GCC or other level. The use of all motor vehicles, including those leased from commercial sources, is restricted to official purposes only. Whether a use is for an official purpose is a matter of administrative discretion by the SDO/DATT. If a question arises about the scope of the discretion, it should be resolved in favor of strict compliance with DOD policy. Factors to consider include whether the transportation is essential to a DOD function, activity, or operation, and whether the use of the vehicle is consistent with the purposes for which it was acquired.

Both U.S. law and DOD policy prescribe penalties for unauthorized or willful misuse of a government-owned or government-leased vehicle. As with air travel, an issue involving vehicle transportation should be referred to the GCC for resolution.

The rules for the use of employee-leased vehicles are the same as for government motor vehicles. When on official travel, one may use that vehicle only for official purposes. The traveler does not have the option of using the vehicle for both official and unofficial purposes and claiming reimbursement solely for the official use.

Domicile to Duty Transportation

Under long-standing U.S. law, commuting by government employees between their residence and place of duty is treated as a personal obligation and expense. The law currently authorizes only fifteen senior DOD officials by duty position to receive domicile to duty transportation (DTDT). However, the law, *10 USC* 2637 allows the Secretary of Defense to delegate to GCCs the authority for approving DTDT for selected personnel (including SCO personnel) stationed overseas in their area of responsibility. This authorization is made by the GCC based on a determination that "public or private transportation in such area is unsafe or unavailable." Such authorizations must be made in writing and may not exceed one year in duration, although they may be renewed. SDO/DATTs may request DTDT authorization from their GCC if they believe local conditions warrant it. DTDT is treated as an employer-provided fringe benefit which is taxable under current law. However, it must be stressed that, where authorized, DTDT exists for the safety and security of DOD personnel, not as a benefit. DOD 4500.36-R, Chapter 4, provides DOD-level guidance on DTDT.

Summary

This chapter addresses the major considerations, challenges, and issues which impact upon the overseas SCO in today's environment. SA and SC are two key instruments of U.S. foreign policy and the SCO is in the front lines of shaping and executing that policy. The opportunities associated with an overseas SCO assignment provide unique experiences for the military member and his or her family. As a member of an embassy country team, the SCO has a first-hand look at USG inter-agency activities and foreign policy in action. An assignment to an SCO provides a level of responsibility and breadth of experience seldom seen in other military assignments.

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Attachment 4-1
Letter of Instruction from the President — Approved May 26, 2009

(Selected text placed in bold by DISAM)

The Honorable (Name)
American Ambassador
(City)

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
Letter of Instruction from the President – (Continued)

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.

Attachment 4-1
Letter of Instruction from the President – (Continued)

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.

//SIGNED//

Sincerely,
Barack H. Obama

Attachment 4-2
Security Cooperation Organization - Industry Relations

[Department of Defense Memorandum, 05 May 1999, for Relations with U.S. Industry in Sales of Defense Articles and Services to Foreign Governments.]

Office of the Secretary of Defense
Washington, D.C. 20301-1000
05 May 1999

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 DOD FIELD ACTIVITIES

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

The 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.

Your participation and cooperation are essential to improving the Defense Security Cooperation process.

//SIGNED//
Jacques S. Gansler
Under Secretary of Defense
for Acquisition & Technology

//SIGNED//
Walter B. Slocombe
Under Secretary of Defense for
Policy

Attachment 4-3
Checklist for Meeting Representatives of Defense Industry

(See SAMM C2.5.7 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 C4.5.8). Inquire as to whether the vendor has a preference (some vendors have a preference for DCS on file with DSCA; see SAMM C4.5.10).
5. Inquire whether the vendor is marketing similar articles or services to other countries in the region.
6. As appropriate, provide an overview of host nation military picture.
   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 MS vs. DCS)
   d. Host nation offset policy, if appropriate
   e. Foreign competition
8. Inquire if the vendor has an in-country agent.
9. Inquire 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. Inquire 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

FEB 3, 2009

[Name of SDO/DATT]
U.S. Defense Attaché Office Cairo
7700 Cairo Place
Washington D.C. 20521-1111

Dear [Name of SDO/DATT]:

You hereby are appointed SDO/DATT in the Arab Republic of Egypt. As SDO/DATT, you are the principal Department of Defense official at the American Embassy in Cairo and my representative to the Ambassador and the government of Egypt. 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 Egypt in accordance with DOD Directive 5105.75 and DOD Instruction 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, OMC. 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 as you embark on this challenging assignment.

Sincerely
//SIGNED//
Robert M. Gates

Enclosures:

1. Letter of Introduction to U.S. Ambassador
2. Letter of Introduction to Egyptian Armed Forces CINC
3. CJCS Letter of Introduction to Egyptian Chief of Defense

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

SECRETARY OF DEFENSE
1000 Defense Pentagon
WASHINGTON, DC 20301.1000

FEB 3 2009

[Name of U.S. Ambassador]
American Embassy Cairo
Department of State
7700 Cairo Place
Washington D.C. 20521-7700

Dear Madam Ambassador:

This letter introduces [Name of SDO/DATT], United States Air Force, whom I appointed as the Senior Defense Official (SDO) and Defense Attaché (DATT) to your Embassy. As the SDO/DATT, he 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 Egypt. I urge you to take full advantage of [his] expertise and resources as your principal military advisor.

[Name of SDO/DATT] 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 [Name of SDO/DATT] 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.

Sincerely,
//SIGNED//
Robert M. Gates

Attachment 4-6
Letter of Introduction to Host Nation Minister of Defense

SECRETARY OF DEFENSE
1000 Defense Pentagon
WASHINGTON, DC 2030 1-1 000

FEB 3, 2009

His Excellency Field Marshal [Name]
Commander-in Chief of the Armed Forces
Ministry of Defense and Military Production
Cairo, Arab Republic of Egypt

Dear {Name]:

This letter introduces [Name of SDO/DATT], United States Air Force, as the Senior Defense Official and Defense Attaché at the United States Embassy in Cairo. [Name of SDO/DATT] 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.

[Name of SDO/DATT] 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 [SDO/DATT] 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 him 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.

Sincerely,
//SIGNED//
Robert M. Gates

Attachment 4-7
Letter of Introduction to Host Nation CJCS Counterpart

CHAIRMAN OF THE JOINT CHIEFS OF STAFF
WASHINGTON, D.C. 20318-9999
27 January 2009

Lieutenant General [Name]
Joint Defense Staff
Ministry of Defense
Cairo, Arab Republic of Egypt

Dear General [Name],

I am pleased to introduce [Name of SDO/DATT], United States Air Force, to you as the Senior Defense Official and Defense Attaché at the United States Embassy in Cairo. 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.

[Name of SDO/DATT] 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 communicate with me directly when you deem it necessary.

Sincerely,
//SIGNED//

M.G. MULLEN
Admiral, U.S. Navy

Chapter

5 Foreign Military Sales Process

Introduction

The foreign military sales (FMS) program is part of security assistance authorized by the *Arms Export Control Act* (AECA). It is a fundamental U.S. foreign policy tool. Under Section 3, AECA, the U.S. may sell defense articles and services to foreign countries and international organizations when the President formally finds that to do so will strengthen the security of the United States (U.S.) and promote world peace. Department of Defense (DOD) 5105.38-M, *Security Assistance Management Manual* (SAMM), Table C4.T2, identifies countries and organizations designated as eligible to purchase articles and services through the FMS system. This program is conducted through formal contracts or agreements between the U.S. government (USG) and an authorized foreign purchaser. These agreements are called U.S. letters of offer and acceptance (LOA).

Beginning with a customer country's request, the FMS process is a complex one that for a major weapon system sale may last for more than seven years. It is outlined in Table 5-1 and discussed in this chapter and later in Chapter 6, "Foreign Military Sales Cases." The USG acquisition, logistics, financial, and training elements of the FMS process are further discussed in subsequent chapters in 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 closure.

It is important to remember that the USG infrastructure that supports the FMS process is not a stand-alone arrangement. Instead, it overlays the existing domestic structure of the DOD. Therefore, policies, databases, and organizational elements for support of FMS vary among DOD agencies. The military departments (MILDEPs) and other DOD agencies involved in writing and managing FMS programs are collectively referred to as implementing agencies (IA).

Note also that while this textbook offers an overview of the FMS process, it is not intended to replace the SAMM or other official references. The SAMM, which is published by the Defense Security Cooperation Agency (DSCA), is the principal manual providing policy and guidance for the administration and implementation of security assistance in compliance with the AECA, the *Foreign Assistance Act* (FAA), and other related statutes and directives. The SAMM and the associated policy memos are essential reading if one is to understand the FMS process. Much of what is discussed in Chapters 5 and 6 of this textbook correlates to Chapters 1, 2, 4, 5, and 6 of the SAMM. It is important to keep abreast of new policies and procedures by reviewing periodically the links to the SAMM and to security assistance policy memoranda and messages on the DSCA web site http://www.dsca.mil/publications.htm.

Stages of the Foreign military Sales Process: Preliminary and Definitions

The FMS process begins when the customer does a threat analysis in conjunction with its national security objectives. The customer will identify potential defense requirements and obtain specific systems information. The customer will quantify system life cycle costs and determine if the potential capability is a viable cost alternative. Normally there should be ongoing consultations between the customer and U.S. representatives, principally the in-country U.S. security cooperation organization (SCO).

Table 5-1
Foreign Military Sales Process

Preliminary (Indefinite)	• Customer determines requirements • Customer obtains specific systems information
Definition (Indefinite)	• Customer and U.S. exchange technical information
Request (Indefinite)	• Customer prepares and submits a letter of request (LOR) for price and availability (P&A) data • Customer prepares and submits LOR for an LOA
Development of Offer (Policy for the response to LOR by LOA is 120 days for 80% of LORs) (Congressional review if required is from 15-50 days)	• Implementing agency (IA) receives the LOR • IA develops LOA data (LOAD) • DSCA-CWD writes LOA • DoS/DSCA/Congress review LOA • DSCA countersigns LOA • IA issues LOA to customer
Acceptance of the Offer (Policy is 60 days to accept an LOA)	• Customer signs LOA • Customer sends signed copy of LOA and initial deposit to Defense Finance Accounting Service-Indianapolis Center (DFAS-IN) • Customer sends signed copy of LOA to IA
Implementation (15 days average)	• DFAS-IN issues obligational authority (OA) • IA issues implementing directive • IA activates FMS computer systems
Execution (Depends on delivery schedule)	• Case and line managers order articles/ services/training • Articles and services shipped and expended/ training conducted • IA reports performance to customer and DFAS-IN
Reconciliation and Closure (Policy is 2 years from last delivery)	• MILDEP/DFAS-IN/customer reconcile records • MILDEP sends closure certificate to DFAS-IN • DFAS-IN issues final bill to customer

Chapter 4, "Security Cooperation Organizations Overseas," of this textbook discusses the SCO in detail. As the customer continues to define requirements, follow-on discussions will expand to include U.S. defense contractors as well as representatives from MILDEPs and other DOD organizations. These discussions should address such topics as required security agreements, acquisition alternatives, training plans, financing, and concepts of operations and support, among others. U.S. defense strategy plans, concerns for standardization, and interoperability should complement the customer'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 customer and the

U.S., documenting the rights and obligations of each with regard to weapons systems development, production, or transfer. Chapter 8, "Foreign Military Sales Contractual Agreements," of this textbook discusses these types of agreements in detail.

Stages of the Foreign Military Sales Process: Request

In down-selecting systems and services to meet defense requirements, the customer may submit an LOR to the USG. An LOR may ask only for P&A data or for a full-up formal sales offer in the form of an LOA. By policy, the LOA response should be done in 120 days eighty percent of the time. A P&A is considered a rough order magnitude response and, by policy, should be completed in 45 days.

The LOR should describe the customer's requirement in as much detail as possible. LORs are usually submitted in formal correspondence, such as letters or messages. LORs may also be submitted via e-mail if the customer has made prior arrangements with the IA.

Technically, less formal methods of communication such as meeting minutes and even oral discussions may be considered appropriate media for transmission of LORs, but this is rarely, if ever, the case in practice. Whenever a customer makes a request through less forma media like these, the normal U.S. response is to ask the customer to put his request in an official letter or message. [SAMM, C5.1, has a detailed discussion on LORs.]

Letter of Request: Format

There is no standard format for an LOR. However, the LOR is a critical communication document. The financial or logistical success of an FMS program may hinge on clear and comprehensive LOR information. Purchaser involvement in the LOA development process is encouraged, especially on major system sales cases. [Figure 5-1] Figure 5-2 (shown on next page) depicts the categories of information that may need to be addressed in an LOR. All these categories are described in detail with applicable references in the DISAM "LOR Writing Guide." This guide is found in the "Distance Learning" section of the DISAM web site.

Figure 5-1
Purchaser Participation in the Letter of Offer and Acceptance Preparation Process
[SAMM C5.4.6.2]

- Purchaser involvement early on in the LOA development process is essential to ensure the final document provides the best "fit" for identified requirements.
- Purchasers should be encouraged to attend meetings and receive correspondence designed to clarify LOR information.
- As the development of the LOA progresses, there are many instances where purchaser participation and input are necessary.
- Any unique notes or conditions being considered may be provided to the purchaser for advance review to ensure these special case and/or program-unique needs are addressed.

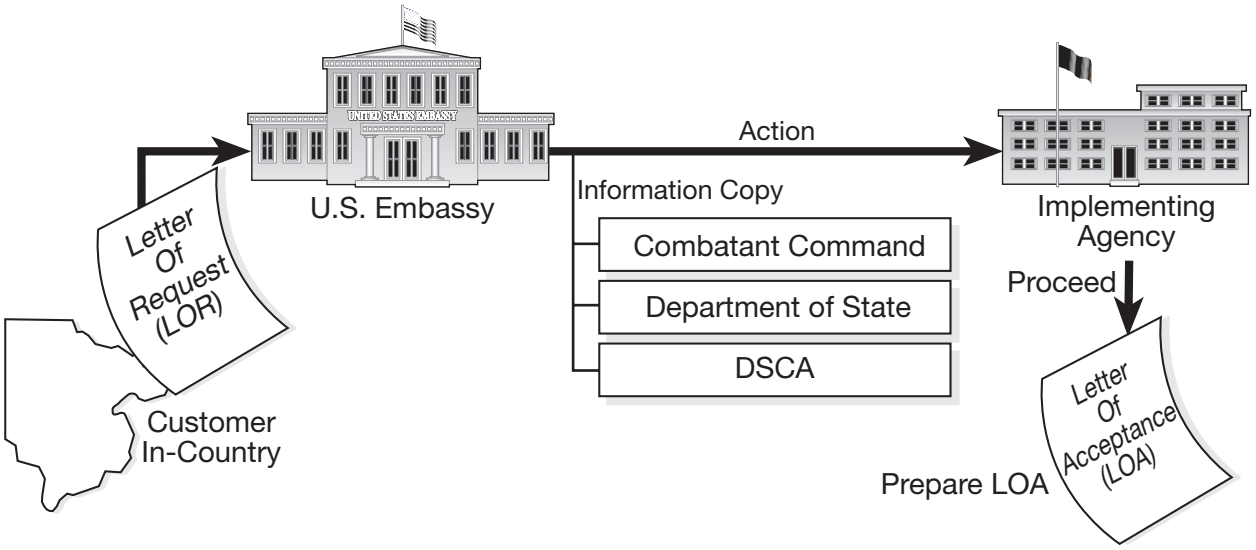
Letter of Request: Channels of Submission

The action addressee for the LOR is the IA. The IA is the USG organization authorized to receive and process LORs. A description and listing of authorized IAs are provided in Attachment 5-1. The channel of submission used for an LOR depends on whether the article or service requested is considered significant military equipment (SME), or all other FMS, i.e., non-SME. Figure 5-3 shows the channels of request for the LOR.

Figure 5-2
Letter of Request Checklist

- Identification Information
  - Purpose:
    - Price and Availability (P&A)
    - Letter of Offer and Acceptance (LOA)
  - Lease
  - Purchaser
  - Pre-negotiations
  - Transparency
  - Acceptance Time Frame
  - International Solicitation
- Major Item Considerations
  - Standard Model
  - Quantity
  - Unique Configuration
  - Delivery Time Frame
  - Transportation
  - Warranties
  - Sole Source
- Support Considerations
  - Operations Concept
  - Maintenance Concept
  - Supply Concept
  - Initial Spares
  - Support Equipment
  - Facilities
  - Follow on Support
  - Publications
- Services
  - FMS Case Reviews
  - Training
  - DOD/Contractor Services
  - Site Survey
- Financial Considerations
  - Funding Source
  - Payment Schedule/Initial Deposit
  - Financial Waivers
- Special Considerations
  - Memorandum of Understanding (MOU)
  - Offsets
  - Commercial Negotiations
  - Special Reports
  - Interoperability

Figure 5-3
Channels of Request



Significant Military Equipment

SME are items highlighted on the *U.S. Munitions List* (USML) as warranting special export controls because of their capacity for special military utility or capability. The USML is included in Part 121, *International Traffic in Arms Regulations* (ITAR). The ITAR and USML are on the DOS web site at http://www.pmddtc.state.gov/regulations_laws/itar.html. Note that SME can be further identified as

major defense equipment (MDE), which is listed in the SAMM, Appendix 1 and is subject to these processing guidelines.

If the customer sends an LOR for SME to the U.S. embassy, the embassy should forward the LOR to the relevant IA for action, with information copies to the DOS, Bureau of Political-Military Affairs (STATE/PM), DSCA, and the relevant geographic combatant command (GCC). The embassy's transmittal should include a country team assessment, addressing such topics as:

- The reason the customer requires the system
- How the customer intends to employ and deploy the system
- The customer's ability to operate, maintain the equipment
- How the customer intends to pay for the system
- The embassy's plan for end-use monitoring
- The embassy's recommendation as to whether the U.S. should agree to sell the system

Refer to SAMM, Table C5.T1, for more detail regarding this assessment.

Note that this submission is a country team assessment, not just an SCO assessment. Although the SCO is normally the action office that prepares the transmittal, it is important to remember that the analysis and recommendations it contains must be staffed with other members of the country team and represents the position of the U.S. chief of mission. Country team assessments are normally classified.

If the customer sends an LOR for SME directly to the IA, the IA should provide information copies to DOS/(Bureau of Political-Military Affairs) (STATE/PM), DSCA, and the relevant GCC. The IA should also send a copy of the LOR to the U.S. embassy via the SCO and ask for a country team assessment.

Nonsignificant Military Equipment

If the U.S. embassy receives an LOR for nonsignificant military equipment (non-SME), the SCO should forward it to the cognizant IA, with information copies to DSCA and the GCC. No country team assessment is required.

If the customer sends the LOR directly to the IA, then the IA must ensure that DSCA receives an information copy. Although not officially required, it is common for IAs to also provide information copies of non-SME LORs to the SCO and the GCC.

If it is not clear which IA has cognizance 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 STATE/PM and DSCA.

Within five days of receipt of an LOR, STATE/PM and DSCA should initiate coordination to determine if there will be any USG objection to the proposed sale.

There may be many USG agencies not identified in this chapter that may need to review an LOR and a proposed offer. The type and breath of the USG reviews vary to a large extent depending upon whether the request contains non-SME, SME, MDE, classified items, and sensitive or missile-related technology. It is the responsibility of the IA to ensure that the correct organizations review the LOR. The goal is for the necessary reviews to happen concurrently to minimize the response time to the FMS customer.

Letter of Request Advisories and Pre-Operational Testing and Evaluation Sales Policy

DSCA may need to prepare LOR advisories to the Under Secretary of Defense for Acquisition, Technology and Logistics [USD (AT&L)] and the Chairman of the Joint Chiefs of Staff. For example, an LOR requesting an LOA or P&A for SME/MDE that is still in DOD development and not approved for U.S. production must be approved by DSCA prior to the IA responding to the customer. DSCA will not approve this pre-operational testing and evaluation (OT&E) systems request until USD (AT&L) concurs. This is often referred to as the Yockey waiver. LOR advisories are also necessary for other types of requests such as requests for co-production or licensing agreements for MDE or requests for MDE which are expected to result in congressional notification. LOR advisories are discussed in the SAMM, C5.1.4.5.

Letter of Request: Negative Responses

If the IA believes that an LOR should be disapproved, the IA should first coordinate with DSCA, who will coordinate with STATE/PM and other relevant agencies. Refer to SAMM, Section C5.2.3, for a detailed discussion.

Stages of the Foreign Military Sales Process: Offer and Acceptance

The individual within an IA responsible for processing an LOR is the country director. The country director is also known as country desk officer or country program manager (CPM). Country directors are usually found in the headquarters element of the IA's security assistance structure. More detail on IA organizations can be found in Attachment 5-1 at the end of this chapter. A country director will normally process all LORs the IA receives for a given country or region. However, there may be several country directors assigned to a customer country with many large complex FMS programs.

Upon receipt of an LOR, the country director should confirm that the requestor is eligible to purchase defense articles and services under the AECA, FAA, and other statutes and policies. Refer to SAMM, Table C4.T2, to determine this eligibility.

Letter of Request Response Documents

There are two primary USG responses to an LOR.

Price and Availability

A P&A response is an estimate that reflects rough order of magnitude (ROM) data. It is provided for country planning purposes only and shows estimated costs and projected availability of defense articles or services. P&A responses will normally not be provided for nonstandard subsystems and the IA should respond within 45 days of receipt of an LOR. P&A data is not valid for use in the preparation of an LOA nor should it be used by the customer for budgeting purposes. P&A responses should not be construed as a USG approval for the material or service. Only the LOA is the offer to sell. To avoid confusion, the term P&A should not be used in reference to data developed for completion of an LOA, and such data should be referred to as LOA data (LOAD). Refer to SAMM, Section C5.3, for further discussion of P&A.

Letter of Offer and Acceptance

The LOA, or the FMS case, is the authorized document used by the USG as an offer to sell defense articles and services to a foreign country or international organization. An example of an LOA, including many related FMS process documents and a description of the LOA elements, are shown in Appendix 1, "Case Document Package," at the end of this textbook. The LOA represents a bona

fide offer by the USG to sell the described items identified on the document. The LOA becomes an agreement when the customer signs it and provides the payment specified in the LOA with acceptance. If logistical or financial requirements change during the execution phase of the FMS case, it may be possible to amend or modify the case. Amendments and modifications are discussed later in Chapter 8, "FMS Contractual Agreements." The LOA is subject to many conditions and restrictions referred to as the LOA Standard Terms and Conditions. These standard terms and conditions of an LOA are further described in Chapter 8, "FMS Contractual Agreements," of this textbook.

As soon as LORs are received by the IA, they are loaded into the Defense Security Assistance Management System (DSAMS). Examples of a DSAMS-developed LOA along with most of the supporting documents used in the FMS process, are shown in Appendix 1 of this textbook.

It is important to remember that a P&A response is not a commitment by the USG to sell the requested articles and services. Once the customer has decided to purchase an article or service via FMS, an LOR for an LOA must be submitted. Only the LOA is an offer by the USG to sell.

Foreign Military Sales Case Identifier

To differentiate among the approximately 12,000 open FMS cases, each LOA is assigned a unique case identifier, which is described in detail in Chapter 6, "Foreign Military Sales Cases," of this textbook.

Milestones and Metrics

In order to ensure timely responses to LORs, DSCA has established several FMS process management milestones and metrics. The clock starts ticking as soon as the IA receives an LOR and it is loaded into DSAMS.

- Within 5 days, the IA should send the customer an acknowledgement of receipt of the LOR. This acknowledgement should also list the new case identifier.
- Within 5 days, DSCA should initiate coordination with STATE/PM and other relevant government agencies to determine if there are any immediate objections to the proposed sale within the USG.
- Within 10 days, the IA should provide Congressional notification data to DSCA, if required. [More on congressional notification is found later in this chapter. Also see Chapter 2, "Security Assistance Legislation and Policy," of this textbook and SAMM, Section C5.6.]
- Within 10 days, the IA should enter case information into the DSCA 1200 database system via DSAMS. [See Appendix 2, "Security Assistance Automation," of this textbook, and SAMM, Chapter 13, for a discussion of these and other information systems.]
- The IA should provide the customer a P&A within 45 days of receipt of an LOR.
- The IA should provide the customer an LOA within 120 days for 80 percent of all LORs.

In order to meet DSCA's milestones, each IA has also developed its own internal metrics and milestones.

Initial Processing of the Letter of Request by the Implementing Agency

LORs are initially received and processed by the applicable IA country director. Except for purchasers with very large programs, country directors will process all LORs for a particular country

or region. Before any further action is taken on the LOR, it must be validated to ensure the customer is eligible to purchase defense articles and services. The IA should acknowledge receipt of the LOR with the case identifier within 5 days.

The LOR is also the loaded into the DSAMS. This system, described in Appendix 2, "Security Assistance Automation," of this textbook, will be used to task organizations and compile the LOA data that will be used to write the LOA documents. The 120 day LOA processing metric starts when the LOR is loaded into DSAMS. It is important to note that the LOR should be loaded into DSAMS immediately and not held aside if the LOR is incomplete. While the LOA data is being compiled, country directors will normally have a checklist of tasks or questions to answer in order to complete the processing of the LOR. The following are typical checklist items:

- Did copies of the LOR go to the proper USG review organizations?
- Does the LOR contain an identifiable customer reference or serial number?
- Is the LOR a result of a foreign solicitation?
- Are there any additional LOR references, such as a Memorandum of Understanding (MOU) or a pre-negotiated response?
- Does the request comply with total package approach (TPA) policy?
- Is the request a valid military requirement?
- Is this a sensitive technology request?
- Will the request result in the transfer of classified information?
- For Section 36(b), AECA, cases, has DSCA been provided with the congressional notification data within 10 days?
- Is the request for missile related technology or classified information?
- Will production be in-country?
- Will any production be used for third country sales?
- If the request is for standard U.S. materiel, is a valid national stock number (NSN) provided?
- How much initial spare parts are required to be delivered with the end items?
- Does a sole source request contain the proper justifications?
- If the request is for nonstandard materiel, has a military specification (MILSPEC) package or engineering data description been included?
- Has the request been screened to determine if there is a concurrent commercial bid in process?
- Does a quality inspection team need to inspect the material upon delivery to the customer?
- 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 any unique customer budget or payment schedule requirements?
- Is there enough information to properly identify all the requirements?
- Is a site survey required?
- Has a negative response been coordinated with DSCA?

Compilation of the Letter of Offer and Acceptance Data by the Implementing Agency

As the country director proceeds through the IA's initial processing checklist, the case manager is tasked via DSAMS to begin compiling LOA data (LOAD). It is the case manager who normally has primary responsibility for the LOA content. See SAMM, Section C2.4, for a detailed discussion of case management responsibilities.

The case manager must coordinate with weapon system program managers and item managers to collect cost and availability estimates for every article and service that will be included in the LOA. These estimates may be based on current DOD inventories or on information from U.S. defense contractors. As the data develops, the case manager and country director should both be alert for issues that may require further coordination, not only within the IA but also with other DOD organizations, as well as the 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 Deputy Under Secretary of Defense for Policy, the GCC, and the DOS. Complex financial or other business arrangements may also require coordination with the Departments of Commerce and Treasury.

The MILDEP organizations and other agencies responsible for compiling and coordinating LOAD and for writing LOAs will be further described in Attachment 5-1.

Correlating the Letter of Request with the Military Articles and Service List

In order to write an LOA, the IA will construct a separate LOA line item for each generic category of material or services. For each line item, the IA will also determine the appropriate material *Military Articles and Services List* (MASL) number. The complete material MASL, which is substantial, is contained within DSAMS. MASL data, such as generic codes, MASL numbers, and descriptions must be included on the LOA for each line item. A sample extract of the material MASL is in Appendix 1 "Case Document Package," of this textbook. A table of generic codes is in the SAMM, Appendix 4.

It must be noted that there are two separate and distinct MASLs, one for material and services and another for training. They should not be confused. Each contains different kinds of information and has different uses. DSCA maintains the material MASL with input from the MILDEPs. The security assistance training activities of the MILDEPs maintain the training MASLs, which are accessed via the Training Management System (TMS). SAMM, Section C13.6, discusses both types of MASLs in detail.

Completeness of Offer: The Total Package Approach

When compiling LOA data, case managers should adhere to the policy of TPA outlined in SAMM, Section C4.5.3. TPA ensures that FMS customers 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. 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, among others.

As part of the TPA, IAs should ensure that LOAs for equipment include at least one year's supply of spare parts. [SAMM, Section C5.4.8.9.2] These packages are referred to both as concurrent spare parts (CSP) and as 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.

IAs implement TPA through checklists for various weapon systems. TPA is discussed in more detail later in this chapter.

Quality of Items Sold

DOD policy requires that articles and services sold under FMS reflect favorably on the U.S. Therefore, in most cases, articles provided under FMS will be new or unused or will have original appearance and function as much as possible as a result of rebuild, overhaul, or other rehabilitation. At a minimum, articles provided via FMS should meet the same serviceability standards prescribed for issue to U.S. forces. If the customer desires new equipment exclusively, this should be specified in the LOR and set forth in the LOA. Similarly, if the customer wants to buy excess defense articles (EDA) as is, where is, this too should be specified in the LOR and LOA. For EDA, the customer usually bears any costs for repairs, rehabilitation, or modification required to make the materiel usable. Additionally, LOA notes for EDA typically state that the USG is not obligated to provide transportation or future support for such material. Chapter 2, "Security Assistance Legislation and Policy," and Chapter 10, "Logistics Support of International Military Sales," of this textbook discuss EDA sales in detail. Also refer to SAMM, Section C11.5.

Public Release of the Letter of Offer and Acceptance Data

It is DOD policy to comply with the *Freedom of Information Act* (FOIA). However, under exemption (b)(4) within DoDD 5400.7, DOD FOIA Programs, SAMM Paragraph C3.6, commercial or financial information that a person, a U.S. or foreign business, or a foreign government provides to the USG may be exempt from disclosure to the public if:

- It is not the type of information that the originator would usually release to the public
- Disclosure is likely to cause substantial competitive harm to the originator
- Disclosure is likely to impair the ability of the USG to obtain necessary commercial or financial information in the future
- Disclosure is likely to impair some other legitimate USG interest

Any USG employee who receives an FOIA request regarding an LOA or an FMS procurement contract should refer it to the appropriate IA legal counsel. IAs should coordinate any decision to release or withhold information with DSCA General Counsel. Chapters 7, "Technology Transfer, and International Programs Security," and Chapter 8, "FMS Contractual Agreements," of this textbook also address FOIA requests. Also refer to SAMM, Section C3.6.1.1.

Congressional Notification

For most countries, an LOA meeting one of the following Section 36(b)(1) AECA thresholds will be notified to Congress:

- $14 million or more of major defense equipment
- $50 million or more of total case value

- $200 million or more of design and construction services

The thresholds for the North Atlantic Treaty Organization (NATO) countries, Japan, Australia, New Zealand, and the Republic of Korea are $25 million, $100 million, and $300 million respectively. It must be noted that MDE is significant military equipment (SME) for which the USG has incurred more than $50 million in total nonrecurring research and development costs or more than $200 million in total production costs.

Although the IA provides most of the information contained in a Section 36(b) notification package, it is DSCA that must assemble the package and forward it to Congress, specifically the House Foreign Affairs Committee (HFAC) and the Senate Foreign Relations Committee (SFRC). DSCA must also obtain concurrence from State/PM before sending a notification package to Congress. In order to present the customer with an LOA as soon as possible, preparation for the Congressional notification process should run concurrent with the compilation of LOA data and the preparation of the LOA.

For most countries, the time frame for a congressional notification action is a total of 50 days, which consists of 20 days advance (informal) notice and 30 days statutory notice. Statutory notification immediately follows advance notification and is marked when the notification information is entered into the *Congressional Record*.

For NATO and NATO countries, Japan, Australia, and New Zealand, there is only a fifteen day statutory requirement and no requirement for advance or informal notification.

Once statutory notification begins and the package is no longer classified, the IA may, with DSCA approval, give the customer an advance copy of the LOA. However, this copy of the LOA must be unsigned and annotated as a draft, and is therefore not binding. It is a courtesy copy for information only and should not be construed as an official offer. The IA can present the official LOA to the customer only after the congressional notification period has lapsed and when directed by DSCA.

If Congress objects to a proposed LOA, it must pass a joint resolution to that effect prior to the expiration of the notification period. If the notification period passes with no congressional action, DSCA may then countersign the LOA and release it to the IA for official presentation to the customer. See SAMM, Section C5.6 and Table C5.T10, for a detailed discussion of the congressional notification process.

Defense Security Cooperation Agency Review and Countersignature

The IA will notify the DSCA Case Writing Division (DSCA-CWD) when load is completed. DSCA-CWD will complete the LOA writing process by doing a quality review for policy compliance and add the applicable standard LOA notes.

FMS case countersignature is coordinated through the DSCA-CWD. Countersignature indicates that DSCA/CWD has reviewed and concurs with the release of the LOA. Countersignature may also require a final round of coordination with other government agencies, such as and STATE/PM. The CWD also routinely coordinates with the relevant DSCA regional and financial directorates prior to countersigning the LOA. Countersignature now occurs electronically between DSCA/CWD and the IA using e-mail and DSAMS. A more complete description of the IA and DSCA-CWD roles in the case development process are shown in Figure 5-4.

Once DSCA-CWD countersigns and releases the LOA, the IA will sign it and forward it to the customer for acceptance. The IA should also send a copy of the LOA to DFAS-IN. Though not required, it is also common for the IA to send an information copy of the LOA to the SCO.

Figure 5-4
Case Development Responsibilities

Implementing Agency Actions	DSCA - Case Writing Division (CWD)
Develop LOA Data - "D" Status Primary interface with the stakeholders on all LOA development issues Develop line item LOA structure Develop line item description notes Obtain cost information Price line items Prepare payment schedule analysis Develop delivery schedules Process waivers Prepare congressional notice (36B) input Prepare case unique/nonstandard Releasability coordination Foreign disclosure coordination Identify manpower and standard level of service requirements Conduct MTCR review Identify End-use Monitoring requirements Review and approve final CWD LOA package Sign LOA and send to customer for acceptance (Offered - "O" status) "W" Status	CWD - Assembles the LOA Write (W) Status LOA quality assurance review Prepare case standard notes SA regulation and policy review Construct payment schedule Review "R" Status Forward LOA package to IA for final review Conduct DSCA (CPD/CFD/policy) review Conduct legal review Proposed "P" Status Coordinate on State (RSAT) review Offered - "O" Status Countersign the LOA Forward LOA package to IA

Stages of the Foreign Military Sales Process: Acceptance of a Letter of Offer and Acceptance

Once the IA presents the customer with the LOA, the customer, by SAMM policy, should have 60 days to review and accept it; however, there are many exceptions to this rule [SAMM, Figure C5.F5.] To officially accept an LOA, the customer must:

- Send signed copies of the LOA to DFAS-IN and the IA (this may be done via the SCO)
- Send the initial deposit/payment due to DFAS-IN with acceptance as annotated on the LOA

Both of these actions must be completed before an LOA is considered accepted and ready for implementation. Payment must be in U.S. dollars and may be via check or, preferably, wire transfer.

Customers should strive to accept an LOA by the offer expiration date (OED) listed on the first page of the LOA. If an OED is less than 60 days from the date the IA offers the LOA, the LOA must include a note explaining the reason. [SAMM, Table C5.T5] If the customer cannot meet the OED, it may request an extension from the IA. Many considerations, such as contract deadlines for multi-country programs or policy concerns, may preclude granting an extension. Moreover, customers should note that even if an extension is granted, cost and delivery estimates are perishable and will tend degrade over time. The longer the period between the offer and the acceptance, less accurate cost and delivery estimates may result.

Implementation

After receiving the initial deposit, DFAS-IN releases obligational authority (OA) to the cognizant IA. OA is forwarded via DSAMS to the MILDEP FMS management unique computer systems. The OA is evidence that proper case acceptance, including cash deposit, has been received and the case may be implemented. OA provides case financial authority which allows the IA case manager to implement the case. The IA may then prepare case directives that direct and coordinate the case implementation process. Implementation ends and case execution begins when requisitions for the LOA material and services are processed against the case. There is no standard time frame for case implementation; however, it should be accomplished within 10-15 days.

Although an LOA provides basic information and authority for an FMS case, may have insufficient information for case implementation. A case directive provides detailed instructions and information that the IA's field activities can use to support requirements within the FMS case. Much of the information in the case directive is related to finance and logistics, such as fund cites and shipping instructions. A user of the case directive should consider it as the intermediate step linking the LOA and the actual requisition or purchase order for the articles and services listed on the LOA. The case manager is normally the person who prepares the case directive.

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.

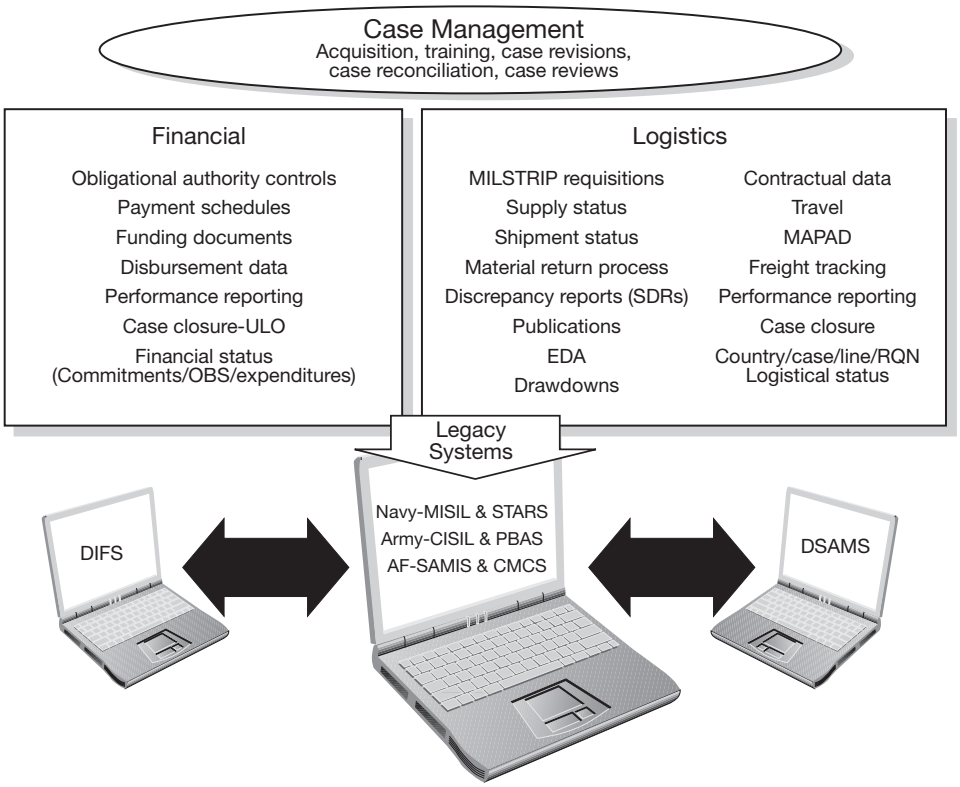
Implementation transitions into case execution when the IA's or customer begin to requisition articles and services against the case. While there is no standard metric for case implementation, a good rule of thumb is to implement a case within 15 days of acceptance by the customer. Moreover, since the case directive is an extension of the LOA, it should be amended or modified concurrent with LOA amendments and modifications. If LOA files and case directive files are not maintained in tandem, discrepancies will arise between what the LOA intends and what actually happens during the execution phase.

Execution

Case execution, depicted in Figure 5-5, is the longest part of the life cycle of an FMS case. It begins when the IA's start the requisition and procurement process against the case directive and does not end until the last article or service is delivered or completed. This can take several years for a major case.

SAMM, Section 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 customer the same benefits and protection that apply to DOD procurement, which is one reason why customers 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 USG procurement and logistics activities that support U.S. forces, although IAs may establish offices or positions within their organizations specifically to coordinate and monitor FMS support. A typical FMS case includes items both from 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. SAMM, Chapter 6, discusses case execution in detail.

Figure 5-5
Foreign Military Sales Case Execution



Foreign Military Sales Case Management Policy, Procedures, and Concepts

A significant element of the case execution process involves FMS case management. The management of FMS programs and their 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 for that matter, i.e., the principles of planning, organizing, coordinating, communicating, directing, and controlling. Of this list of traditionally accepted management principles or functions, communication is especially pertinent as it relates to security assistance in general and FMS in particular. Equally important to case management is an understanding of the overall FMS process, in particular, identifying the key organizations and people responsible for executing an FMS case. 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 of the battle.

According to the SAMM, C2.4, the MILDEPs will assign a case manager to each active FMS case. Case management begins during P&A, LOA preparation, and should include the TPA concept. Further, the SAMM Table C2.T1 identifies the following specific responsibilities of a case manager:

- Establish initial and long-range goals and objectives for execution
- Ensure foreign disclosure and international transfer arrangements are approved prior to signature of the LOA or agreement
- Prepare a master plan (including a plan for case closure)

- Develop a financial and logistics management plan
- Approve plans of execution, scope, and schedule of work
- Review and verify funding and program requirements
- Integrate the program
- Initiate requirements
- Ensure that all schedules are accurate and timely
- Validate that costs are accurate and billed
- Reconcile cases especially during execution
- Respond to purchaser, higher headquarters, counterparts, functional activities, and other supporting agencies
- Initiate working agreements with supporting activities as appropriate
- Analyze performance in relation to required performance specifications
- Maintain a complete chronological history (significant events and decisions)
- Provide status, progress, and forecast reports
- Ensure all automation records are in agreement
- Prepare case for closure
- Ensure that case records are retained in accordance with DOD 7000.14-R, DOD *Financial Management Regulation* (FMR), Volume 15, Chapter 6

Implementing Agency Case Management

An FMS case is not generally under the sole domain of any one organization. Rather, several organizations touch or impact an FMS case during its life cycle. Thus, there can be many organizations and people involved in the management of one FMS case. However, there should be one person assigned as the case manager. The case manager for blanket order and cooperative logistics supply support arrangement (CLSSA) cases normally resides at the appropriate MILDEP International Logistics Control Organization (ILCO). The case manager for a defined order case may also be in the ILCO or in the MILDEP weapon system program office. SAMM C2.4.1policy states that a case manager should be assigned by the IA before the case is implemented.

The case manager is accountable for all aspects of assigned FMS cases. 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 each program and be aware of any problems which could impact the estimated cost or schedule. This requires frequent communication with the weapon system program manager as well as the contracting officer. When potential cost overruns or delays are identified, the case manager is expected to consult with the program manager, the contractor, and the foreign customer to ensure all options are explored and IA-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.

Good case management requires cooperation between the USG managers, contractors, and the foreign purchaser prior to any financial impacts on the case.

Case management may entail different terminology depending upon the IA case management philosophy. For instance, the Navy executes major system sale requirements through centralized

SYSCOM Security Cooperation Offices (SSCOS). These offices provide advocacy and oversight throughout the FMS case life cycle to the SYSCOM commander and the affiliated Program Executive Office. This may include assisting pre-LOR efforts and ensuring alignment of FMS efforts to GCC requirements. The actual case manager will normally reside in the Program Executive Office. For follow-on support requirements the case manager, referred to as an Integrated Country Program Manager (ICPM) and will be located in the U.S. Navy International Programs Directorate of the Navy Inventory Control Point (NAVICP-OF) in Philadelphia, Pennsylvania. The U.S. Army uses the term program manager which is defined as the Army Materiel Command (AMC) commander, or his designated representative, assigned total responsibility for complete management of an FMS case by Headquarters, AMC. The Army also uses the terms command case manager at the Major Subordinate Command Security Assistance directorate level and central case manager at the U.S. Army Security Assistance Command (USASAC) in New Cumberland, Pennsylvania, to identify personnel involved in FMS case management. The U.S. Air Force also uses different FMS case manager terminology such as: country director at Deputy Under Secretary of the Air Force for International Affairs (SAF/IA), command country manager at Air Force Security Assistance Center (AFSAC). and a Security Assistance Program Manager (SAPM) at an Air Logistics Center (ALC) or systems program office (SPO).

At the ILCO level, the following are representative of a case/country manager's duties:

- Maintain effective case management control of all FMS cases and programs for assigned countries through shipment and case/program line closure
- Coordinate and implement country program management directives for support requirements of an assigned country's programs
- Serve as the point of contact for matters relating to country programs, acting as the country's U.S. representative within the U.S. supply system, to insure responsive and timely service
- Audit FMS cases to insure that the materiel requirements of the LOA have been satisfied
- Resolve problems relative to materiel delivery services, special relationships between customer country armed forces, and U.S. requirements for transportation or documentation

In effect, case managers serve as the interface (or focal point) between the foreign country's requirements and the DOD acquisition, logistics, financial, and training systems. They are responsible for the overall logistics and financial management of FMS cases.

Total Package Approach

Successful program and case management and customer satisfaction are generally the result of careful up-front planning and foresight. The planning for a specific FMS weapon system sale is, in large part, a function of anticipating all the requirements for the initial weapons sale and the follow-on support requirements. These requirements should be comprehensively reviewed and, where applicable, incorporated into the FMS program sale to achieve what is termed the TPA. Planning for what should be included in a systems sale will of course vary according to type of weapon system. Attachment 5-2 is a compilation of common items on checklists used by the Army, Navy, and Air Force for an aircraft systems sale. This type of aircraft checklist can be used by the case manager to identify the myriad of items or services to be considered for a sale. A checklist can provide the case writer with the questions that need to be asked to ensure that all requirements have been planned for and incorporated into the proposed sale. Checklists provide an effective means for implementing the TPA, particularly since

the personnel involved in writing the case may not be technical or program management experts. Site survey is an essential element of TPA.

Site Surveys

The policy for types of security assistance survey teams, including site surveys, is contained in the SAMM, C1.3.4.2 and C1.F1. The LOA data checklist such as shown in Attachment 5-2 may provide the questions to be asked or identify items to be considered for a weapons sale. However, it may not be sufficient to anticipate all variables, and the answers to the LOA checklist questions still need to be developed. To accomplish these requirements and provide a comprehensive LOA, it may be necessary for the U.S. MILDEP to conduct a site survey.

Site surveys are associated with major weapon system sales and are conducted in country with MILDEP, purchaser, and contractor representatives (if appropriate). The purpose of the site survey is to assess the requirements for introducing a specific weapon system into a country. Thus, as the planning TPA checklist indicates, an assessment of facilities and required levels of maintenance and support capabilities will be reviewed. A program management plan for introducing the weapon system will also be developed. Normally, the best time to conduct a site survey is prior to the writing of the LOA. The site survey will allow for the most accurate assessment of delivery schedules and pricing data. Site surveys are funded by the FMS customer.

Military Department Security Assistance Computer Systems

Each of the military departments has its own dedicated FMS 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-IN. The MILDEPs use DSAMS to develop, write, and implement LOAs. The following are the current database systems used by the MILDEPs for FMS case execution management. These systems are often referred to as legacy systems and are scheduled to be replaced sometime after 2011 by a standardized database management system entitled the Security Cooperation Enterprise Solution (SCES). DSAMS is described in more detail in Appendix 2, “Security Assistance Automation,” of this textbook.

U.S. Army

- Centralized Integrated System for International Logistics (CISIL)
- Program, Budget, and Accounting System (PBAS)

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)

Since these systems are essential for monitoring the performance of the approximately 12,000 open FMS cases, their reports and case products are used extensively by case managers to manage their assigned cases.

Security Cooperation Information Portal

The Security Cooperation Information Portal (SCIP) is a web-based means by which the security cooperation community can access the data from many different security assistance data base systems including the legacy systems mentioned above. SCIP allows the international security cooperation community, including the FMS customer, access to a wide range of FMS logistical and financial case data. The SCIP is also discussed in Appendix 2, "Security Assistance Automation," of this textbook.

Foreign Military Sales Case Reviews

The FMS case review is a tool case managers and customers use to assess the overall program status relative to its objectives. Appropriate management actions can be exercised to correct discrepancies. The SAMM requires an annual case review by the case manager. Program management reviews (PMRs) are oriented to a specific weapon system sale and may include several FMS cases. Program reviews which usually involve face-to-face discussions with the customer identify problems as early as possible so that resolution can be accomplished before program milestones are impacted or compromised. Program reviews also provide USG and customer representatives with updates and exchanges of information. The frequency and the location of program management reviews should be indicated in the LOA notes. Case reviews have various names and can be attended by USG, purchaser, and contractor personnel, depending on program, case size, and complexity. Some of the MILDEP unique titles for these reviews are:

- Security assistance reviews (SARs)
- Security assistance management review (SAMRs)
- Program management reviews (PMRs)
- Country management reviews (CMRs)

The reviews can be major in scope looking at all cases related to a program sale in order to assess and adjust program requirements or program performance. Typically, case reviews or PMRs will assess the following topics:

- Major item contract status
- Major item delivery status
- Supply discrepancy report (SDR)
- Payment schedule adjustments
- Case financial status (commitments, obligations, and expenditures)
- Critical/urgent requirements and procedures
- Configuration issues
- Price increases
- Funding issues
- Transportation/shipping problems
- Training program
- Case closure
- Spares, supply, and shipment status

The SAMM, C6.5, provides more comprehensive information on FMS reviews.

Stages of the Foreign Military Sales Process: Reconciliation and Closure

As the delivery of articles and services listed on an LOA nears completion, the case manager should begin making preparations to reconcile and close the case. Case reconciliation should include the customer as a major participant. Reconciliation and closure mark the final stages of the FMS life cycle. They have historically also been the most difficult and contentious, so much so that DSCA has published a separate manual addressing reconciliation and closure procedures and requirements in detail. Refer to DOD 5105.65-M, *Foreign Military Sales Case Reconciliation and Closure Manual* (RCM), available on the DSCA web site at http://www.dsca.mil/publications.mil.

Although many USG agencies, as well as the customer, are all deeply involved in reconciling and closing a case, the responsibility for success at these stages falls ultimately on the shoulders of the case manager.

Reconciliation

The RCM, Section C1.3, defines reconciliation to 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

It is important to note that although this textbook discusses reconciliation as if it were one of the last things done with an FMS case, reconciliation should begin when an FMS case is implemented and should continue throughout the life of the case. A major case can generate thousands of requisitions and procurement actions. Closing out all transactions requires aggressive planning and continuous follow-up. At a minimum, per RCM, paragraph C1.5.2, case managers should reconcile all of their cases at least annually. Case managers who defer detailed reconciliation until the end of a case's period of performance are setting themselves up for failure. On the other hand, thorough and continuous reconciliation starting at implementation supports 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 their energies on executing and reconciling active cases. Additionally, closing cases promptly expedites the release of excess case funds back to the customer. An IA declares that a case is a candidate for closure when it is supply and services complete (SSC):

- All material has been delivered
- All services have been performed
- All supply discrepancy reports are resolved
- All warranty periods have elapsed
- The IA and customers logistical records have been reconciled
- All notes on the LOA have been satisfied
- The appropriate database systems are updated with SSC case status
- All other requirements of the LOA have been met

SAMM, Section C6.8.3, requires IAs to include a note in LOAs declaring an estimated closure date which depends on the procedures used to close the case.

The IA will provide DFAS-IN a certificate of case closure after the case becomes SSC. DFAS will then complete its closure/reconciliation process and ultimately provide the customer with a final bill. An FMS case is considered closed when DFAS-IN issues a final bill or a final statement of account (DD Form 645) to the customer.

Procedures for Case Closure

Cases can be closed under the accelerated case closure procedures (ACCP) or non-ACCP. Except for Foreign Military Finance Program (FMFP)-funded cases, customers may choose which program in which to participate. SAMM, Table C4.T2, and RCM, Table C3.T1, indicate which countries participate in ACCP. If a customer chooses ACCP, then all of the country's FMS cases will be closed under that program, including those implemented prior to the date the customer decided to participate in ACCP.

Non-ACCP is used for countries that have elected not to participate in ACCP. Under non-ACCP, cases may be closed only when all case requirements, i.e., obligations are completed and then final billed, and audited if necessary. Normally, the estimated closure date for a non-ACCP LOA is 36 months after the completion of the longest underlying contract. For major system sales, especially those with procurement contracts that also support U.S. forces and other FMS customers, these requirements can delay closure for several years after a case is SSC. If no contracts apply, then the estimated closure date is normally 36 months from the last scheduled delivery or service. Because non-ACCP is so cumbersome and takes so long, most countries elect to participate in ACCP.

ACCP applies to all countries using FMFP funds and any other countries that choose to participate. Since most countries participate in ACCP, it is now the standard for case closure. ACCP requires cases be closed within 24 months after the case is SSC.

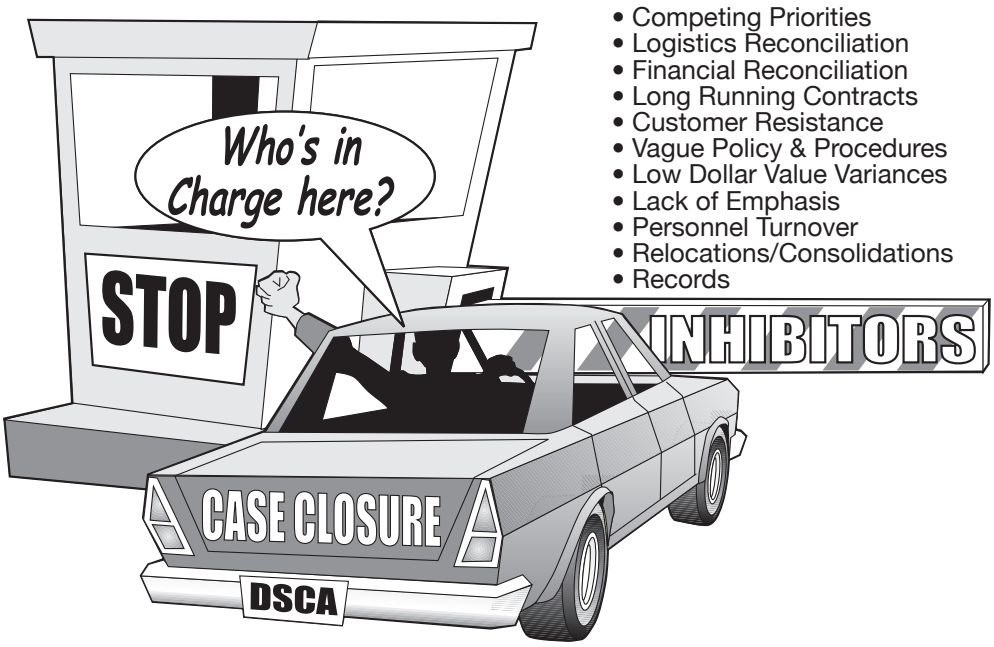
Historically, it was not uncommon for system sales cases to remain open for 3-5 years after becoming supply complete. Figure 5-6 illustrates many of the historical inhibitors to case closure.

ACCP procedures allow a case to be closed even if there are outstanding unliquidated obligations against on the case. A work request for services, a procurement contract, and an inventory requisition are examples of an obligation. Under non-ACCP, all case obligations must be supply and financially complete, i.e., finally disbursed or liquidated. ACCP allows the case manager to estimate the final case disbursements after the case has become supply complete. This estimated final disbursement is called the unliquidated obligation (ULO) value.

The ULO value, along with the delivered value of the case, is billed and collected from the FMS customer. The ULO collection is placed by DFAS-IN into a customer-owned, country level case closure suspense account (CCSA). At this point the case is considered "Interim Closed" in the IA FMS computer systems; however DFAS/IN will provide the customer a final bill (DD 645) indicating that the case is closed. Subsequent post-closure case disbursements for the unliquidated obligations will be processed against CCSA, thereby allowing cases closed by the accelerated process to remain closed.

Customers receive regular CCSA statements as part of their quarterly DD Form 645 *FMS Quarterly Billing Statement*. If the balance exceeds anticipated ULOs, the customer may receive a refund. However, if the CCSA balance is in arrears $100,000 or more for longer than six months, DFAS-IN may require payment of the entire balance owed.

Figure 5-6
Case Closure Inhibitors



Cases closed under the ACCP procedures outlined above are considered interim closed. Cases are not moved into final closed status until all outstanding obligations equal final disbursements. If there are excess ULO collections at final closure, the FMS customer may receive a reimbursement from the CCSA.

Processing Transactions Against Closed Cases

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, 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 customer participates in the ACCP, this newly discovered expenditure will be processed against the CCSA. If the customer is a non-ACCP participant, then the affected case must be reopened.

Reopening a case is undesirable for both the customer and the IA. For the customer, it may mean trying to justify a new expenditure for a case reported as delivered and complete years before. For the IA, a reopened case represents the use of already premium resources and perhaps an instance of inefficient management of the case closure process. At a minimum, reopened cases distract all concerned from the important business of processing, implementing, managing, reconciling, and closing currently active cases.

Summary

The process of FMS management follows a logical sequence of steps over a prescribed timeline. A purchaser initiates the FMS process by submitting an LOR through one of two basic channels. An FMS request initiated in country for significant military equipment is routed through the U.S. embassy or through the purchasing government's representative in the U.S. to the appropriate U.S. military department for action. Information copies routed through the U.S. embassy are sent to the appropriate

GCC, DSCA, and STATE/PM. FMS requests for articles other than SME are also sent directly to the cognizant IA with information copies to STATE/PM and DSCA.

Depending on the nature of the foreign government's requirements, a purchaser may request either P&A data or an LOA. P&A data is usually needed by the foreign government for ROM estimates on prices and delivery timeframes. Response times for military departments to provide P&A data is within 45 days after receipt of the request. For LOAs, it is 120 days for 80 percent of cases.

The LOA, also known as an FMS case, is the document that provides the legal authority for the DOD to provide defense articles and services to a customer country or international organization. The FMS case becomes implemented when the customer accepts the case and provides the required funding to DFAS-IN. The information in the accepted LOA, including associated amendments and modifications, provides the basis for the IA case manger 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 also reported to DFAS/IN. DFAS-IN then will provide a quarterly bill to the customer. When all the material has been delivered and the services completed, the case becomes SSC. Under ACCP the case should be closed and reported to the customer as closed within two years of becoming SCC. The case will remain in "Interim Closed" status until all the final expenditures have been processed. Eventually a case will move into "Final Closed" status.

Below is a partial list and description of the different categories of case status found in DSAMS and SCIP:

Case Status:

- Development - LOR Received and LOA being developed by the IA
- Proposed - DSCA reviews the IA LOA data, writes the LOA, and coordinates on State Department review
- Offered - LOA countersigned by DSCA, signed by MILDEP, and LOA sent to the customer for acceptance
- Accepted - Customer returned accepted LOA and initial deposit to the IA and DFAS
- Implemented - Obligational Authority issued, case is implemented and available for execution
- SSC-Implemented - MILDEP declares the case Supply Services Complete. No new requisitions allowed
- Interim Closed - Final expenditures estimated and collected (ULO). Case at DFAS. Final bill issued to customer
- Closed-Final - DFAS declares all final expenditures received

References

Department of Defense, DOD 5105.38-M, *Security Assistance Management Manual* (SAMM).

Department of Defense, DOD 5105.65-M, *Foreign Military Sales* (FMS) *Case Reconciliation and Closure Manual* (RCM).

Department of Defense, DOD 7000.14, *Financial Management Regulation* (FMR), *Volume 15*, "Security Assistance Policy and Procedures."

Attachment 5-1
Implementing Agency Organizations in Support of Foreign Military Sales

The DOD organizations that receive and process letters of request from foreign customers, write LOAs, and manage FMS cases are known as IAs. Although over 90 percent of open FMS cases are managed by the three MILDEPs (Army, Navy, and Air Force), a number of other agencies may also be tasked to act as IAs. Several other organizations have served as IAs in the past and may still have some older LOAs open. This attachment briefly discusses IA codes and then summarizes the way each of the MILDEPs is organized to support FMS. Additional information about specific MILDEPs and other IAs is available on the internet.

If a customer country wants defense articles or services through FMS, it may request an LOA from the USG. An LOR for an LOA is forwarded through the channels described earlier in this chapter. The LOR must ultimately find its way to the IA so that work on developing the LOA may begin. Figure 5-2 indicates that the LOR should be sent to the IA for action. Principal IA action addressees authorized to receive LORs are listed below. DOD 5105.38-M, *Security Assistance Management Manual* (SAMM), Table C5.T2, contains the complete list with addresses.

U.S. Army

U.S. Army Security Assistance Command (USASAC)
Huntsville, Alabama (Redstone Arsenal)

For training-only LORs:

Security Assistance Training Field Activity (SATFA-TRADOC)
Fort Monroe, Virginia

For construction-only LORs:

U.S. Army Corps of Engineers
Washington, D.C.

Information address for Army LORs:

Office of the Deputy Assistant Secretary of
the Army for Defense Exports and Cooperation
Arlington, Virginia

U.S. Navy

Navy International Programs Office (Navy IPO)
Washington, D.C.

The Navy International Programs Office also processes LORs
for the U.S. Marine Corps and U.S. Coast Guard

U.S Air Force

For communications, electronics, aircraft and missile systems (SME) LORs:

Deputy Under Secretary of the Air Force for International Affairs (SAF/IA)
Washington, D.C.

For follow-on support (except for training) LORs:

Air Force Security Assistance Center (AFSAC)
Wright-Patterson Air Force Base, Dayton Ohio

For training-only LORs:

Air Force Security Assistance Training (AFSAT) Squadron
Randolph Air Force Base, Texas

Defense Security Cooperation Agency

DSCA writes specialized FMS cases:

Defense Security Cooperation Agency-Case Writing (DSCA)
Arlington, Virginia

Defense Contract Management Agency

DCMA writes cases for Contract Administration Services (CAS) on direct commercial sales:

Defense Contract Management Agency (DCMA)
Alexandria, Virginia

Defense Reutilization and Marketing Service

DRMS is the Defense Logistics Agency office that writes cases for excess property:

Defense Reutilization and Marketing Service (DRMS)
Battle Creek, Michigan

Defense Logistics Information Service

DLIS is the Defense Logistics Agency office that writes cases for cataloging services:

Defense Logistics Information Service (DLIS)
Battle Creek, Michigan

Defense Information Systems Agency

DISA provides information systems and services:

Defense Information Systems Agency (DISA)
Arlington, Virginia

National Geospatial-Intelligence Agency

NGA writes cases for charts and maps:

National Geospatial-Intelligence Agency (NGA)
Bethesda, Maryland

National Security Agency

NSA writes cases for special communication systems:

National Security Agency (NSA)
Ft. George Meade, Maryland

Defense Threat Reduction Agency

DTRA writes cases for special weapons development and improvement services:

Defense Threat Reduction Agency (DTRA)
Fort Belvoir, Virginia

Letter of Request Information Addresses

An information copy of the LOR should be sent to DSCA, STATE/PM/RSAT, and to one of the following appropriate GCCs:

United States European Command (EUCOM)
Stuttgart, Germany

United States Pacific Command (PACOM)
Camp H. M. Smith, Hawaii

United States Southern Command (SOUTHCOM)
Miami, Florida

United States Central Command (CENTCOM)
MacDill Air Force Base, Florida

United States Northern Command (NORTHCOM)
Peterson Air Force Base, Colorado

Implementing Agency Codes

DSCA has assigned each IA a one-letter code that identifies it as the cognizant organization for a given FMS case. This code is recorded in the third position of the FMS case identifier. For example, a case managed by the U.S. Air Force (IA code D) on behalf of the Appendix 1, "Case Document Package," fictitious country of Bandaria might be BN-D-YCY, whereas a Bandarian case managed by the U.S. Army (IA code B) would be BN-B-YCY. Below is a list of active IA codes. Those marked with an asterisk are no longer used on new LOAs, but may still be found on older cases. See SAMM, Table C5.T2, for a current list of IAs currently authorized to receive LORs and prepare LOAs.

IA Code	Organization
B	Department of the Army
C	Defense Information Systems Agency (DISA)
D	Department of the Air Force
E*	U.S. Army Corps of Engineers (USACE; now included under IA code B with the rest of the U.S. Army)
F	Defense Contract Management Agency (DCMA)
L*	Defense Audiovisual Agency (DAVA)
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)
W*	Defense Advance Research Projects Agency (DARPA)
X*	Defense Finance and Accounting Service-Indianapolis Indiana (DFAS-IN)
Z	Defense Threat Reduction Agency (DTRA)

Military Departments

The three MILDEPs manage the vast majority of FMS 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:

- A dedicated FMS headquarters element located in the vicinity of Washington, D.C.
- An International Logistics Control Office (ILCO) that deals primarily with support equipment, spare parts, and repair services
- An FMS training activity, which manages both stand-alone schoolhouse training such as professional military education (PME) and training in support of system sales

Additionally, although each MILDEP uses its own legacy information management systems for some aspects of case management, all MILDEPs and other IAs use the DSAMS to task and prepare LOAs. Normally, the headquarters element is the point of entry for material LORs. It then uses DSAMS to designate a lead command for the preparation of the P&A or LOA. The lead command is responsible for obtaining data from other relevant organizations to prepare the P&A/LOA.

Read Chapter 3, "U.S. Government Organizations for Security Assistance," Chapter 10, "Logistics Support of International Military Sales," and Chapter 14, "International Training" of this textbook for more discussion of the overall MILDEP FMS organizational structure, ILCOs, and training activities. See Appendix 3 of this textbook and SAMM, Chapter 13, for a discussion of DSAMS and other security assistance information management systems.

United States Army

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 at Huntsville, Alabama (Redstone Arsenal), is the Army's executive agent for FMS. As such, it receives all Army LORs for material, which it then tasks out via DSAMS.

USASAC has a branch organization at New Cumberland, Pennsylvania, (USASAC-NC) that acts as the Army ILCO. Although USASAC-NC writes and manages cases for follow-on support, it cannot sign LOAs, unlike its Navy and Air Force counterparts.

The Security Assistance Training Field Activity (SATFA), located at Ft. Monroe, Virginia, is the Army organization that writes and manages training cases. Unlike the Navy and Air Force, the Army normally does not include training on materiel cases. Instead, SATFA will write a separate training LOA to support a material LOA. SATFA may receive taskings from USASAC-Huntsville or may receive LORs directly. SATFA may also sign training LOAs as the official U.S. Army representative.

Another U.S. Army organization connected to FMS training is the Security Assistance Training Management Office (SATMO) at Ft. Bragg, North Carolina. SATMO neither receives LORs nor writes LOAs. Instead, it is responsible for selecting, training, and supporting mobile training teams (MTTs) that deploy overseas to support security assistance training requirements. There is no comparable organization in the other two MILDEPs. SATMO works closely with SATFA and with SCOs.

The Headquarters, U.S. Army Corps of Engineers (USACE) in Washington, D.C., is the organization responsible for receiving LORs and for writing and managing FMS cases for Army design and construction services.

United States Navy

The Navy International Programs Office (Navy IPO) is the security assistance 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 assistance matters related to the U.S. Marine Corps and U.S. Coast Guard. Accordingly, Navy IPO is the action addressee/point for entry for all LORs related to U.S. maritime services.

The Navy Inventory Control Point for FMS (NAVICP-OF), located in Philadelphia, Pennsylvania, is the Navy ILCO. Navy IPO tasks NAVICP-OF to write cases for follow-on support, and although it

does not have the authority to receive LORs directly, NAVICP-OF does have the authority to sign such cases as the official Navy representative.

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 accept LORs directly. Instead, LORs for maritime training must go to Navy IPO who will in turn task them to NETSAFA via DSAMS.

Navy IPO, NAVICP-OF, and NETSAFA also work closely with counterpart offices in the U.S. Marines Corps and U.S. Coast Guard to access their resources to meet FMS requirements.

United States Air Force

The Office of the Deputy Undersecretary of the Air Force for International Affairs (SAF/IA) is the Air Force headquarters element for security assistance. SAF/IA receives LORs for major system sales and tasks them out via DSAMS.

The Air Force Security Assistance Center (AFSAC) at Wright-Patterson Air Force Base, Ohio, is the Air Force ILCO. However, not only can AFSAC receive LORs and write, sign, and manage cases for follow-on support, it may also receive taskings from SAF/IA to write cases for major system sales.

The Air Force Security Assistance Training Squadron (AFSAT) 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.

Attachment 5-2
Sample Letter of Offer and Acceptance and Total Package Approach Aircraft Checklist

Identification Requirements

Description
Nomenclature
Quantity
Delivery time frame

Initial Support Requirements

90 day/2 year test equipment
POL and fuel requirements
Weapons handling equipment
Power units

Operational Concepts

Mission profile
Primary/secondary
Hours Use
Number of Bases

Training Requirements

English language
Maintenance
Training aids/devices
Administration
Operational (flight, navigational)
Supply (inventory management)
CONUS vs. in-country

Configuration Management

Additions/deletions
Pre or post production

Services

Site Survey
Packaging requirements
Quality assurance
Technical assistance
Program management
Construction
Ferry service - transport equipment
Commercial vs. USG

Facilities

Requirements, airfields, storage, etc.
Construction services

Maintenance

In-country Maintenance Plan

Organizational

Intermediate
Depot
In-country manpower skill requirements

Staging

Where?
U.S. government or commercial?

Technical Information Requirements

Production and engineering data
Plans and drawings
Specifications
Changes and modifications
Performance and failure data
Computer software
Publications

Follow-on Support Requirements

Repair
Publication
Technical support/documentation
Services
Ammo
Fuel

Chapter 6

Foreign Military Sales Cases

Introduction

The foundation of any United States (U.S.) government-sponsored sale of defense articles or services is the letter of offer and acceptance (LOA). The LOA is a contractual sales agreement between the seller (the U.S. government (USG)) and the purchaser (a foreign government or international organization). The LOA is written by a U.S. military department (MILDEP) or other USG implementing agency (IA), based on applicable regulations and the specifications the purchaser has set forth in its letter of request (LOR). The LOA is commonly referred to as a foreign military sales (FMS) case. Each LOA has a unique case identifier (described later in this chapter), which enables both the USG and the foreign purchaser to refer to it without the possibility of confusion amidst the thousands of foreign military sales cases that are currently active.

Categories of Standard Foreign Military Sales Cases

The LOA is used to implement one of the following three types of FMS cases:

- Defined order
- Blanket order
- Cooperative logistics supply support arrangement (CLSSA)

While each MILDEP uses its own terminology to describe a given type of case, in accordance with the Department of Defense (DOD) 5105.38-M, *Security Assistance Management Manual* (SAMM), C5.4.3, all FMS cases, regardless of nomenclature, fall into one of the aforementioned categories.

Defined Order

A defined order case is one in which the defense articles, services, or training desired by the requesting country or international organization are specified/quantified in the LOR, and subsequently stated in the LOA. The defined order case is most commonly used for sale of major end items and significant military equipment (SME), both of which require trade security control throughout the sales process. Also included in a major end item sale (tanks, aircraft, etc.) is approximately two years of related initial support items. Cases of this type are commonly referred to as standard sales by the U.S. Army, defined line or push requisitioning by the U.S. Navy, and defined order by the U.S. Air Force. Attachment 6-1 is an example of a defined order FMS case.

A defined order case normally requires a complete LOA data study of separately deliverable line items in the case. This study gives the purchaser the best available estimate of item costs and delivery schedules within an allowable processing time frame. This data study also includes information on payment schedules, financial analysis for program milestones, and deliveries and payments made to contractors.

The types of defense articles, services, or training normally processed as defined order cases include:

- Significant military equipment (SME). This includes major end items and weapon systems (e.g., tanks, ships, airplanes, missiles, etc.), and any related requirements to activate and operate an item or system during an initial period of time.
- Explosives including munitions
- Classified
- Specific services i.e. transportation, aircraft ferrying
- Technical data packages (TDP)

Blanket Order Foreign Military Sales Case

A blanket order case is an agreement between a customer and the USG to purchase a specific category of items or services (including training) at a set dollar value ceiling with no definitive listing of the exact items or quantities desired. Customers may requisition against a blanket order case as long as the case has funds available. Cases of this nature are commonly called the following:

- Blanket open end by the U.S. Army
- Direct requisitioning procedures/open end requisitioning by the U.S. Navy
- Blanket order/annual requisitioning by the U.S. Air Force

Attachment 6-2 is an example of a blanket order case.

Blanket order cases are normally used to process the following items:

- Spares and repair parts are consumable or repairable items that become part of a higher assembly during use. Normally, a case in this category is opened to provide for follow-on support of a major item or weapon system following an initial support period. Initial or concurrent support is usually provided for in the system/package sale as a part of the total package approach. A blanket order case can be established for each major item or weapon system, or if offered by the IA, one case may be established for the support of multiple systems.
- Publications. To order, maintain, and support defense articles and services, the following publications may be ordered through a blanket order case: forms, catalogs, manuals, stock lists, technical orders, engineering drawing specifications, reports, books, and charts.
- Support equipment. These items are 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.
- Maintenance. Minor modifications/alterations performed at U.S. military installations. These involve changes to an existing configuration as authorized by the responsible MILDEP. The level of service authorized must be specified in the case.
- Repairables. These are any items of supply of a durable nature and design which, when unserviceable, normally can be economically restored to a serviceable condition through regular repair procedures. Repairables may be repaired at the request of the customer and with the approval of the appropriate military service. Examples are major components such as aircraft engines, communications equipment, radars, motor vehicle engines, and transmissions or secondary items such as generators.
- Technical Assistance Services. These are services in the form of technical advice or actions that require the assistance of a specialist. Technical assistance services include such processes as determining the economy and feasibility of repair, estimating the nature and level of repair to be accomplished, analyzing the feasibility of updating the configuration of items, determining the range and depth of spare parts

needed to sustain repair at various levels, establishing failure rates, and analyzing reported failure data to make adjustments. Other examples of such assistance are:

- Site/system survey teams
- Installation and operational readiness testing of major items
- Systems evaluation
- Study groups to develop such essentials as engineering requirement plans, system integration, and training programs
- Technical assistance teams

- Training. This includes formal (classroom) or informal (on-the-job) instruction of international military 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 Aid Devices. These are used principally to supplement training programs. Examples are:
  - Videotapes
  - Slides
  - Film
  - Microfiche
  - Transparencies
  - DVDs

Restrictions on Blanket Order Procedures

There are a number of instances where, according to regulation, blanket order case procedures do not apply. [SAMM, C5.4.3.2.2] These items must be ordered under a defined order case. Included in these restrictions, but not limited thereto, are:

- SME initial logistics support that is normally ordered for concurrent delivery
- Classified material
- Lumber and other commercial-type material
- Technical data packages
- Ozone depleting substances

Defined versus Blanket Order Procedures

There are instances wherein either the defined order or blanket order case may be used, depending on the specific IA and country involved. MILDEP policy, customer preference, minimum case values, 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.

An important feature of both defined order and blanket order cases is that their material requirements are normally filled from DOD stocks only if on-hand assets are above the control level. The only time that FMS requisitions will normally be filled below the control level is through a mature (programmed) CLSSA.

Cooperative Logistics Supply Support Arrangement

A CLSSA is a type of blanket order case designed to provide more responsive follow-on spare parts support for U.S.-produced military hardware possessed by foreign countries. IAs may offer a CLSSA to a customer on approval from the Defense Security Cooperation Agency (DSCA).

The advantage of a CLSSA for a customer is that it allows support for the purchaser's requisitions on an equal basis with U.S. units having the same Force Activity Designator (FAD), which relates to the mission of the activity. This arrangement requires that the customer pay an up-front amount to the MILDEP, which then uses those funds to augment U.S. defense stocks.

A CLSSA increases the chance of items being available for issue from DOD stock. For additional information on the CLSSA, refer to Chapter 10 of this text book, "Logistics Support of International Military Sales."

Case Identifier

Each FMS case will have a unique case identifier assigned on the first page of the LOA by the IA. The case identifier has three major components:

- Country Code. A two-position code representing the purchasing country or organization. A list of DOD country/activity codes is in SAMM, Table C4.T2.
- Implementing Agency (or service) Code. A single character alpha code which identifies the U.S. MILDEP or agency which has made the sale on behalf of the USG. The most common codes are B-Army, D-Air Force, and P-Navy. Refer to Chapter 5, "Foreign Military Sales Process," of this text or to SAMM Table C5.T2 for additional IA codes.
- Case Designator. A three-position alpha code assigned by the IA to identify a specific offer to a country. The first character of a case designator identifies the category item or service to be provided to the purchaser. The meaning of this first position code varies by service. See Attachment 6-4 for the different meanings. The second and third characters are assigned sequentially to distinguish among a country's separate cases for the same category of item or service.

SAMM Figure C5.F5 further discusses building case identifiers and designators.

The case identifier on the LOA in Attachment 6-2 is BN-B-BAB. The country code "BN" is for Bandaria, the purchasing country; the IA is "B" for the U.S. Army; and the first position of the case designator is "B," indicating that this is a blanket order case for spares. Finally, the "AB" in "BAB" indicates that this is the second case that the U.S. Army has implemented for Bandaria in the "B" (spares) category. The next case for Bandaria in this category would be "BAC," and so forth. The case identifier should be used on all documentation relating to its associated LOA. 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.

Pseudo Letter of Offer and Acceptance

Various authorities within U.S. law allow using U.S. appropriated funds (other than Foreign Military Finance (FMF) and International Military Education and Training (IMET) funds) to provide defense articles and services to friends and allies. Typically these are supplemental authorities (such as *National Defense Authorization Act* (NDAA) Section 1206) or supplemental appropriations that are used to provide equipment, supplies, and training to foreign military forces so that they may conduct joint operations with U.S. forces as well as counter-narcotics and counter-terrorist operations. Under these authorities, federal agencies or DOD components that conduct security cooperation programs

may (note that this is an option) order defense articles and services through DSCA, which acts as a servicing agency.

To start this process, DOD and other federal agencies will submit a letter of request to DSCA identifying the services and equipment to be provided and citing the legal authority for the program. DSCA will approve the use of the FMS infrastructure (to include the Security Cooperation Office (SCO), implementing agencies, Defense Finance and Accounting Service (DFAS), and existing security assistance automated systems) to execute the program. The IA (usually the U.S. Army) prepares the Pseudo LOA. The Pseudo LOA will itemize defense articles and/or services included in the request and will be used by the USG to track the case.

Each Pseudo LOA will be funded with a single source of appropriated funds; multiple funding sources for a single pseudo case cannot be used. Normally funds from one appropriation fiscal year or type cannot be merged with another appropriation fiscal year or other type of funds to fund requirements under a pseudo case.

Some of the operating guidelines for a Pseudo LOA are as follows:

- Pricing of articles and services for Pseudo LOAs is in accordance with DOD 7000.14-R and the *Foreign Assistance Act* (FAA).
- All Pseudo LOA documents require DSCA countersignature.
- The Pseudo LOA is NOT signed by the country or organization receiving the articles and/or services.
- Transportation is provided by the U.S. Government (USG). See Chapter 11 of this text book, "Foreign Military Sales Transportation Policy," for additional information on the transportation of articles provided under a pseudo case.
- Title transfers at point of delivery vice initial point of shipment.
- The purchasing agency is responsible for any congressional notifications, assuring that the party is authorized to take delivery of the articles or services, and for any subsequent requirements pertaining to use and accountability for the items after delivery.
- LOA standard terms and conditions DO NOT apply to Pseudo LOAs.
- The time period for the availability of financial authority will be noted in the Pseudo LOA.
- Pseudo cases are readily identified by the unique country code assigned by DSCA, historically beginning with "Y"_, "S"_, or "B"_. The case nickname field will clearly indicate the legal authority for the case, e.g., FAA Section 632(b), and that this is a "Non-FMS" case. The purchaser's reference field will cite the written request from the DOD or federal agency.
- DSCA will issue a policy memorandum to identify the funding authority, the unique country code, and specific Pseudo LOA preparation procedures. Review these policy memorandums on the DSCA web site to get a more thorough understanding of Pseudo LOAs.

An example of a Pseudo LOA is shown in Attachment 6-3.

Summary

The FMS case concept is crucial to the understanding and management of the overall FMS program. Standard FMS cases fall into one of three categories as defined by the SAMM: defined order, blanket order, and CLSSA. Pseudo LOAs allow some security cooperation programs to be implemented using the same FMS infrastructure.

Each FMS case has a unique identifier, composed of a country code, IA code, and a case designator series, which is used for all managerial tasks associated with the case, such as financial and logistics tracking.

References

U.S. Department of Defense. DOD 5105.38-M, *Security Assistance Management Manual* (SAMM), Chapter 5.

U.S. Department of the Air Force. Air Force Manual 16-101, *International Affairs and Security Assistance Management*.

U.S. Department of the Army. AR 12-1, Security Assistance, *International Logistics, Training, and Technical Assistance Support Policy and Responsibilities.*

U.S. Department of the Navy. Naval Supply (NAVSUP) Systems Command Publication 526, *Foreign Military Sales Customer Supply System Guide*.

Attachment 6-1
Sample Defined Order Case

United States of America
Letter of Offer and Acceptance (LOA)
BN-B-UDD

Based on Bandaria Letter, BN-A-0001, 15 April 2007

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to the Embassy of Bandaria, Office of the Ground Attaché, 1234 Massachusetts Av, NW, Washington, D.C. 29999, 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 twenty (20) M88A1 Recovery Vehicles with associated equipment, 2 years concurrent spare parts, and vehicle maintenance training.

Estimated Cost: $18,072,956 Initial Deposit: $1,544,934

Terms of Sale:

Cash Prior to Delivery
Dependable Undertaking

Congressional Notification: 07-26

This offer expires on 14 December 2007. 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 7.

The undersigned are authorized representatives of their Governments and hereby respectively furnish and acknowledge receipt of this Modification:

10 Sep 2007	10 Dec 2007
U.S. Signature Date	Purchaser Signature Date
Director, Regional Operations	
Typed Name and Title	Typed Name and Title
U.S. Army Security Assistance Command Ft. Belvoir, VA 22060	
Implementing Agency	Agency
DSCA Reviewed/Approved 13 Sep 2007	
DSCA Date	

Information to be provided by the Purchaser:

Mark For Code_(L)_, Freight Forwarder Code_(2)_, Purchaser Procuring Agency Code_B_, Name and Address of the Purchaser's Paying Office: Embassy of Bandaria, Office of the Ground Attaché, 1234 Massachusetts Av., NW, Washington, D.C. 29999.

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	(b) Total	(6) (5) SC/MOS/ TA	(7) Ofr Rel Cde	Del Trm Cde
001	D4A 2350001226826	(Y)(N)(R)	20 EA	$747,723.80	$14,954,476	P(24)	X	9
K	D4A 2350001226826	(VII)				TA5		
	RECOVERY VEHICLE MED M88A1P					SC		
	Recovery Vehicle, Full Tracked Diesel Engine (M88A1) with Installed Communications Equipment							
002	K8A 9K8A000CMBTSP	(N)(N)(R)	XX		$2,000,000	X(18-21)	A	5
A	COMBAT VEHICLE	(XXI)				TA4		
	SPARE PARTS FOR ITEMS PROGRAMMED UNDER GENERIC CODE D, ALSO INCLUDE CONVERSION KITS							
003	J8A 768ZBOOKSPUBS	(N)(N)(R)	XX	$175,000		S(12-15)	A	5
6	TECH BOOKS, PUBLICATIONS, SOFTWARE	(XXI)				TA3		
	Technical and Non-Technical Books and Publications - DA Publications							

Estimated Cost Summary:

(8)	Net Estimated Cost	$17,129,476
(9)	Packing, Crating, and Handling	$0
(10)	Administrative Charge	$428,237
(11)	Transportation	$515,243
(12)	Other	$0
(13)	Total Estimated Cost	$18,072,956

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

Estimated Payment Schedule

Payment Date	Quarterly	Cumulative
Initial Deposit	$1,544,934	$1,544,934
15 Jun 2008	$2,153,637	$3,698,571
15 Sep 2008	$3,333,005	$7,031,576
15 Dec 2008	$3,903,164	$10,934,740
15 Mar 2009	$4,584,635	$15,519,375
15 Jun 2009	$2,150,716	$17,670,091
15 Sep 2009	$402,865	$18,072,956

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: Defense Security Assistance Accounting, DFAS-IN/JAX, 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. Trerasury NYC, Agency Location Code: 00003801, Beneficiary: DFAS-IN/JAX Agency, showing "Payment from the Government of Bandaria for BN-B-UDD"; or a check for the initial deposit, made payable to the U.S. Treasury, mailed to DFAS-IN/JAX, P.O. Box 269490, Indianapolis, Indiana 46249, showing "Payment from the Government of Bandaria for BN-B-UDD". Wire transfer is preferred.

2. One signed copy should be returned to Department of the Army, Commander, U.S. Army Security Assistance Command, ATTN: AMSAC-MA-CP, 5701 21st Street, Bldg. 216, Fort Belvoir, Virginia 22060.

Attachment 6-2
Sample Blanket Order Case

United States of America
Letter of Offer and Acceptance (LOA)
BN-B-BAB

Based on Government of Bandaria Ref Ltr ABLM-45, 25 November 2006.

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to the Embassy of Bandaria, Office of the Ground Attaché, 1234 Massachusetts Av, NW, Washington, D.C. 29999, 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 spare parts for support of Bandaria Ground Communications, Radar Systems, and other U.S. origin communication equipment.

Estimated Cost: $383,110 Initial Deposit: $226,229

Terms of Sale:

Cash Prior to Delivery
Dependable Undertaking

This offer expires on 27 February 2007. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This Modification consists of page 1 through page 27

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this Modification:

	6 Dec 2006		24 Feb 2007
U.S. Signature	Date	Purchaser Signature	Date
Director, Regional Operations			
Typed Name and Title		Typed Name and Title	
US Army Security Assistance Command			
Ft. Belvoir, Va 22060			
Implementing Agency		Agency	
DSCA Reviewed/Approved	13 Dec 2006		
DSCA	Date		

Information to be provided by the Purchaser:

Mark For Code_(L)_, Freight Forwarder Code_(2)_, Purchaser Procuring Agency Code_B_, Name and Address of the Purchaser's Paying Office: Embassy of Bandaria, Office of the Ground Attaché, 1234 Massachusetts Av., NW, Washington, D.C. 29999.

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	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
001	H9A 580000C0MPART (N)(N)(R) COMM EQP SP PTS (XI) SUPP/SPT IN FSG 58 & 59 MAY INCL OTHER FSG WHEN SUPPLIED FOR COMMO EQP Unclassified communications equipment, spare parts, and electronic supplies to support standard ground communications and radar systems.	XX		$368,101	X(-) TA4	A	5
002	R6C SMALLCASESUPT (N)(N)(R) SMALL CASE SUPPORT (–) EXPENSES			$1,012	S(1) TA3		

Estimated Cost Summary:

(8)	Net Estimated Cost	$369,122
(9)	Packing, Crating, and Handling	$0
(10)	Administrative Charge	$13,988
(11)	Transportation	$0
(12)	Other	$0
(13)	Total Estimated Cost	$383,110

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

Estimated Payment Schedule

Payment Date	Quarterly	Cumulative
Initial Deposit	$226,229	$226,229
15 Jun 2007	$83,050	$309,279
15 Sep 2007	$55,367	$364,646
15 Dec 2007	$18,464	$383,110

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-IN/JAX, 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-IN/JAX Agency, showing "Payment from the Government of Bandaria for BN-B-BAB"; or a check for the initial deposit, made payable to the U.S. Treasury, mailed to DFAS-IN/JAX, P.O. Box 269490, Indianapolis, IN 46249, "Payment from the Government of Bandaria for BN-B-BAB". Wire transfer is preferred.

2. One signed copy should be returned to Department of the Army, Commander, U.S. Army Security Assistance Command, ATTN: AMSAC-MA-CP, 5701 21st Street, Bldg. 216, Fort Belvoir, Virginia 22060.

Note 1. REQUISITIONING (PURCHASER INITIATED).

The purchaser may not submit requisitions under this LOA for controlled items which contain Acquisition Advice Codes A or B. These items should be obtained through a defined order LOA. Items with Acquisition Advice Code C may be requisitioned but are service managed and if not authorized will be rejected with advice code "CQ".

Note 2. SUPPORT PRIORITY.

Materiel requested on priority designators 02 through 08 requisitions will be restricted to that amount necessary to satisfy immediate end-use installation requirements only. Quantities require to replenish stocks will be requisitioned under appropriate priority designators 09 through 15. The customer will ensure proper use of the force activity designator (FAD) as assigned by the U.S. Joint Chiefs of Staff. Proper utilization of urgency of need codes in conjunction with assigned FAD is essential for correct assignment of priority designators. In order to ensure effective and timely supply support, use of the correct priority is essential. Use of priority designator is being monitored and appropriate authorities are notified of any apparent misuse of the Uniform Materiel Movement and Issue Priority System (UMMIPS).

Note 3. ADMINISTRATIVE SURCHARGE.

An administrative surcharge of 3.8% has been applied to Line 001.

Attachment 6-3
Sample Pseudo Letter of Offer and Acceptance Case

United States of America
Letter of Offer and Acceptance (LOA)
B4-P-AZZ
Bandaria, PL 109-163, Sec. 1206 (Non-FMS)

Based on written request provided by the section 1206 of PL 109-163. Program Originator Department

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 laser designators, ground diesels, and GPS for use with SUPERHAWK Helicopters.

Estimated Cost: $1,384,181 Initial Deposit: $1,384,181

Terms of Sale:
Cash with Acceptance Public Law 109-163

This offer expires on 31 July 2006. 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 12.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

_____	6 Jul 2006	_____	11Jul 2006
U.S. Signature	Date	Purchaser Signature	Date

KATHY J. JONES
Acting Regional Director
Typed Name and Title

Section 1206, PL 109-163 (Non-FMS)
No Purchaser Signature Required
Typed Name and Title

U.S. Army Security Assistance Command
Alexandria, Va 22333-0001
Implementing Agency

_____
Agency

DSCA Reviewed/Approved 7 Jul 2006
DSCA Date

Information to be provided by the Purchaser:

Mark For Code_(0)__, Freight Forwarder Code_(W)__, Purchaser Procuring Agency Code_B_, Name and Address of the Purchaser's Paying Office:_____

_____

Customer reference continued: Defense to Defense Security Cooperation Agency, dated 08 May 2006. The legal authority is section 1206 of PL 109-163. See Note 5 for additional information.

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	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
001 A	A7A 4920000001A7A GRND HANDLING EQP Power Units, Ground Diesel (Note(s) 2)	(N)(N)(R) (VIII)	8 EA		$995,368	X(24) TA4	X	9
002 A	H6Z 589Z000THRC0M OTHER COM- ELECTRONIC EQUIPMENT GPS, Handheld and Laser Designators, Finger Type (Note(s) 1)	(N)(N)(R) (XI)	XX		$157,636	X (24) TA4	X	9

Estimated Cost Summary:

(8)	Net Estimated Cost	$1,153,004
(9)	Packing, Crating, and Handling	0
(10)	Administrative Charge	43,814
(11)	Transportation	187,363
(12)	Other	0
(13)	Total Estimated Cost	$1,384,181

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

ESTIMATED PAYMENT SCHEDULE

Payment Date	Quarterly	Cumulative
Initial Deposit	$1,384,181	$1,384,181

Signed Copy Distribution:

1. Upon acceptance, the Purchaser should return one signed copy of this LOA to Defense Finance and Accounting Service - IN, ATTN: DFAS-IN/JAX, 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-IN/JAX Agency, showing "Payment from Section 1206 (FY07) for B4-P-AZZ"; or a check for the initial deposit made payable to the U.S. Treasury, mailed to DFAS-IN/JAX, P.O. Box 269490, Indianapolis, IN 46249, showing "Payment from Section 1206 (FY07) for B4-P-AZZ". Wire transfer is preferred.

2. One signed copy should be returned to Department of the Navy, Navy International Programs Office, 2521 South Clark Street, Suite 800, Arlington VA 22202-3928.

Note 1. GPS HAND HOLD AND LASER DESIGNATOR, FINGER TYPE.

Line 001 provides for eight (8) Power Units, Ground Diesel. All equipment will be new and unused from procurement.

Note 2. GPS HAND HELD AND LASER DESIGNATOR, FINGER TYPE.

Line 002 provides for forty (40) GPS Hand Held receivers and one-hundred (100) laser designators, finger type. All equipment will be new and unused from procurement.

Note 3. AUTHORITY FOR SALE - SECTION 1206 OF PL 109-163 PROGRAMS.

This sale is made under the authority of section 1206 of PL 109-163. Any reference in this Letter of Offer and Acceptance to the United States Arms Export Control Act, to defense articles, and to defense services shall be construed instead to be a reference to section 1206 of PL 109-163. Any reference in this LOA to "purchaser" shall be construed as a reference to the Department of Defense.

Note 4. CASE CLOSURE - SECTION 1206 OF PL 109-163 PROGRAMS.

This case must be fully reconciled and closed by 30 September 2011.

Note 5. FUNDS, PURPOSE, AVAILABILITY AND AMOUNT - SECTION 1206 OF PL 109-163 PROGRAMS.

The funds financing this Pseudo Letter of Offer and Acceptance (LOA) are expiring funds and are subject to all the requirements and restrictions under the heading of section 1206 of PL 109-163. The funds provided are in support of authority to build the capacity of foreign military forces and carry the same time, purpose, and availability restrictions associated with the fund source 9760100, DOD Defense-Wide Operation and Maintenance.

a. Failure to obligate FY 2006 DOD Defense-Wide Operation and Maintenance funds during the period of availability ending on 30 September 2006 will render them unavailable for new obligations after that date.

b. FY 2006 DOD Defense-Wide Operation and Maintenance funds must be expended on or before 30 September 2011.

c. Total funds available for expenditure against this Pseudo LOA are limited to the value of $1,384,181.

d. Amendments or Modifications to this Pseudo LOA are only authorized with DSCA written approval.

Note 6. ANTI-TAMPER (AT) MEASURES.

The United States Government (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.

Note 7. MISSILE TECHNOLOGY CONTROL REGIME (MTCR).

Paragraph 2.3 of the Standard Terms and Conditions of this LOA discusses use and transfer restrictions on articles and services provided under this LOA and emphasizes that the Purchaser "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 customer agrees not to divert articles and services received under this LOA for purposes or uses other than those for which furnished to include, 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 AECA (22 U.S.C. 2797c). The items will be used only for the purpose 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 also reserves 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 MTCR equipment or technology that contributes to the acquisition, design, development or production of missiles in a country that is not an MTCR adherent."

Note 8. END-USE MONITORING.

Pursuant to the Foreign Assistance Act (FAA), Section 505; and the Arms Export Control Act (AECA), Section 40A, the USG will be permitted, at its discretion, to conduct an inspection and physical inventory of all articles and services transferred under this LOA. Upon request, the inventory and accountability records maintained by the Purchaser will be made available to the U.S. personnel conducting this inspection.

Note 9. ADMINISTRATIVE SURCHARGES.

An administrative surcharge of 3.8% has been applied to line(s) 001 and 002.

Attachment 6-4
First Position of Case Designator

U.S. Army (IA Code = B)		U.S. Navy (IA Code = P)		U.S. Air Force (IA Code - D)	
B	Repair parts	A	Ammunition and other explosives	A	Munitions (ammunitions, bombs, and rockets)
G	SELPO/communications security	B-C	Individual spares and components	C	CAD/PAD
H	Construction (Corps of Engineers)	G	Technical and engineering services	D	Communication equipment (i.e., C4) and facilities
I	EDA	H-J	Direct requisitioning procedures	E	Support equipment
J	SDAF (special defense acquisition fund)	K	FMSO (KA or KS-FMSO I and KB-KR or KT-KW-FMSO II)	G	Technical services
K	CLSSA			K	CLSSA
L	Leases	L	Major end items (components and equipment)	L	Defined order equipment
M	Medical (U.S. Army Medical Materiel Agency)	M	Repair and return	M	Repair and return
N	Coproduction	P	Cartridge actuated devices (CAD) Propellant actuated devices (PAD) Air crew escape propulsion systems (AEPS)	N	Special support
O	Training			O	INFOSEC/COMSEC
P	P&A	R	Open end requisitioning procedures	P	Publications
Q	Materiel/services (from U.S. activities) located in Europe)	S	Weapon system sale (ship or aircraft)	Q	Specialized follow-on sustainment support
S	Materiel/services (from U.S. Army Security Assistance Agency-Latin America	T	Training	R	Blanket Orders Spares
				S	Major aircraft system sale
T	Publications	Z	Leases	T	Training
U-Z	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.)			U	PSEUDO or SCP
				V	Major/minor modifications
				X	Reserved for DFAS-IN
				Y	Major missile system sale
				Z	Leases under AECA (not an FMS case)

Chapter

7 Technology Transfer, Export Controls and International Programs Security

Introduction

Security assistance (SA) is a group of programs, authorized by law, that allow the transfer of military articles and services to friendly foreign governments via sales, grants, leases, or loans. These are authorized under the premise that they are essential to the security and economic well-being of allies and international organizations, and are equally vital to the security and economic well-being of the United States (U.S.). This chapter focuses on the technology and related sensitive or classified information embedded in the articles and services transferred under SA programs. This chapter will also address the broad spectrum of international programs security requirements.

The global war on terrorism is on the forefront of our national security and the protection of critical military technology and information is crucial. There is general agreement now that a broader approach to security is needed, embracing political, economic, social, ecological, and other factors.

As domestic and world markets for military equipment continue to shrink, competition based on leading edge technology has caused a significant increase in economic espionage vice military espionage for U.S. technology. Although economic security has become an important part of American foreign policy, military strength will remain an essential instrument of foreign policy. It is Department of Defense (DOD) policy to treat defense related technology as a valuable and limited national security resource. Which technologies should be controlled and to what extent? First we must understand that the U.S. policy on international trade consists of two seemingly conflicting elements:

- Free trade - the importance of international trade to a strong U.S. defense industrial base
- National security - the need to restrict the export of technology, goods, services, and munitions that would otherwise contribute to the military strength of target countries that affect U.S. national security

Keeping in mind the balance between free trade and national security, it is the responsibility of those who control access to technology to understand the laws, regulations and directives that guide its transfer. Traditional SA programs are mechanisms through which technology transfer may occur. International armaments cooperation programs with allies and friends are another means of transferring technology, especially through co-development, co-production, and commercially licensed production programs.

Once technology transfer is discussed and the methods used to transfer and control that export are covered, one still needs to know how to transfer technology by approved and secured means. Controlling the level of technology transferred to U.S. allies and friends is a subset of the concept of international programs security (IPS). We start with a definition of an international program and the security of the program.

- An international program is a lawful and authorized government or commercial effort in which there is a contributing or receiving foreign participant and information or technology is transferred from one country to another
- International programs security is the total effort that safeguards information and technology identified as requiring control that is generated by, provided to, or transferred in international programs

This chapter will discuss nine main topics concerning technology transfer and export control policy and international programs security requirements (IPSR):

- The concept of technology transfer and export controls
- Controlled Unclassified Information (CUI)
- *Foreign Disclosure and the National Disclosure Policy* (NDP) (for classified information)
- Export approval and license process
- International visits and assignments
- International transfers
- The role of Defense Security Service (DSS) in international programs
- Foreign government and the North Atlantic Treaty Organization (NATO) information
- Committee on Foreign Investment in the U.S. (CFIUS) and foreign ownership, control or influence (FOCI)

The Concept of Technology Transfer and Export Controls

Technology transfer is the process of transferring, from an industry in one country to another or between governments themselves, technical information relating to the design, engineering, manufacture, production, and use of goods. To comply with U.S. policy, technology transfer is regulated by a myriad of U.S. government (USG) agencies, and is ultimately controlled through a government-to-government agreement that can take the form of a memorandum of understanding (MOU), general security agreement, letter of offer and acceptance (LOA), export license, or other form agreed to by both governments. The *Security Assistance Management Manual* (SAMM), C3, "Technology Transfer and Disclosure," is a key reference when working with SA that deals with technology transfer. It must be noted that the transfer policies addressed in this chapter are concerned with those that relate to critical military technologies.

The policy and controls discussed herein do not normally apply to common or "public domain" reference material such as military standards, specifications, handbooks, or commercial counterparts to these documents. U.S. industry representatives can determine if their materiel is within public domain by submitting documents to the Office of the Assistant Secretary of Defense for Public Affairs, Director for Freedom of Information and Security Review .

Department of Defense Policy on Technology Transfer

The primary policy governing the process of technology transfer is contained in DODI 2040.02, *International Transfers of Technology, Goods, Services, and Munitions*. This directive institutionalizes technology security responsibilities within DOD. The directive establishes working relationships among the Joint Staff, the services, and the defense agencies. Selected U.S. technology laws and other appropriate DOD and military services directives are listed in Attachment 7-2 to this chapter.

DODI 2040.02 states:

- Dual-use and defense-related technology shall be treated as valuable national security resources, to be protected and transferred only in pursuit of national security and foreign policy objectives. Those objectives include ensuring that:
  - Critical U.S. military technological advantages are preserved
  - Transfers which could prove detrimental to U.S. security interests are controlled and limited
  - Proliferation of weapons of mass destruction and their means of delivery are prevented
  - Diversion of defense-related goods to terrorists is prevented
- The sharing of defense technology, properly controlled, is a valuable way to ensure our allies participate with the U.S. in future military operations. In applying export control and technology security policies, due recognition will be given to the importance of interoperability with allies and coalition partners and to direct and indirect impacts on the defense industrial base in accordance with Reference (g). Consistent with this policy, and in recognition of the importance of international trade and scientific and technological cooperation, the DOD shall apply export control and other technology security policies and procedures in a way that balances economic and scientific interests with those of national security.

Before we can understand how to control the transfer of technology we must define defense articles. Per the *International Traffic in Arms Regulations* (ITAR), Part 120.6, "Defense article means any item or technical data designated in Part 121.1 of this subchapter." Part 121.1 of the ITAR is the *U.S. Munitions List* (USML). The USML documents articles that have a primarily military utility. So the USML has the "items", but what is "technical data?" Again, per the ITAR, Section 120.10:

> Technical Data means, for purposes of this subchapter: (1) Information, other than software as defined in Section 120.10(a)(4), which is required for the design, development, production, manufacture, assembly, operation, repair, testing, maintenance or modification of defense articles. This includes information in the form of blueprints, drawings, photographs, plans, instructions or documentation. (2) Classified information relating to defense articles and defense services . . .

The ITAR goes on to state:

> (5) This definition does not include information concerning general scientific, mathematical or engineering principles commonly taught in schools, colleges and universities or information in the public domain . . .

Technology Transfer Mechanisms

Within the context of SA, foreign military sales (FMS) and direct commercial sales (DCS) are normally thought of as the primary means by which technology, goods, services and munitions are transferred; however, as the following list (which is not all inclusive) illustrates, there are many different means for effecting transfers:

- Commercial and government sales
- Scientist, engineer, student, and academic exchanges
- Licensing and other data exchange agreements

- Co-development and co-production agreements
- Commercial proposals and associated business visitors
- Trade fairs, exhibits, and air shows
- Sales to third-party nations
- Multinational corporation transfers
- International programs (such as fusion, space, and high energy)
- International meetings and symposia on advanced technology
- Patents
- Clandestine or illegal acquisition of military or dual-use technology or equipment
- Dissemination of technical reports and technical data, whether published or by oral or visual release
- Dissemination of technical reports under DODD 5400.7, *DOD Freedom of Information Act Program*
- Dummy corporations
- Acquiring an interest in U.S. industry, business, and other organizations

The Basics of International Programs Security

To protect technology that is being transferred, one must understand the legal and national policy basis for DOD's international programs and the principal security considerations prior to pursuing an international program. The three primary documents that form the framework for NDP are the *Arms Export Control Act* (AECA), Executive Order (E.O.) 12958, as amended 25 March 2003, and the *National Security Decision Memorandum* (NSDM) 119. Each of these will be covered in more detail below. The final topic will be a discussion of the government-to-government principle. Information for the remainder of this section comes primarily from the *International Programs Security Handbook* authorized by the Office of the Deputy Under Secretary of Defense (ODUSD) (Technology Security Policy and National Disclosure Policy), February 1995 (Revised January 1, 2006). An electronic version of the Handbook can be found at the link in the list of references to this chapter.

Access and Protection

The conditions and criteria established by the basic laws and policies require that two fundamental decisions be addressed prior to sharing U.S. defense articles with another country or international organization: whether their access is in the best interest of the U.S. and whether the articles or information will be afforded the proper protection by the recipient.

Legal and Policy Basis for Program Security

The three principal documents that provide the legal and national policy basis for security in most DOD international programs include the AECA, E.O. 12958, and NSDM 119.

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 on the internet. (See this chapter's references for link.) The AECA forms the legal basis for the security requirements of 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 the proposed recipient foreign country or international organization has agreed to certain security conditions regarding the protection of the articles or information. The three security-related conditions that must be satisfied to provide export controlled defense articles and information to a foreign country or international organization are:

- 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
- 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
- The recipient country or organization agrees to maintain security and provide substantially the same degree of security as the USG

Executive Order 12958, as amended 25 March 2003, establishes the executive branch's classified National Security Information Program. Section 4 of this order states that access 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. It also provides for the protection of foreign government information. The executive order is implemented by Office of Management and Budget (OMB) Directive Number 1, Title 32 of the *Code of Federal Regulations* (CFR), Part 20001, and the Presidential Directive on safeguarding classified national security information and within DOD by DOD 5200.1-R.

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 the E.O. 12958 and emphasizes that classified military information is a national asset and the USG will not share it with a foreign government or international organization (i.e., permit access) unless its 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.

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 material.

- In keeping with the AECA, E.O. 12958, and NSDM 119, the decision to be made is whether the USG will release classified information to another government or international organization
- 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

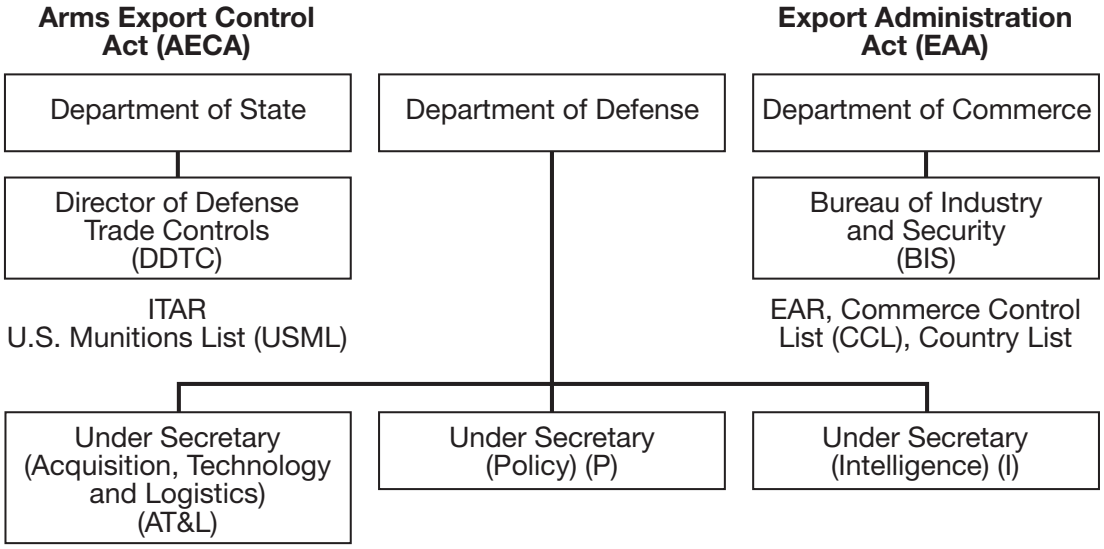
Transfer via government channels is necessary so that government accountability and control can be maintained from the point-of-origin to the ultimate destination when custody is officially

transferred to the recipient government (which assumes responsibility for the protection of the article or information). Transfers normally occur between designated government representatives (DGRs). A security assurance must be obtained prior to transferring classified material to a representative of a foreign government or international organization and a receipt must be obtained for classified information in material form.

Key Department of Defense Security Organizations

Figure 7-1 provides an overview of the key players within the executive branch for technology transfer and international programs security. The Under Secretary of Defense for Policy [USD (P)] is responsible for international security matters. The Deputy Under Secretary of Defense for Technology Security Policy and National Disclosure Policy [DUSD (TSP&NDP)] is responsible for day-to-day decisions on NDP. More specifically, the office is responsible for the security policy for international programs. This responsibility includes security policy and arrangements for international programs, international security agreements, the NDP, and NATO security policy. When the DOS or the Department of Commerce (DOC) requires DOD input to decide if a license for export should or should not be approved, the request goes to Defense Technology Security Administration (DTSA). DTSA's responsibilities will be covered in further detail under the topic of "exports" later in this chapter.

Figure 7-1
Key Players in Technology Transfer and International Programs Security



The Under Secretary of Defense for Intelligence (USD [I]) is responsible for DOD counterintelligence, security, intelligence programs, staff supervision of the Defense Security Service (DSS), and for publication of the *National Industrial Security Program Operating Manual* (NISPOM). All of these responsibilities, including security support for program protection planning, have applications to DOD acquisition programs. With the DSS field offices, USD(I) ensures that companies that manufacture military items adhere to the same laws and regulations concerning technology transfer as do individuals working for the USG.

The Under Secretary of Defense for Acquisition, Technology and Logistics [USD (AT&L)] is responsible for Defense Procurement and International Armaments Cooperation Programs (IACP). These functions are performed by the Director, Defense Procurement and the Director, International Cooperation. The Defense Contract Management Agency (DCMA) also reports to USD (AT&L). In

addition to its normal management of DOD contracts, DCMA provides industrial security support at those defense contractor facilities where a DSS representative is not available.

The Joint Staff provides support that includes conducting operational and military mission impact assessments on technology, goods, services, and munitions transfer issues, as requested.

The Defense Intelligence Agency (DIA) performs the following functions in the support of U.S. defense technology security:

- Provides assessments of the types and numbers of illegal transfers of technology, goods, services, and munitions, and the associated transfer mechanisms.
- Designates a point of contact to represent DIA on technology transfer matters.
- Conducts end user checks and intelligence review on technology, goods, services, and munitions transfer cases.
- Assesses foreign availability of technology, goods, services, and munitions proposed for transfer.
- Provides intelligence concerning the total effect of transfers of technology, goods, services, and munitions on U.S. security.
- Provides intelligence expertise in interagency, national, and international fora on technology, goods, services, and munitions transfer matters.
- Assists in identifying and assessing critical technologies.

The DOD export control responsibilities and participating organizations are further depicted in Table 7-1.

Table 7-1
Department of Defense Organizational Export Control Responsibilities

Organization	Responsibility
USD (AT&L)	Technical oversight for national security and nonproliferation
	Vice Chairman International Technology Transfer
	Coordinating Committee (ITTCC)
	National Economic Council representative
	Economic security balance
USD (P)	Policy overlay
Joint Staff	Strategic rationale and validation
Intelligence community	Threat assessments of foreign nations
Military departments	Provide experts from defense labs and commands
Institute for Defense Analysis	Federally-funded R&D center providing USD (AT&L) with technical support and economic security assessments
Industry and academia	Participate in technical working groups and multilateral negotiation

Exports through the Department of Commerce

Under the *Export Administration Act of 1979* (EAA), the DOC has licensing jurisdiction over all commodities and unclassified technical data except for certain specified items handled by other government agencies, such as USML items by the DOS, or atomic energy material by the U.S. Department of Energy. The EAA applies to the following:

- Exports of commodities and technical data from the U.S.
- Re-exports of U.S.-origin commodities and technical data from foreign destinations
- U.S.-origin parts and components used in a foreign country to manufacture a foreign end product for export and in some instances, a foreign product produced as a direct product of U.S.-origin technical data

The *Export Administration Regulations* (EAR) (15 CFR Parts 368 through 399) issued by the DOC, Bureau of Industry and Security (BIS), prescribe licensing procedures for items under its jurisdiction. Controls on the issue of export licenses are based on considerations of national security, the fostering of U.S. policy and international responsibilities, the necessity for protecting the domestic economy from an excessive drain of scarce materials, and the reduction of the serious inflationary impact of abnormal foreign demand. The DOC and BIS home page is at http://www.bis.doc.gov.

Items controlled by the DOC for export are listed on the *Commerce Control List* (CCL). The list is very detailed and lists items that may be exported to a certain country.

Dual-use items are items that were designed with no intrinsic military function but which may have a potential military application (i.e., computers, jeeps, trucks, light aircraft, and global positioning systems). The DOC is charged with coordinating requests for such items that fall into this category of dual-use. However, once a dual-use item is modified for specific military use, the DOS, DOD, and DOC resolve the commodity jurisdiction of the article, and the DOS notifies DOD and DOC that the article falls under the DOS control and is listed on the USML.

Exports through the Department of State

Section 38, AECA, authorizes the President to control the import and export of defense articles and services, to designate such items as constituting the USML, and promulgate implementing regulations. By E.O. 11958, the President has delegated his responsibilities to the Secretary of State, except that the designation of items as defense articles and services for export control requires the concurrence of the Secretary of Defense. Those responsibilities related to the control or regulation of imports of defense articles and defense services are delegated to the Department of Justice, Bureau of Alcohol, Tobacco, Firearms, and Explosives except that designation of items as defense articles and services for import control require concurrence of the Secretaries of State and Defense.

The ITAR, 22 CFR Parts 120-130, implements the AECA statutory authority to control the export and import of defense articles and services. By virtue of delegations of authority by the secretary of state, these regulations are primarily administered by the Directorate of Defense Trade Controls (DDTC), Bureau of Political-Military Affairs, DOS.

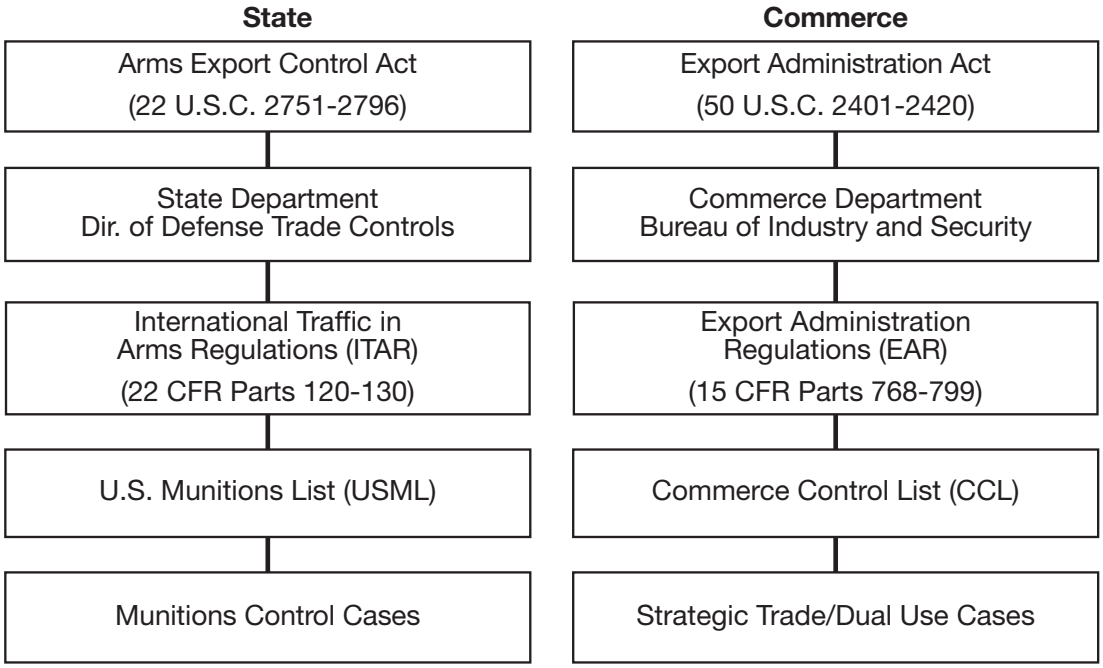
DDTC is responsible for issuing export licenses for those items on the USML. The USML can be found in Section 121.1 of the ITAR and is also discussed in SAMM, C4.3. While not a list of specific items (e.g., M-16, M-1A1, F-4, etc.), the USML generically designates articles, services, and related technical data as defense articles and defense services in accordance with Section 38, AECA. Those defense articles preceded by an asterisk (*) on the USML are designated significant military

equipment (SME) that Section 120.7 of the ITAR defines as, "articles for which special export controls are warranted because of their capacity for substantial military utility or capability." Any classified article or information is always considered SME.

The DDTC processed approximately 83,000 defense-related license requests in FY 2008 from U.S. contractors. Approximately 20 percent of these are forwarded to DTSA and the military departments (MILDEPs) for further review. The DOS regulates permanent exports, temporary exports, and temporary imports of defense articles into the U.S., and the Department of Justice regulates permanent imports of defense articles (22 CFR Parts 47, 178, and 179).

Figure 7-2 provides a comparative review of the legislative and regulatory authorities for the DOS and DOC in regulating exports.

Figure 7-2
Comparing Department of State and Department of Commerce



Controlled Unclassified Information

Controlled unclassified information (CUI) is a DOD term used to describe collectively all unclassified information to which access or distribution limitations have been applied in accordance with applicable national laws or regulations. For the U.S., CUI is official government information that is unclassified, but that has been determined by designated officials to be exempt from public disclosure under the *Freedom of Information Act* (FOIA), which 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. There is no executive order to implement FOIA. Government agencies apply their own unique markings to identify the information. Consequently DOD has several policy directives covering the disclosure of official information.

- DODD 5230.09 contains policies and procedures for the release of information for publication or public release.

- DODI 5200.21, DODD 5230.24, and DODD 5230.25 govern the release of DOD technical information.
- DOD 5400.7-R contains the DOD policies and procedures governing FOIA requests. Official information that meets the standards for security classification is classified and protected in compliance with E.O. 12958 and DOD 5200.1-R.
- DODD 5230.25, *Withholding of Unclassified Technical Data from Public Disclosure*, provides procedures for the dissemination and withholding of unclassified technical data.

On 9 May 2008, President Bush signed a *Memorandum For The Heads Of Executive Departments And Agencies* on the subject of "Designation and Sharing of Controlled Unclassified Information (CUI)." The memorandum states the following:

> . . . adopts, defines, and institutes "Controlled Unclassified Information" (CUI) as the single, categorical designation henceforth throughout the executive branch for all information within the scope of that definition, which includes most information heretofore referred to as "Sensitive But Unclassified" (SBU) in the Information Sharing Environment (ISE), and establishes a corresponding new CUI Framework for designating, marking, safeguarding, and disseminating information designated as CUI.

Implementation of these new procedures is scheduled to take up to five years.

On 27 May 2009, President Obama signed a *Memorandum For The Heads Of Executive Departments And Agencies* with a subject of "Classified Information and Controlled Unclassified Information." In it, President Obama states:

> [M]y Administration is committed to operating with an unprecedented level of openness. While the Government must be able to prevent the public disclosure of information where such disclosure would compromise the privacy of American citizens, national security, or other legitimate interests, a democratic government accountable to the people must be as transparent as possible and must not withhold information for self-serving reasons or simply to avoid embarrassment.

This initiative may result in major changes as to how this information is handled and disseminated. It will take years to implement all the changes, but U.S. officials dealing with foreign counterparts must be aware of the evolution of these policy changes.

Freedom of Information Act

Congress has stated the U.S. public generally has the right to know what its government is doing. FOIA requires government information to be made available to the public unless the information falls within one of nine exemption categories described and the appropriate USG official determines it should be withheld from disclosure.

- Exemption 1 is classified information. The FOIA permits the withholding of any information properly and lawfully classified under the provisions of E.O. 12958. The other eight exemption categories deal with unclassified but generally sensitive information.
- Exemption 2 permits the withholding of information which 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 accor-

dance 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 which 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 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. Moreover, 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 C3.4, "Release of Information."

Foreign Disclosure and the National Disclosure Policy

The NDP was established as framework for the approval or denial of the transfer of CMI to foreign governments and international organizations. CMI is defined as classified information that has been developed by or for the DOD, or is under the DOD's jurisdiction or control. Basic authority and policy for transferring classified information 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.

Effective implementation of NDP-1 is the responsibility of the Under Secretary of Defense for Policy [USD (P)]. Disclosure officials are authorized (but not automatically obliged) to disclose information up to the classification levels indicated in the NDP annex for each category of information. And most importantly, each disclosure decision is made on a case-by-case basis.

National Disclosure Policy Committee/Exceptions to National Disclosure Policy

The NSDM 119 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:

- Secretary of State
- Secretary of Defense (Chairman)
- Secretary of the Army
- Secretary of the Navy
- Secretary of the Air Force
- Chairman, Joint 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 organizations such as the Central Intelligence Agency (CIA), the Department of Energy, and many others may vote on issues in which they have a direct interest. See Attachment 7-3 for a list of all the members of the NDPC. When an exception to NDP (E-NDP) is required, because disclosure criteria cannot be met within the existing authorized classification level, such exceptions can be granted only by the NDPC, the Secretary of Defense, or the Deputy Secretary of Defense. A request for an E-NDP must be sponsored by a NDPC member, normally the cognizant MILDEP for the classified information proposed for transfer. For military weapon systems, this is normally the MILDEP which has developed and produced the system.

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 military departments have generally been delegated authority by the NDP-1 to decide if CMI under their control can be released. The policy and guidance for implementing NDP-1 is contained in the DODD 5230.11, *Disclosure of Classified Military Information to Foreign Governments and International Organizations*. 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:

- Disclosure is consistent with U.S. foreign policy and national security objectives, e.g., in support of defense objectives
- Disclosures, if compromised, will not constitute an unreasonable risk to the U.S. position in military technology or operational capabilities
- 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 a general security of military information agreement (GSOMIA) or other similar international agreement
- Disclosure will result in benefits to the U.S. at least equivalent to the value of the information disclosed
- The disclosure is limited to information necessary to accomplish the purpose for which disclosure is made

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 E-NDP must be approved by the NDPC. 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 classified military information 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 which 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. Under DOD Directive 5230.11, the Secretary of Defense has delegated disclosure authority to the secretaries of the MILDEPs and other DOD officials whose decisions must be in compliance with NDP-1. They are required to appoint a principal disclosure authority at component headquarters level to oversee the disclosure process and a designated disclosure authority at subordinate command and agency is delegated. SAMM, Section C3.3, "Disclosure of Classified Military Information," provides additional information on the national disclosure process as it relates to SA.

Security Surveys

In addition to making determinations on the release of CMI, the NDPC also conducts security surveys (also called security visits) of partner nations. NDPC teams conduct periodic visits to dozens of foreign governments and their national industrial bases to assess their 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, 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 E-NDP process.

International Security Agreements

Before classified information is released outside the executive branch of the USG, E.O. 12958 requires that written assurances must be obtained that the information will be afforded proper protection. In situations where classified information is being made available to foreign governments, these assurances may be secured in several ways. First, they are included in the standard terms and conditions of FMS LOA, Section 2, "Conditions - General Purchaser Agreements." See later Chapter 8, "Foreign Military Sales Contractual Agreements," of this textbook for further information. They may also be the subject of diplomatic notes, memoranda of understanding and similar correspondence. Separate international agreements known as GSOMIA have been concluded with over sixty countries. Since these are reciprocal agreements, the other governments may also send teams to the U.S. to ensure our compliance with the agreements. 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 9, "Foreign Military Sales Acquisition Policy and Process" of this textbook contains additional information.

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 sensitive classified information for its operation or maintenance, or for the foreign recipient to receive training on it. Therefore, the 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 acquired. 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 material.

Export Approval and License Process

Before discussing the approval and license process for the authorized export of a military article or service we first must define the term 'export.' To paraphrase the ITAR Section 120.17 an export is sending or taking defense articles out of the U.S. in any way. That includes transferring registration, ownership, or control of an item on the USML to a foreign person. It also includes disclosing orally or visually any defense article to a foreign person in the U.S. or abroad. That means if you discuss U.S. military technology anywhere with a foreign person that does not have a need to know the information and you do not have a license to do so, this is an illegal transfer. Part 127 of the ITAR covers violations and penalties of unlawful export, reexport or retransfer or attempt to retransfer of any defense article or technical data for which a license or written approval is required from the DOS.

Licenses for the Export of Defense Articles

Parts 123 and 125 of the ITAR provides for the licensing requirements for the export or temporary import of defense articles into or out of the U.S. Any person who intends to export or to import temporarily a defense article must obtain the approval of the State Department's Directorate of Defense Trade Controls (PM/DDTC) prior to the action unless there is a regulatory exemption.

Section 123.10 provides for the form DSP-83 to certify the non-transfer and use assurance certificate required for the export of SME, classified articles, and technical data. A license will not be issued until a completed Form DSP-83 has been received by DDTC. The form is to be executed by the foreign consignee, the foreign end-user, and the applicant. Application for export license for the

export or import of classified defense articles and services must be made on DOS form DSP-85. [see SAMM, Figure C3.F3] Application must be made by a U.S. national in accordance with the provisions of Sections 125.3, 125.7, and 125.9 of the ITAR.

Table 7-2 provides a guide as to which form is required for the export of munitions list items through either FMS or direct commercial sale. The acronym DSP stands for Department of State publication. DSP's 5, 61, 73, and 85, when approved, constitutes a license.

Table 7-2
Forms to be Used for Export of Munitions List Items

Activity	Foreign Military Sales	Commercial Sales
Registration statement	N/A for gov't shipment	DS-2032
Permanent export of unclassified defense articles and related unclassified technical data	LOA and DSP-94	DSP-5
Permanent/temporary export or temporary import of classified defense articles and related classified technical data	DSP-85 and DSP-94	DSP-85 (with DSP-83)
Temporary export of unclassified defense articles	DSP-73	DSP-73
Temporary import of unclassified defense articles	DSP-61	DSP-61
Non-transfer and use assurances for export of defense articles and services	N/A (Already included in LOA)	DSP-83
Shipper's export declaration	Department of Commerce Form 7525-V	Department of Commerce Form 7525-V

Export License Applications Staffing within Department of Defense

As stated earlier in this chapter when covering government organizations, the License Directorate of DTSA is the entry point for export requests from the DOS and DOC. It is the technical responsibility of this directorate's staff to ensure that the MILDEPs, appropriate DOD agencies, and the technical staff of the Under Secretary of Defense for Acquisition Technology and Logistics review applicable export requests or munitions cases. To expedite the licensing process, the DOS delivers these cases for concurrent review by those military services and DOD agencies and components which the DOS believes have an interest in the cases.

After receiving recommendations from the DOD review, the DTSA License Directorate develops the DOD position in concert with DTSA technical and policy staffs, and forwards the position to the DOS. Most differences within DOD are resolved at the working level. Those that cannot be so resolved are referred to the International Technology Transfer Panel (ITTP) for resolution.

Foreign Military Sales License Exemption

To paraphrase Section 126.6(c) of the ITAR, when using the FMS program a license from the DOS is not required if the defense article or technical data or a defense service to be transferred was sold, leased or loaned by the DOD to a foreign country or international organization using the LOA as authorization. In other words, the entire FMS program of DOD operates under a licensing exemption authorized by the ITAR.

Commercial Agreements Requiring Approval by Department of State

Besides normal export licenses, the ITAR provides for commercial agreements that, when approved by DCS provide authorization to export certain types of technical information and services. These differ from normal export licenses in that they are broader in scope, more flexible, and remain in effect for longer periods of time. These agreements are typically for ongoing projects rather than a one-time export. The ITAR recognizes three categories of such agreements:

- Technical assistance agreement (TAA). An agreement (e.g., a contract) for the performance of defense services or the disclosure of technical data, as opposed to an agreement granting right of license to manufacture defense articles. [22 CFR 120.22]
- Manufacturing licensing agreement (MLA). An agreement (e.g., a contract) whereby a U.S. person grants a foreign person an authorization or a license to manufacture defense articles abroad and which involves or contemplates the export of technical data or defense articles or the performance of defense services or the use by the foreign person of technical data or defense articles previously exported by the U.S. person. [22 CFR 120.21]
- Distribution agreement. A contract between a U.S. person and a foreign person to export unclassified defense articles to a warehouse or distribution point outside the U.S. for subsequent resale. These agreements contain conditions for special distribution, end-use and reporting. [22 CFR 120.23]

The use of the term person means a natural person as well as a corporation, business association, partnership, society, trust or any other entity, organization or group, including governmental entities. [22 CFR 120.14]

International Visits and Assignments

Visit Procedures

DODD 5230.20, *Visits and Assignments of Foreign Representatives*, sets forth standard procedures concerning requests for visits, certification of liaison officers and personnel exchange programs. SAMM, Section C3.3.5, "Visits, Assignments and Exchange of Foreign Nationals", provides further discussion relating to SA.

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.

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.

- Facilitate planning, scheduling, and administration of a visit
- Provide a vehicle for consideration of proposed export/disclosure decisions related to the visit and record the decision(s).
- Obtain the required assurances regarding the security clearance, need-to-know, and sponsorship from the visitor's government if classified military information is involved

Under the IVP, there are three types of visits that may be authorized:

- A one-time visit (normally less than thirty days)
- For recurring contacts for a period of time, normally not exceeding one year
- For an extended period of time, e.g., certifications of liaison officers, normally up to one year or term of contract or applicable export license

In an emergency, a one-time visit may be submitted for approval less than twenty-one working days before the visit start date. Emergency visits may only be authorized if failure to make the visit would jeopardize performance on a contract or program, or cause the loss of a contract opportunity. These authorities may not be used to employ foreign nationals.

A visit can be considered a hosted visit when a DOD official or entity extends an invitation to a foreign national or delegation. Whether 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. DOD officials who wish to invite foreign representatives to visit a DOD component, or who wish to have a foreign national certified to the component, shall coordinate their actions with DIA or the MILDEP concerned before extending an invitation.

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.

The International Visits Program

The DIA coordinates the IVP for DOD. Visit requests to DOD organizations or facilities are submitted by the foreign embassy in Washington, 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. Visits carried out under the terms of an approved certification, extended visit authorization, or one-time visit may take place after coordination with the office to be visited and at least seventy-two hours advance notice.

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 seeks 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:

- Approved. The visit can occur and the specified information can be disclosed.
- Denied. The visit can occur but the specified information cannot be disclosed.
- 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.

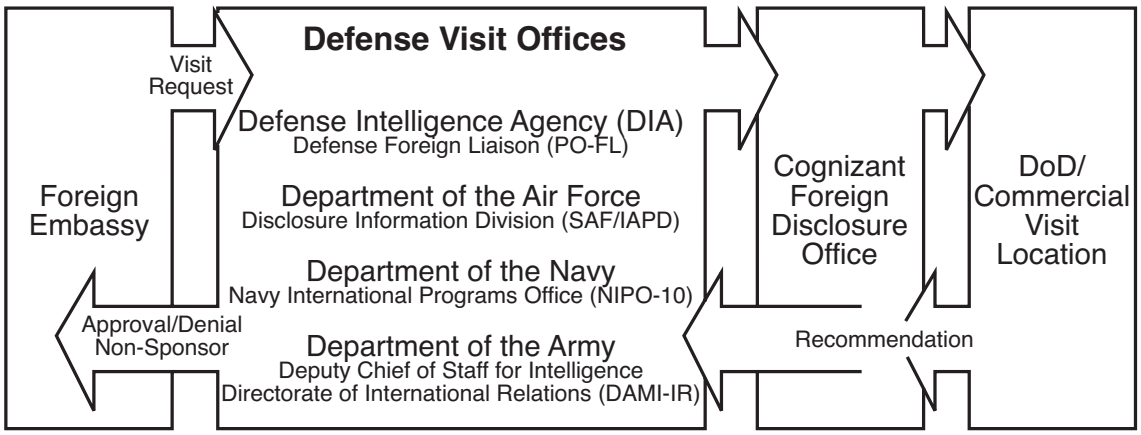
An international agreement is also necessary for personnel exchange programs and on-site assignments of liaison officers. Correspondence with DOD contractors relative to approved foreign visits shall be forwarded to the cognizant DSS regional office for transmittal to the contractor.

Notification of approval of a foreign request for a visit or certification to a DOD component shall be forwarded to the contract 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.

Disclosures of classified information to foreign visitors and certified foreign representatives shall be 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 7-3 provides an overview of the international visit program within DOD. An any time, participating activities have immediate access to all visit request status information.

Figure 7-3
International Visit Program



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.

A request of visit authorization is not required at a contractor facility when the information to be disclosed is unclassified and not subject to export controls, the information is unclassified but is subject to export controls, but a contractor has an export license for its export. It is not required at a DOD facility when the facility is open to the public, the information is open for public release according to service regulations, or for non-U.S. citizen DOD employees policies.

Role of Security Cooperation Offices in International Visits

The security cooperation offices (SCOs) 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 geographic combatant command headquarters or a MILDEP installation for a program management review. However, the SCO cannot submit the visits request, which must originate in the host nation embassy in Washington through the FVS. SCOs must remain 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. An 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 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 their force structure. 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 letter (DDL). Written procedures must be developed to prevent inadvertent disclosure of classified or controlled unclassified information as described in DODD 5230.20, *Visits and Assignments of Foreign Representatives*. Such personnel may not be given access to information classified under the *Atomic Energy Act of 1954*, as amended. DPEP assignees may not act as a representative of their government or the USG.

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, "Systems Acquisition and International Armaments Cooperation Programs," of this text for 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. DODD 5200.12, *Conduct of Classified Meetings*, contains policies and procedures for sponsoring and conducting meetings involving classified information attended by foreign nationals.

Visits Overseas by Department of Defense Personnel

The policy for overseas travel of DOD personnel is covered under DODD 4500.54, *Official Temporary Duty Travel Abroad*, and DOD 4500.54-G, *Foreign Clearance Guide* (FCG). DOD components must appoint a responsible official and follow the FCG. Normally 30 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 for classified discussions.

International Transfers

United States Classified Contracts with Foreign Firms

A USG agency may award or permit one of its contractors to award a classified contract to a foreign contractor, only if the classified information involved has been approved for release or is determined to be releasable to the government of that country under the NDP. In addition, the foreign government concerned must have entered into a security agreement with the U.S. under which it agrees to protect U.S. classified information released to it. User agency responsibilities are contained in DOD 5220.22-R, *Industrial Security Regulation*.

Transmission of Classified Materiel to Foreign Governments

Transmission of classified materiel to foreign governments, either to addresses in the U.S. or outside the U.S., must be on a government-to-government basis, e.g., U.S. Postal Service registered mail through an Army or Air Force APO or Navy FPO postal service; and such transmissions should be in accordance with DOD 5200.1-R, *Information Security Program*, Chapter VIII. Disclosures or denials are recorded in the SPAN. To assure compliance, each contract agreement, LOA, or other arrangement that involves the release of classified materiel to foreign entities shall either contain transmission instructions or require that a separate transportation plan be approved by the appropriate DOD security and transportation officials and applicable foreign governments prior to release of the materiel. Government arrangements cannot be used as a means to bypass the ITAR. More information about the transfer of classified items may be found in Chapter 11 of this textbook, "Foreign Military Sales Transportation Policy".

Defense Security Service Role in International Programs

The role of the DSS 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 for which it is entrusted. In fulfilling this obligation, DSS administers the National Industrial Security Program (NISP) operating on behalf of the Under Secretary of Defense for Intelligence [USD (I)]. DSS does not develop industrial security policy. DSS implements industrial security policy established by USD (I), and for international programs established by the Under Secretary of Defense for Policy [USD (P)]. Prior to access by a defense contractor 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 DSS by an U.S. or foreign government contracting activity or by another contractor already cleared under the NISP. DSS 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, 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 DSS 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. DSS 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 for FOCI situations. DSS ensures appropriate transportation plans are in place for commercial overseas shipments of classified material and approves contractor international hand carriage arrangements. Additionally, DSS 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 DSS provides support to cleared contractors operating overseas, and monitors their compliance with the NISPOM. Finally, DSS provides counterintelligence (CI) support to cleared contractors, including CI awareness briefings. More information about DSS can be found at its web site http://www.dss.mil.

Technology Control Plan

The technology control plan (TCP) provides guidance on the control of 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). The DSS 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.

Defense Industrial Security Clearance Office

The Defense Industrial Security Program (DISP) establishes procedures for safeguarding classified defense information which is entrusted to contractors. Included in these procedures is a system for determining the eligibility of industrial personnel for access to classified defense information. This function is performed centrally by the Defense Industrial Security Clearance Office.

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 agreement obligates 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 classified under E.O. 12958 in order to receive protection equivalent to that provided by the originating government or organization, as stipulated in E.O. 12958 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. 12958, the presidential directive on safeguarding classified national security information, and DOD 5200.1-R.

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 information, 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 (USSAN) for safeguarding NATO information involved in international programs. DODD 5100.55 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, DOD C-5220.29, and the NISPOM. The foregoing documents must be consulted for specific details.

Classification Levels

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 the property of NATO. Another marking, ATOMAL, is applied to U.S. RESTRICTED DATA or FORMERLY RESTRICTED DATA and United Kingdom atomic information that have been released to NATO. Once disclosed to NATO, the classified information losses 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 entity that originated or furnished it.

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).

North Atlantic Treaty Organization 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 North Atlantic Treaty Organization Disclosure 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 co-mingled 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 North Atlantic Treaty Organization Disclosure 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 the Pentagon, 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. If the information is to be provided pursuant to a NATO contract, the requirements of the NATO security aspects letter and security requirements checklist will be followed. However, if U.S. classification guidance for the U.S. information is not consistent with NATO classification guidance, the matter must be forwarded to the CSO for resolution.

Transmission

The CSO will provide transmission instructions to the contractor:

> The material must be addressed to a U.S. organization at NATO, e.g., U.S. mission to NATO, U.S. national military representative to Supreme Headquarters Allied Powers Europe (SHAPE), or the U.S. representative to the NATO Maintenance and Supply Agency which will place the material into NATO security channels. The material must be accompanied by a letter to the U.S. organization that provides the necessary transfer instructions and provides assurances that the material has been authorized for release to NATO. The material will be properly double-wrapped as described in the NISPOM and DODD 5100.55. However, the inner wrapper will be addressed to the intended NATO recipient, and the outer wrapper shall be addressed to the U.S. organization at NATO.
>
> Classified material is sent to NATO via registered mail and will be routed only through the U.S. postal service and U.S. military postal channels to the U.S. organization that will affect the transfer. The use of express mail is not authorized.

Multinational Industrial Security Working Group Documents

The multinational industrial security working group (MISWG) is composed of the NATO countries, less Iceland, plus Austria, Sweden, Switzerland and Finland. It is an ad hoc group 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 DSS may approve the use of the documents in individual commercial programs. However, the Designated Security Authority, DUSD (TSP&NDP), will approve the use of the documents when they are required by an international agreement such as in a PSI.

More information on the MISWG Documents can be found in Chapter 9 of the *International Programs Security Requirements* (IPSR) *Handbook*.

Committee on Foreign Investment in the United States and Foreign Ownership, Control or Influence

Committee on Foreign Investment in the United States

The *Exon-Florio Amendment to the Omnibus Trade and Competitiveness Act of 1988*, as amended by the *Defense Authorization Act for Fiscal Year 1993*, empowers the President to suspend, prohibit or dissolve ("block") foreign acquisitions, mergers and takeovers of U.S. companies. The President has broad authority to block a transaction under the statute if he determines the foreign interest acquiring control might take action that threatens to impair the national security.

To exercise his authority, the President must find that:

- There is credible evidence that leads him to believe that a foreign interest might take action to threaten or impair national security
- Provisions of law, other than *Exon-Florio and the Emergency Economics Powers Act*, are not adequate to protect the national security

There is no mandatory requirement for a company to report under the law. Nevertheless, the President or his designee may investigate a merger, acquisition, or takeover at any time, including after a transaction has been concluded. The President can reopen a case on the basis of material omissions or material misstatements in the original notice.

The President delegated responsibility for carrying out the requirements of Exon-Florio to the interagency CFIUS. The CFIUS is comprised of representatives of the Departments of Treasury (chair), Defense, State, Energy, Homeland Security, Commerce, the U.S. Trade Rep, Office of Science and Technology Policy, and the Attorney General. Membership may also include the heads of any other executive department, agency, or office as the President determines appropriate on a case-by-case basis.

Once CFIUS considers a possible transaction as the result of a notification by the investors, on its own initiative, or at the request of a third party, it has thirty days to decide whether to initiate an investigation. The investigation must be completed not later than forty-five days after its commencement, at which time the committee must present a recommendation to the President. The President is required to render a decision within fifteen days after completion of the investigation. If the President decides to take action as the result of a CFIUS investigation, he must submit a written report to Congress on the actions that he intends to take, including detailed rationale for his findings. The Committee or a lead agency of the Committee may, on behalf of the Committee, negotiate, enter into or impose and enforce any agreement or condition with any party to the specified transaction in order to mitigate any threat to the national security of the U.S. that may arise as a result of the transaction.

Foreign Ownership, Control or Influence

It is not in the interest of the U.S. to permit foreign investment in the defense industrial base where it is inconsistent with U.S. national security interests. USG contracts requiring access to classified information may be awarded to companies under FOCI when adequate safeguards exist to protect national security interests. Within the context of the DOD, national security interests are represented by information and technical data inherent in the development and production of military systems, such as system capabilities and vulnerabilities. If this knowledge is lost or compromised, potential adversaries of the U.S. would have the capability to duplicate or neutralize those systems. As a result, the U.S. must take steps to ensure that foreign interests do not have the power to direct or decide matters a company operating under a facility security clearance if such power may result in the unauthorized disclosure of classified and controlled unclassified information, or may adversely affect the award or performance of classified contracts. FOCI encompasses the possible avenues from which unauthorized foreign power may be exerted. When competent authority determines foreign interests have the power to exert such power, measures must be established to negate the FOCI or mitigate the associated risk.

When a company performing classified work is to be acquired by or merged with a foreign interest, an industrial security review is undertaken. The purpose of the review is to determine whether existing industrial security measures require enhancement. The matter of FOCI is considered in the aggregate, and the fact that FOCI elements are present will not necessarily bar a company from receiving a facility security clearance.

There are many components of foreign involvement requiring examination to determine whether a company is under FOCI and the extent of FOCI, such as those identified on Standard Form (SF) 328. Documents other than the SF 328 are analyzed, to include filings with the Security and Exchange Commission for publicly traded companies, articles of incorporation, by-laws, loan and shareholder agreements, and other documents pertinent to potential foreign control or influence.

The FOCI is then examined within the context of risk factors such as the foreign intelligence threat, potential for unauthorized technology transfer, record of compliance with laws, regulations, and contracts, and the nature of applicable international agreements between the U.S. and foreign governments. If a company is determined to be under FOCI, and risks associated with FOCI are considered unacceptable, the company would be ineligible for a facility clearance or an existing clearance would be suspended or revoked, unless steps are taken to negate FOCI or mitigate associated risks to the satisfaction of the USG. The principal objective of each arrangement is to ensure there is no unauthorized access to classified and controlled unclassified information by foreign owners, their agents or representatives, or by other non-ownership derived sources of foreign control or influence. For a detailed discussion of these arrangements and agreements, refer to the *International Programs Security Handbook*, found at www.avanco.com, and the NISPOM.

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 which DOD has determined should be subject to the most stringent 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. However, the extent of control is at issue. Many feel that controls should be tempered by the realities associated with worldwide competition and the impacts upon U.S. industry and the preservation of U.S. economic security as the prerequisite condition to maintaining national security. Others, however, as noted in the chapter introduction, believe that transfer of advanced technology for military or dual-use applications can lead to the proliferation of dual-use technology as well as of nuclear and conventional arms. Technology transfer issues continue to play an important role in 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. 12958, NSDM 119, NDP-1, and DODD 5230.11 to each case, and the analysis of a potential recipient's need and the implied use of such information. The directives are explicit as to procedure and channels to be followed to preclude unwarranted release and disclosure of data.

References

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Defense Authorization Act of 1986, Nunn Amendment/NATO Cooperative R&D

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web site: http://www.dtic.mil/whs/directives/corres/html/522022m.htm.

ATTACHMENT 7-1

DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-1010
22 OCTOBER 1999

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN, JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTORS OF DEFENSE AGENCIES

Subject: Training in International Security and Foreign Disclosure Support to International Programs

Strong allies, and well-equipped coalition partners, make America stronger. It is, therefore, in America's national security interest to promote cooperation with other nations, seek-international participation in our weapons acquisition process and support appropriate foreign military sales.

At the same time, we must ensure that sensitive and classified U.S. technology and military capabilities are protected. Classified information should be shared with other nations only when there is a clearly defined advantage to the United States. Disclosures must be carefully designed to achieve their purpose. and recipients must protect the information. To make certain that we accomplish these goals, certain security arrangements must be in place prior to any foreign participation in DoD programs. It is therefore vital that every DoD employee involved in international programs understand these security arrangements, as well as the laws, policies, and procedures that govern foreign involvement in our programs.

To insure that all relevant employees are fully trained in this area, the Office of the Deputy to the Under Secretary of Defense (Policy) for Policy Support (DUSD(PS) has developed a course of instruction that covers the practical application of relevant law, executive orders, and DoD policies on this subject. All DoD personnel responsible for negotiating, overseeing, managing, executing or otherwise participating in international activities shall successfully complete either the International Security Requirements Course offered by DUSD(PS), the International Programs Security and Technology Transfer Course taught by the Defense Systems Management College, or an executive version of the course for mid-level and senior managers now being developed. This requirement applies to anyone who works in an office dealing exclusively with international matters, in international cooperation offices within broader functional offices, and those working on international issues within a DoD program. Examples of applicable activities include: security assistance, cooperative research, foreign disclosure, specific country relationships, and other international policy activities.

The law also requires that we consider systems of allied nations, or the co-development of systems with allied nations, before a U.S.-only program may be initiated. Therefore, the basic, intermediate, and advanced program manager courses at DSMC shall include at least four hours of training in international security requirements related to acquisition programs. Anyone working in program offices where any international activities occur, including exports, must also complete the full five day course. DoD personnel who are newly assigned to international programs shall participate in one of the courses within six months of the assignment.

To ensure consistency, DoD components that offer specialized training in foreign disclosure and security requirements for international programs shall coordinate the contents of their courses with the DUSD(PS).

//Signed//
John J. Hamre

Attachment 7-2
National Disclosure Policy Committee Members

The General Members are representatives of:

The Secretary of State

The Secretary of Defense (appoints Chairman)

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Chairman, Joint Chiefs of Staff

The Special Members are representatives of:

The Secretary of Energy

The Director of Central Intelligence

The Under Secretary of Defense for Policy

The Under Secretary of Defense for Acquisition, Technology and Logistics

The Under Secretary of Defense for Intelligence

The Assistant Secretary of Defense for Networks and Information Integration

The Assistant to the Secretary of Defense for Nuclear, Chemical and Biological Defense Programs

The Director, Defense Intelligence Agency

The Director, Missile Defense Agency

The Director, National Geospatial-Intelligence Agency

The Director, National Security Agency

Chapter

8 Foreign Military Sales Contractual Agreements

Introduction

Basic contract law concepts are evident in the government-to-government agreements for security assistance (SA). In particular, this chapter examines the foreign military sales (FMS) case standard terms and conditions that are an integral component of every FMS letter of offer and acceptance (LOA). Additionally, this chapter discusses the purpose and application of other SA agreements such as LOA amendments, LOA modifications, leases, loans and international agreements.

Contracts

A contract is an agreement between two or more parties which is enforceable by law. The *Security Assistance Management Manual* (SAMM) states that the FMS program is conducted using formal contracts. In the FMS process, the formal government-to-government contracts are referred to as LOAs. LOAs are also commonly referred to as cases. In practice, the terms LOA and case are synonymous. Chapter 5, "Foreign Military Sales Process" of this text, discusses the procedures for requesting and developing an LOA.

Under traditional FMS, an LOA is a bilateral agreement between the U.S. government (USG) and an authorized foreign purchaser. In the LOA, the USG commits itself to provide certain defense items or services and the purchaser commits itself to abide by specific terms and conditions associated with the sale and to make specified financial payments.

It is important to note that the LOA document is also used to implement security cooperation (SC) programs. Under SC programs, the LOA and overall FMS processes and infrastructure are utilized to track and implement funds appropriated by Congress for designated SC activities. The terminology applied to an LOA used in this manner is to refer to these non-FMS documents as either a pseudo LOA or pseudo case. Pseudo LOAs are not signed by a foreign purchaser and the LOA standard terms and conditions do not apply.

Elements of a Contract

Six basic elements must be present for an agreement to be enforceable by law as a contract. The six elements are present in each LOA. This section highlights how the six contract elements relate to the 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. 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 LOA offered. 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, 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.

When reviewing the LOA offer prior to acceptance, the purchaser may desire to make minor changes to the offer. Minor changes to an offered LOA are commonly referred to as pen-and-ink changes. To avoid the problem of a counteroffer, the purchaser should not make any unauthorized pen-and-ink changes to the offer. Unauthorized pen-and-ink changes by the customer are considered to be a counter-offer and cannot be implemented. Pen-and-ink changes may be requested by the purchaser or initiated by the Department of Defense (DOD) implementing agency (IA) in order to make small administrative changes to the offer. In either situation, pen-and-ink changes can only be authorized by the issuing IA after obtaining permission from the Defense Security Cooperation Agency (DSCA) and must be made prior to acceptance by the purchaser. Changes to an LOA should be kept to a minimum. If more significant changes are required, a new or restated LOA may be necessary.

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

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 U.S. and purchaser representatives that sign the LOA. Each LOA will contain a written signature by a representative of the 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 that signed to accept the LOA is an authorized representative of that respective government.

Lawful Purpose

As a general rule, a contract which violates a statute is unlawful and will not be enforced. Under the FMS process, it is incumbent upon the representatives of both governments to insure that their respective laws and policies are complied with prior to offering or accepting a given LOA. The USG must comply with the *Arms Export Control Act* (AECA), *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. 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 each party has committed to perform. A contract that poorly defines what, when, where, how, at what cost and under what conditions may lead to confusion and may be unenforceable. In this regard, every FMS LOA contains a set of standard terms and conditions. This same set of standard terms and conditions applies to all FMS LOAs and is exactly the same for all foreign purchasers.

It is important to note that the LOA standard terms and conditions do not apply to pseudo LOAs used to implement SC programs. The reason for this difference is that under the pseudo LOAs, the USG is selling defense articles and services to another component of the USG rather than to a foreign purchaser.

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 for the parties in the contract. They also specify the basic provisions for the conduct of the sale to include certain limitations or constraints associated with the sale.

Section 1	Conditions - United States Government 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 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

Section 1 (Continued)

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 will use its best efforts to provide the items for the dollar amount and within the availability cited.

1.4 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.

1.5 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.

1.6 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 sex.

1.7 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 DOD. The ultimate purpose of SA is to enhance U.S. national security. When friends and allies 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 protection 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 a 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, and *Defense Federal Acquisition Regulation Supplement* (DFARS) 225.7304. More information on sole source procurement is contained in Chapter 9, "Foreign Military Sales Acquisition Policy and Process."

Section 1.3 Best Efforts

The term "best efforts" is a legal term that implies a party's good faith intent to achieve a stated performance level; however, this term also recognizes the potential for other factors to arise that could preclude attaining the intended goal. Good faith is defined by Black's Law Dictionary 701 [7th edition 1999] as:

> A state of mind consisting in (1) honesty in belief or purpose, (2) faithfulness to one's duty or obligation, (3) observance of reasonable commercial standards of fair dealing in a given trade or business, or (4) absence of intent to defraud or to seek unconscionable advantage.

Therefore, a party performing under a "best effort" will not be considered in default of the contract if the intended performance levels are not achieved.

In regard to the LOA, this section means that the USG will take action 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 1.4 U.S. Government Right to Cancel or Suspend

The USG reserves the right to cancel an LOA, in part or in whole, when determined to be in the USG's best interest. The USG carefully reviews customer requests before extending an LOA offer. As indicated by Section 1.4, 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 cancels the LOA, it will pay the costs associated with terminating 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, history shows that 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 canceled or suspended LOA.

Section 1.5 & 1.6 U.S. Personnel Requirements

Sections 1.5 and 1.6 implement FAA and AECA statutory requirements which apply to U.S. personnel performing SA functions. Section 1.5 emphasizes that the presence of U.S. SA personnel in the purchaser's country does not necessarily constitute a commitment by the U.S. to conduct any combat activity with the purchaser. Additionally, Section 1.6 specifies that the U.S. will use its own personnel management processes to select individuals to conduct SA functions on behalf of the purchaser.

Section 1.7 Freedom of Information Guidelines

Section 1.7 implements the provisions of the *Freedom of Information Act* (FOIA). However, 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 release include determinations that the LOA contains information not normally released by the 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 C3.6.1. More information on FOIA is contained in Chapter 7, "Technology Transfer, Export Controls, and International Programs Security Requirements."

Section 2. Conditions - General Purchaser Agreements

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 agrees, except as may otherwise be mutually agreed in writing, to use the defense articles sold hereunder only:

2.2.1 For purposes specified in any Mutual Defense Assistance Agreement between the USG and the Purchaser;

2.2.2 For purposes specified in any bilateral or regional defense treaty to which the USG and the Purchaser are both parties, if section 2.2.1 is inapplicable; or,

2.2.3 For internal security, individual self-defense, preventing or hindering the proliferation of weapons of mass destruction and the means of delivering such weapons or civic action, if sections 2.2.1 and 2.2.2 are inapplicable.

2.3 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), 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.

2.4. 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) item will be exchanged through official Government channels, (b) the specified contractor has 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 have been cleared to the appropriate level by the Purchaser, and (d) the Purchaser will assume responsibility for administering security measures while 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.

Section 2 outlines certain rights and obligations of purchaser associated with the LOA sales contract.

Section 2.1 Purchaser Right to Cancel

In Section 1.4, the USG retained the right to cancel or suspend part or all of the case. 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 or delete 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-process, the termination cost to cancel or delete items may be significant. 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, "Foreign Military Sales Financial Management."

Section 2.2 End-Use Purposes

This condition stipulates that the purchaser will only use the material or services purchased under the LOA for certain purposes, referred to as end-uses. At first, it may appear unfair that the USG attaches end-use limitations to the sale but you 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 material used by U.S. military forces. As such, the USG has valid concerns over how these articles are used by the customer. More information on end-use is contained in Chapter 18, "End-Use Monitoring and Third-Party Transfer."

Section 2.3 Third Country Transfers

Section 2.3 restates the obligations imposed on the FMS purchaser under the AECA. Although the FMS customer actually becomes owner of the material, the USG requires, as a condition of the sale, that the purchaser agree 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 material or turn over possession for maintenance to a third country. It simply means that the USG is very concerned about who has access and possession of this defense material. Before offering the LOA, the USG determined that it was in its best interest to permit the customer to possess this material. The USG wants to ensure that whatever third party may subsequently possess the material 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 Transfer."

This condition also requires FMS purchaser to respect the proprietary rights of U.S. contractors. U.S. industry often has 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 being misused.

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. The 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 conditions flow over into the standard terms and conditions of the LOA.

Section 2.4 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 equivalent security measures. 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 U.S. Additionally, the customer is responsible for security not only when the item is in government possession but also when it is provided to 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 Requirements."

Section 3. Indemnification and Assumption of Risk

> 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, or
>
> 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.

Section 3 begins by reminding the customer that the USG's purpose in the sales contract 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 if financial liabilities arise in the performance of the LOA, the purchaser agrees, in advance, to absorb all potential financial risks.

At first, the requirement for indemnification may seem unfair and appear that the USG is placing undue risk upon the FMS purchaser. However, you 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 certain degrees 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 cover all these risks. In procurements, the USG includes limitation of liability clauses to relieve contractors from certain liabilities (like acts of God). 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 FMS, 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.

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. When 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 as well as 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 if 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 in the case of the work being performed for an FMS customer.

If, at the conclusion of the investigation, it was found that the contractor had fulfilled all his contractual requirements and the accident cause was in an area that 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

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 Purchaser 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:

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 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.

4.4.7 That requests for funds or billings 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.

4.4.8 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.

4.4.9 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.

Section 4 states the purchaser's financial obligation and liability when purchasing items or services through FMS. Chapter 12 of this textbook, "Foreign Military Sales Financial Management," provides greater detail regarding FMS financial processes.

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 "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 and delayed delivery. Failure to make payments may 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, "Foreign Military Sales Financial Management," of this textbook gives a more detailed explanation of the specific terms of sale.

Section 5. Transportation and Discrepancy Provisions

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 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 and will be submitted promptly by the Purchaser. DOD will not accept claims related to items of $200 or less for overages, shortages, damages, non-shipment, or non-performance. Any claim, including a claim for shortage (but excluding a claim for non-shipment/non-receipt of an entire lot), received after 1 year from passage of title to the article or from scheduled performance of the service will be disallowed by the USG unless the USG determines that unusual and compelling circumstances involving latent defects justify consideration of the claim. Claims, received after one year from date of passage of title or initial billing, whichever is later, for non-shipment/non-receipt of an entire lot will be disallowed by the USG. The Purchaser agrees to return discrepant articles to USG custody within 180 days from the date of USG approval of such return.

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 claims to the USG.

Section 5.1 Title Transfer and Delivery Point

Section 5.1 identifies where title transfers and where delivery occurs. Title represents ownership. This condition states that the purchaser becomes the owner of material at the initial shipping point. Delivery, in this context, does not mean the material 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 to an in-land location within the purchasers country. Regardless of when the purchaser assumes transportation responsibility, the title still will 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 has agreed to indemnify the USG and its contractors. Additionally, in Section 2, the purchaser has agreed 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 the 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.

Section 5.3 Insurance and Export Licenses

Given the fact that the purchaser bears the risk of any damage that may occur in shipment, the purchaser is responsible to obtain 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 all 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 Requirements."

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 has 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 do go wrong. The customer has an avenue of recourse to submit claims 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 International Military Sales."

Section 6. Warranties

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 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.

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 material to the purchaser. This simply means that there will be no financial claim or lien against the material 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 resolve 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 material. 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. 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 is to 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 IA's have SDR offices that evaluate SDR claims and make determinations regarding the appropriate corrective action. More information on the supply discrepancy process is contained in Chapter 10, "Logistics Support of International Military Sales," of this textbook

Section 7. Dispute Resolution

> 7.1 This LOA is subject to U.S. Federal 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.

This section explains the method by which disputes will be resolved.

Section 7.1 means 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 that he will not seek redress from any international tribunal such as the world court or a third party.

Additional Letter of Offer and Acceptance Notes

In addition to the standard terms and conditions, an LOA may require supplemental information to clarify requirements and responsibilities. LOA notes provide more detailed information concerning items or services being offered. When LOAs are prepared before details are known, notes include general coverage of this information and an estimate of when specific information on these topics can be provided to the purchaser. These notes may be shared in advance with the purchaser to ensure any purchaser unique requirements are accommodated.

The SAMM, Table C5.T5, lists the various LOA notes and identifies the situations for which the respective notes should be applied. If a full line item description cannot fit in the space available under the military articles and services description, Table C5.T5 states that a separate line item description note should be used to provide a detailed description of the items being sold or services performed.

SAMM, Table C5.T5 identifies two notes required for all LOAs which, in reality, makes these two notes equivalent to being standard terms and conditions. These two mandatory notes for all LOAs discuss end-use monitoring (EUM) and missile technology control regime (MTCR).

End-use Monitoring. This note states that the purchaser agrees to permit the USG to conduct inspections and physical inventories upon request and to view inventory and accountability records maintained by the purchaser. More information on EUM is contained in Chapter 18, "End-use Monitoring and Third-party Transfers."

Missile Technology Control Regime. The U.S. and 33 other countries have agreed to restrict the transfer of sensitive missile equipment and technology. This note states that the purchaser will not divert articles and services received under the LOA for any use that could contribute to the acquisition,

design, development or production of a missile as defined by section 74 of the AECA. More information about MTCR is contained in Chapter 2, "Security Assistance Legislation and Policy," of this textbook. Additionally, the Defense Institute of Security Assistance Management (DIASM) conducts a MTCR course. Information about the MTCR course is available in the online DISAM course catalog at: http://www.disam.dsca.mil.

Two additional notes are mandatory on all LOAs providing materiel but are not used on LOAs that exclusively provide services. These two notes are for anti-tamper measures and unauthorized use of defense articles.

Anti-Tamper. The anti-tamper note states that the USG may incorporate anti-tamper protection into weapon systems and components that contain critical program information (CPI). However, the anti-tamper protection will not impact operations, maintenance, or logistics provided that all terms delineated in the system technical documentation are followed.

Unauthorized Use. The unauthorized use notes state that defense articles furnished under an LOA may be used only for those authorized purposes set forth in section 2.2 of the Standard Terms and Conditions, unless the written consent of the USG has been obtained for a different use. The USG retains the right to verify reports that defense articles have been used for purposes not authorized or for uses not consented to by the USG.

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:

- Increased or decreased costs of the item
- Revised delivery dates
- Additional items
- Changes in system configuration

To authorize these changes and establish an audit trail, proper documentation must be prepared for accurate and complete case management.

The specific document that implements the change, whether it is a new LOA, an amendment, or modification, will be dictated by the special conditions surrounding each change. FMS interests are best served through use of the document which best safeguards U.S. and customer interests while most effectively accomplishing the needed program change. Selection of the appropriate document to implement the change revolves around the scope of change to the original LOA. Scope refers to the basic intention, goal, or purpose of the original LOA agreement.

Specific details for identifying the correct document to use and for complying with the necessary administrative requirements of review and/or countersignature by DSCA are found in SAMM, Section C6.7. When a case manager has doubt as to which document is appropriate after reviewing the SAMM guidance, DSCA should be consulted.

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 on-going 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:

- Increases or decreases to blanket order cases
- Changes in quantity
- Addition or deletion of secondary equipment
- Changes in configuration
- Changes in transportation delivery code(s)

A sample amendment is contained in Appendix 1, "Sample Case Documents."

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. The standard terms and conditions permit the U.S. to make unilateral 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 line for the purchaser to sign but, in this instance, the signature simply acknowledges receipt rather than conveying acceptance. Examples of changes implemented by a modification include:

- Price changes
- Delivery schedule changes
- Changes in the payment schedule
- Changes to correct administrative errors

A sample modification is contained in Appendix 1 of this textbook, "Sample Case Documents."

The modification also plays a critical role in financial management by the U.S. SA community. Per the LOA standard terms and conditions, 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, "Foreign Military Sales Financial Management."

Pen and Ink Changes

A pen and ink change refers to 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. Examples are a small arithmetic change which 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 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 U.S. use during the proposed lease period. 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 C11.10 of the SAMM provides lease policy.

Approval

The approval by the DSCA director must be obtained before any DOD component may enter into a lease. DOD components 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, Section C11.F11, 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 that government. The SCO should assist DOD components in monitoring the use of USG-owned equipment in the country.

Lease Terms and Conditions

The basic lease format is at Attachment 8-1. 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, transportation, 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 or destroyed during the lease period.

Lease Identification

Using the Defense Security Assistance Management System (DSAMS), the IA assigns a unique designator to each lease. The lease designator is composed of the country code, the IA code, and a 3-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 5 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 60 months. Leases of 1 year or more require Congressional notification. 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 5 years may be extended via an amendment but the total period under a specific lease may not exceed 5 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 1 year is amended so that the total period of the original lease and the amendment equals or exceeds 1 year, the amendment must be reported to the Congress before entering into the lease amendment.

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.

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 Agency Service (DFAS) deposits receipts from lease rental payments in the Miscellaneous Receipts Account 3041 (FMS Recoveries, DOD Lease Costs).

The use of Foreign Military Financing Program (FMFP) funds is not authorized for payments of lease rental charges. When authorized by DSCA, FMFP funds may be authorized 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 30 days after the end of each quarter. This update is made in the DSAMS.

United States Navy Ships

For leases of U.S. Navy ships, the guidance in SAMM, Section C11.10.3.1, applies. Ship leases are authorized under separate, specific legislation as required by Title 10 U.S. 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 C11.11.

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 interest to negotiate and conclude an international agreement before, concurrent with, or after conclusion of the LOA. SAMM, Section C11.9, provides guidance on the use of international agreements for SA programs involving commercial or government coproduction agreements.

International agreements for SA include standard provisions, some of which reflect the requirements of law or regulation. These agreements may also include unique provisions reflecting the interests of the involved parties. The final content of each agreement is determined during negotiations.

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 later Chapter 13 of this textbook, "Systems Acquisition and International Armaments Cooperation." The Defense Acquisition University offers a course (PMT 304) in preparing international agreements.

Summary

The basic contractual instrument used in both pseudo cases and 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, an international agreement may be required to define how issues beyond the scope of the LOA will be handled.

References

U.S. Department of Defense. DOD 5105.38-M, *Security Assistance Management Manual* (SAMM), Chapters 5, 6, 9, and 11.

Attachment 8-1
Sample Lease Agreement

Lease of F-16 A/B
Between
The United States Government
and
The Government of Bandaria
Letter of Intent
BN-D-ZAA

This LEASE, made as of XX XXX 200X, between the United States Government (hereinafter called the "Lessor Government") represented by its Department of the Air Force and the Government of Bandaria (hereafter called the "Lessee Government") represented by its Office of Defense, Air and Defense Cooperation Attaché, Government of Bandaria or applicable organization.

Witnesseth

WHEREAS, The Lessor Government has determined that the lease of fifteen (15) F-16A ADF Aircraft and two (2) F-16B OCU Aircraft and, if applicable, all associated non expendable 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 sixty (60) months commencing on the date first above written (unless otherwise agreed under term 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 shall be evidenced by a certificate of delivery.

IN WITNESS WHEREOF, Each of the parties hereto has executed this lease as of the day and year first above written, unless otherwise agreed under term of this lease.

_____	_____
The Government of Bandaria	The United States Government
By _____	By _____
_____	_____
(Typed Name)	(Typed Name)
_____	_____
(Title)	(Title)
_____	_____
Date	Date

COUNTERSIGNATURE:
By _____
(Typed Name)
Director, Defense Security Cooperation Agency

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 Articles 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 re-delivery. 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 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 or 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 re-delivery 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 for 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 re-delivery 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, to indemnify and hold harmless the Lessor Government).

10. Place of Re-delivery.

Upon expiration or termination of this lease, the Defense Articles shall be returned to the Lessor Government at 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, materials, or other support furnished for the Defense Articles by the Lessor Government pursuant a Letter of Offer and Acceptance under the Arms Export Control Act. FMS Case BN-D-ZAA applies.

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 the 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.

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.

18. Distribution.

Copies of the accepted Lease will be distributed by the Lessee as follows:

a. EUCOM Regional Management Division - Original

b. Commander - copy

c. DSCA Europe, Russia, Americas and Sub-Saharan Africa

d. DFAS - copy

e. European Division

Lease Agreement
Schedule A
To
Lease Agreement

Between the United States Government, Department of the _____ (LESSOR) and the Government of _____(LESSEE).

I. This Lease Agreement Authorizes the use of U.S. government property identified herein:

Item	Description	Qty	Line Duration	Replacement Costs Unit Value	Replacement Costs Total Value	Rental Charge (Including Depreciation) Per Month
A.						
B.						
C.						
D.						
E.						

_____

Total Value $

II. Rental Payment
Initial Payment (with acceptance - as applicable):
_____Qtr FY _____: (Amount due) Date Due: (15th day of month preceding quarter)
_____Qtr FY _____: (Amount due) Date Due: (15th of month preceding quarter)

_____

Total Rental $

III. Related FMS Case Designator: BN-D-ZAA

Chapter

9 Foreign Military Sales Acquisition Policy and Process

Introduction

The foreign military sales (FMS) process fundamentally is an acquisition process. Under FMS, a foreign government or international organization identifies a need for a military-related item or service and chooses to acquire from the U.S. government (USG). The government-to-government sales agreement governing the 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.

This chapter primarily examines acquisition as it relates to the USG's process for purchasing material or services by means of contracts with industry. The goal of the contracting discussion is to highlight where and how FMS procurements fit into the normal DOD procurement process. Additionally, this chapter will discuss the international business agreement 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.

Within DOD, the term acquisition is also used to refer to the entire life cycle process DOD uses to develop, test, evaluate, produce, and sustain weapon systems to satisfy formally identified 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" of this text discusses how issues that may affect future foreign sales of major systems are addressed within the DAS during the system development process.

The DOD uses the term acquisition to encompass multiple functional career field areas. In fact, the Defense Acquisition University (DAU) offers a variety of courses for personnel within fourteen different career fields that support acquisition. These acquisition career fields include the following: life cycle logistics, auditing, contracting, facilities engineering, contract property management, information technology, cost estimating, financial management, manufacturing and production, program management, purchasing, science and technology, systems engineering, and testing and evaluation. To review the courses offered by the DAU, visit their web site at: http://www.dau.mil/onlinecatalog/courses.aspx.

Global Military Marketplace

When an international customer requires a military item or service, it must find a source to fulfill that need. Ideally, 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 required to conduct the research, development, testing, and to establish production capability for a military system. 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 systems from other governments or from foreign commercial firms that have already been developed and fielded rather than developing a new, country unique system.

United States Item Preference

From a security assistance (SA) perspective, the potential foreign customer must first determine whether to acquire a U.S. system rather than developing an indigenous system or purchasing some other country's system. If the foreign customer selects a U.S. system, it must next decide whether to purchase through the government-to-government security assistance process or to 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), DOD does have a specific preference that friendly nations chose to purchase 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 friends using the same military equipment.

Foreign Military Sales Procurement Rationale

Chapter 15 of this textbook, "A Comparison of Foreign Military Sales and DCS Procurements," 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 that international customers choose the FMS system is because the DOD makes purchases on the customer's behalf using the same USG regulations and procedures that DOD uses to make procurements for itself. As a result, the customer receives the same benefits and protections that are built into the DOD acquisition process. 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, FMS system sales consist of weapon systems that 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 been approved for full rate production for U.S. forces. The full rate production decision is a key acquisition decision point from the FMS perspective. If a foreign customer requests an LOA for a system that has not yet been approved for full rate production, a policy waiver is required. In this situation, the Defense Security Cooperation Agency (DSCA) will request concurrence from the Under Secretary of Defense for Acquisition, Technology, and Logistics [USD (AT&L)] 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 the 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 be faced with nonstandard support to sustain the system and might lack interoperability with U.S. forces. If the waiver is approved, the LOA for the FMS 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 the Yockey waiver named after a former Under Secretary of Defense.

Although some FMS customers may purchase specific items or services independent of a major DOD end item system, most SA programs are built around the sale of one or more major DOD weapon systems. Under the FMS approach, major weapon system sales are accomplished using the total package approach (TPA). TPA provides the FMS customer the weapon system plus all the necessary

support elements to operate and sustain the system for an initial period. Subsequent FMS follow-on support cases continue to sustain the system throughout its operational life.

Because the FMS process is accomplished using existing DOD procurement regulations and policies, the material and services provided under FMS will generally be U.S. origin products. In the SAMM C4.4.1, it states that the DOD will not enter into LOAs that commit to procurement in foreign countries unless DSCA has approved an exception.

Contracting for Foreign Military Sales

It is important to recognize that the *Arms Export Control Act* (AECA) permits FMS both from DOD stocks and by means of DOD contracting to acquire material or services directly for the FMS customer. Generally, DOD inventory levels are established to support DOD's own level of operations as well as to provide a contingency reserve of material. When an FMS customer submits a requirement under the authority of an LOA, the DOD can only use its current inventory for FMS demands if it can do so without negatively impacting its own readiness. As a result, it may be necessary for DOD to procure the required FMS item by contracting with industry rather than supply from stock. There is an exception to this policy under a special program called the Cooperative Logistics Supply Support Arrangement (CLSSA). More information on the CLSSA program is contained in Chapter 10 of this textbook, "Logistics Support of International Military Sales."

Buyer and Seller Relationship

When an FMS customer accepts an LOA, it enters a government-to-government 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 the items or services for delivery to the FMS customer. In the procurement contract, the USG becomes the buyer and the vendor from industry is the seller. The FMS customer is not a legal participant in the procurement contract with industry. The USG is acting on the FMS customer's behalf. As far as the vendor is concerned, it is under contract and directly obligated to the USG and has no direct contractual relationship with the FMS customer. Also, in the FMS process, the vendor that enters a procurement contract with the USG to produce material or provide services is not exporting their products. The vendor is selling to the USG. It is the USG that is exporting the products under the authority of the LOA.

Letter of Offer and Acceptance and Contract Relationship

The LOA documents the customer's requirement and provides both the authority and funding to initiate contracting actions. In preparing the LOA, the case manager must clearly understand the customer's requirement to ensure the LOA addresses all of the customer's requirements. At the same time, the case manager must also ensure that any special procurement issues from the contracting officer's perspective are adequately discussed 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 case manager 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 required. The DOD does not maintain a separate acquisition infrastructure just for FMS.

Instead, the DOD supports FMS by using the same acquisition infrastructure already established to support its own acquisition and logistics needs.

Major System Acquisition

For major weapon systems, the military departments (MILDEPs) establish program management offices that are responsible for:

- Developing and acquiring the initial system
- Managing all the technical aspects of the systems delivered to U.S. forces
- Procuring any additional quantities for DOD
- Engineering improved or modified configurations

A program office management team will typically consist of a weapon system program manager supported by personnel from several functional disciplines such as engineering, testing, contracting, logistics, and financial management.

When an FMS customer purchases a major weapon system, the same program management office that oversees the acquisition of that system for the DOD will also manage the acquisition for the FMS customer. The system program management office may acquire the FMS quantities either as individual procurements or by merging the FMS requirements with DOD's requirements on the same U.S. contract. The contracting officer within the overall program management office is the only individual with the authority to enter into contracts on the behalf of the USG. In this role, the contracting officer will be supported by the functional expertise of the members of the program office team in establishing source selection criteria, evaluation 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 standard level of service discussed in the SAMM C.5. Additional management services will be funded by a well-defined services line on the LOA. The SAMM requires each service line to include a LOA line item note to describe the details of the services provided and to identify the length of the service performance period.

Follow-on Support Acquisition

In regard to standard follow-on support, FMS requirements from the LOA will be routed to the DOD inventory control point (ICP) that manages the item for the DOD. ICPs assign item managers the responsibility for managing the inventory levels for a range of specific standard items. The ICP item manager 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 for procurement. If procurement is required, the item manager will generate a purchase request identifying the items to be procured and the funding source to finance the procurement. The purchase request, containing a fund cite from the applicable FMS LOA, will be routed to the ICP's contracting activity. A contracting officer will follow the normal DOD procurement process to select a vendor, and award a contract to industry 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. 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.

Nonstandard Acquisition

DOD policy is to 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 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 chapter 6 states that the MILDEPs should notify foreign users of weapon systems that will soon 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 for the additional period that the foreign purchaser plans to continue to operate the system.

Nonstandard requirements are, by definition, items that are not actively managed in the DOD supply system for U.S. forces. Nonstandard FMS requirements have historically been difficult to support because there is no existing management or acquisition infrastructure within the DOD to support them. Because no ICP activity manages or buys these items for DOD, the MILDEPs have contracted with commercial buying services (CBS) to procure most nonstandard items in lieu of DOD directly contracting for nonstandard items. More information on CBS is presented in Chapter 10 of this textbook, "Logistics Support of International Military Sales."

Contracting Regulations

The Federal Acquisition Regulation (FAR) system establishes a set of uniform acquisition policies and procedures to be used by all federal agencies of the USG. The FAR is the primary document governing contracting actions undertaken by the USG. Many of the FAR requirements originate in various laws passed by Congress. One of the best known legislated requirements is the *Competition in Contracting Act* (CICA). Like 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 references to this chapter for the web site 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 that the FAR provisions applicable to DOD will apply to FMS procurements.

Given that the 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 FAR and DFARS. It is important to recognize the hierarchy in the contracting regulations. The FAR remains the over arching authority. Each subordinate supplement may amplify and expand on the principles of the FAR but cannot contradict. Accordingly, each supplement issued by the MILDEP can only amplify on the principles in the DFARS. It is interesting to note that DFARS, Subpart 201.104, states that the DFARS applies to contracts issued by the DOD in support of FMS. The current version of the DFARS is available online. See References to this chapter for the web site address.

Contract Source Selection

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. This public notification used to be accomplished via a publication, the *Commerce Business Daily*. The USG currently electronically posts these notifications on its Federal Business Opportunities (FEDBIZOPPS) web site: http://www.fedbizopps.gov. These public notifications are commonly referred to as solicitations. The FEDBIZOPPS web site provides interested vendors an opportunity to

submit a bid or proposal to the USG in accordance with the solicitation instructions. Submitting a bid or proposal enables the vendor to be considered in the contract source selection process. 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 does permit procurement on a noncompetitive basis. In a noncompetitive procurement, the USG negotiates with a single source at 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 justified based on one or more of the following seven conditions.

- Property or services required are available from only one responsible source and no other type of supply or services will satisfy agency requirements
- Need for the supply or services is of an unusual and compelling urgency
- Award the contract to a particular source or sources in order to:
  - 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 involving the federal government
- International agreement or a treaty between the U.S. and a foreign government or international organization (specify a source)
- Statute expressly authorizes or requires that the procurement be made from a specified source
- Disclosure of the agency's needs would compromise the national security
- 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 that the USG is responsible for selecting the contractor to fulfill the LOA requirements. Additionally, condition 1.2 states that the U.S. will select the contractor on the same basis as it makes 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.

Foreign Military Sales Sole Source by Customer Request

Section 1.2 of the LOA standard terms and conditions does permit the FMS customer to formally request a noncompetitive procurement be conducted on its behalf. Within the FMS community, a customer's request for a noncompetitive contract award is commonly referred to as a sole source request. A customer's sole source request must comply with the criteria in the SAMM, Section

C6.3.4. and should be submitted with the Letter of Request (LOR). The sole source request must have sufficient justification to demonstrate that sole source procurement is necessary to meet the objective needs of the customer. The SAMM, Table C6.T2, identifies the following situations where sole source procurement may be considered appropriate to meet objective customer needs. The SAMM does not limit the customer to these five reasons but most customer sole source requests will fall into one of these areas.

- Urgent Requirement - One of the numerous suppliers can deliver faster, and the situation is urgent enough to forego the benefits of the competitive process.
- Nonstandard Item - Procurement is for a nonstandard item which is not active in the DOD supply system, and the customer country knows of a specific source for the item.
- History - A country has an established history of procurement for articles or services from a particular source and to change would adversely affect an ongoing program. For example, this could include an ongoing maintenance program where a particular contractor is providing technical services and the customer country desires to continue with this same contractor for the next contract period.
- Customer Source Selection - The foreign purchaser has conducted its own source selection competition but desires to procure using the FMS process. In using this sole source justification, the customer country must provide the following:
  - A copy of the country's request for proposal
  - Invitation for bid, or request for tender
  - A description of the method used to advertise the requirement and any restrictions placed thereon
  - A narrative summary of the country's source selection criteria and method of evaluation. If price is not the sole selection criterion, the country must identify the weight that was given to each criterion.
- Standardization - When a country has established a history of procurement for articles or services from a particular source and needs to continue procurement from that source to continue standardization of equipment with consequent benefits of logistics support.

Sole source requests are received by the implementing agency (IA) responsible for preparing the LOA. The IA determines whether the sole source request meets the requirements of the SAMM. Sole source requests determined to be patently arbitrary or a discriminatory exclusion are disapproved. All responses to the foreign purchaser informing of sole source disapproval must be coordinated with DSCA.

In addition to reviewing the customer's sole source justification, the SAMM also recommends that the sole source request be forwarded to the applicable contracting office for information and advice. Typically, the contracting officer will have previous experience procuring this same or similar item or service for DOD. DOD maintains data on past procurements and the performance of various vendors in fulfilling previously awarded DOD contracts. Based upon the contracting officer's experience and access to procurement data, the USG may possess additional information that indicates the customer's sole source selection may not be a prudent procurement choice. In these instances, the contracting officer can inform the case manager, who would, in turn, provide this additional information to the FMS customer for further consideration.

Sole source requests typically specify a particular prime contractor. A sole source request may also request that specific subcontractor be utilized by the prime contractor. Specifying sole source

subcontractors limits the ability of DOD to hold prime contractors to specific performance and cost parameters. Normally, the prime contractor would be responsible for selecting and overseeing subcontractor work to ensure all contract targets are achieved. When a sole source 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 stated in the SAMM C6.3.4.2.

Per SAMM, Section C6.3.4.6, approved sole source requests must be documented in an LOA sole source note. The reason for documenting the sole source approval in the LOA is to comply 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 an international agreement. An LOA containing an approved sole source permits the USG contracting officer to initiate a noncompetitive procurement at the FMS customer's request and still be in compliance with the FAR. A copy of the accepted LOA containing the sole source note should be forwarded to the applicable contracting officer to permit compliance with the FAR 6.3 requirements for noncompetitive procurements.

As an exception to policy, a sole source request may be considered after LOA acceptance. The same sole source review and decision process would occur. If approved, the accepted LOA would require an amendment to be issued to incorporate the sole source note. LOA amendments require customer acceptance before the changes can be implemented. However, if the request for sole source is submitted by a customer official known to have equivalent or greater authority than the official who signed the LOA, then the sole source note can be added to the LOA by a modification. [SAMM, Section C6.3.4.1] LOA modifications are unilateral documents that can be immediately implemented upon issuance.

Foreign Military Sales Sole Source without Customer Request

Although most FMS sole source 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 sole source, 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 international agreement).

An example of a sole source procurement that was not requested by the FMS customer would be a major system acquisition. If the customer wanted to purchase F-16 aircraft through FMS, the customer would not need to submit a sole source request that the F-16s be purchased from Lockheed-Martin. Under the FAR, after initial source selection, major weapon systems are considered to be single source items. The USG will not conduct a competitive procurement for these type items. The USG would unilaterally justify a noncompetitive procurement based on the item being a single source item.

Competitive Source Selection

Unless the LOA reflects an approved customer sole source request or the contracting officer has justified a noncompetitive award in accordance with another of the FAR noncompetitive 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 wonder why it may take so long to deliver an item under FMS. Part of the item lead time concerns the time 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 by 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 simplified acquisition procedures. 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 types cannot be applied, is to use negotiation. This hierarchy reflects the degree of difficulty and cost invested by the USG in the procurement. The SAP are the easiest and least costly type whereas negotiation requires the most government resources and incurs the highest cost.

- Simplified acquisition procedures are aimed at streamlining government procurement. Price quotes are solicited from vendors, and the government then issues an order to the vendor determined to provide the best value. Given the reduced bureaucratic approach, dollar value limitations have been placed on the situations in which this method can be used. Purchases up to $100,000 in noncommercial items are permitted. Because of the price regulating influences of the commercial marketplace, this method can be used for purchases of commercial items up to $5.5 million. FAR Part 13 describes this process.
- Sealed bids are used if time permits the solicitation, submission, and evaluation; if the award can be made on the basis of price and other price-related factors; if it is not necessary to conduct discussions with the prospective vendors; and if 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 a bid. Vendors interested in competing for this business submit their respective bids in accordance 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. FAR Part 14 describes this process.
- Negotiation is used if any of the above conditions for simplified acquisition or sealed bidding cannot be met, and when it is necessary to conduct discussions with prospective contractors. The main steps in this processes as described in FAR Part 15 are:
    - USG solicits competitive proposals
    - Offerors prepare and submit proposals
    - Competitive range determination is made by the USG to decide which offerors to conduct written or oral discussions
    - USG technical and price evaluation of proposals. In this process, the USG typically has two evaluation teams separately consider the merits of each proposal. One team will be comprised of technical type individuals capable of distinguishing between the relative technical and qualitative benefits presented by each proposal. The other team, comprised primarily of financial and business type individuals, will review the price related factors of each proposal.

- 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/service.

Advertising for Competition

The federal government has entered the electronic age and now officially advertises all federal contracting opportunities valued over $25,000 from a single web site at: http://fedbizopps.gov. FMS requirements will also be advertised on this web site for interested vendors.

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 classifications 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 that contract awards be made to responsible contractors. A responsible contractor is one that the government believes to possess the ethics, resources, capability, and capacity to successfully deliver the contract requirements in a timely manner.

Contract Types

The decision concerning the type contract to use in a FMS procurement is an internal USG decision. The USG will select the contract type for FMS in the same manner that it selects contract types for itself. Often, the USG will combine its own requirements with FMS requirements on a single contract. Although the USG will select the type of contract used to procure for FMS, the contract type may impact the 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. As a result, the type contract can ultimately impact how long it will take to close the FMS case. More information on FMS case closure is contained in Chapter 12 of this textbook, "Foreign Military Sales Financial Management."

There are two fundamental categories of contracts used in DOD procurement: fixed-price and cost-reimbursement. Within these two broad categories a wide variation of contract types is available to the government and contractors.

- Fixed-price contracts establish a price that is generally not subject to any adjustment, regardless of the contractor's costs experienced in performing the contract. This contract type makes the contractor responsible for cost risk and the resulting profit or loss with little or no cost risk to the government. When a contractor delivers materiel 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 fixed price contract is within six months following final delivery.
- Cost-reimbursement contracts pay the contractor all incurred costs determined to be allowable per the provisions of the contract. These types of contracts are suitable for use only when uncertainties involved in contract performance do not permit costs

to be estimated with sufficient accuracy to use a fixed-price type of 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 FAR cost standards.
- Allocable means the proportion of the overall cost being claimed under the respective contract is an appropriate share of the resources actually applied to the respective contract.
- 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 standards for closing cost contracts, following final delivery, is within 20 months for contracts without indirect rates and within 36 months for contracts with indirect rates.

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 DOD uses in contracting for itself. As may be expected, there are a few peculiarities associated with FMS contracts. The DFARS contains a special subpart that addresses these peculiarities. This subpart is DFARS 225.7300, "Acquisitions for Foreign Military Sales."

Foreign Military Sales Solicitation and Contract Marking

DFARS 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 be marked "FMS Requirement" and are to include the FMS case identifier code.

Contracting Officer Involvement in Letter of Offer and Acceptance

The only person legally authorized to commit the USG to a contract is a warranted contracting officer. 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 contracting officer 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 DFAR requirements.

Potential future problems arising when the LOA is implemented for procurement can be identified and minimized through close coordination between the case manager and the

contracting officer. The DFARS states that the role of the contracting officer is to assist the FMS case manager by:

- Assisting in preparing the price and availability (P&A) data
- Identifying and explaining all unusual contractual requirements or requests for deviations
- Reviewing sales commissions and other unique fees
- 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 that they normally do 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. Examples of such allowable FMS contract costs include:

- 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
- Product support and post-delivery service expenses
- Operations or maintenance training, 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 that is charged. DFARS 225.7303-5 limits this special cost allowability provision to only apply 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.

Sales Commissions

Sales commissions, referred to in the FAR as contingent fees, are generally allowable if the commission or fee is paid 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. 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	Venezuelan Air Force	

SAMM, Section C6.3.7.1, states that if sales commissions are part of a contract proposal, the 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 name and address of the agent; the estimated amount of the proposed fee, and the percentage of the sale price; and a statement that appropriate officials of 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.

SAMM C6.3.7.4 states that 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 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. contracting officer to negotiate and award a contract without requiring foreign country representation or direct involvement in the formal negotiation process. However, FMS customers often desire to have greater involvement in DOD's procurement processes. The following outlines the areas 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 discussed above, the FMS process does provide a process 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 a sole source request. Unless the customer submitted a sole source request, the customer cannot provide input into source selection decisions. LOA standard term and condition 1.2 states the following:

> . . . 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 its subcontracts or to direct the deletion of names of firms from potential bidder lists. Customers may suggest that certain additional firms be included because this has the effect of increasing competition. [SAMM, Section C6.3.5.1 and DFARS, 225.7304]

Contract Negotiations

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.

Although the USG should be able to accomplish contracting actions without FMS purchaser involvement, the SAMM C6.3.5.2 states that contracting officers 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 contracting officer after consultation with the contractor. USG personnel are not permitted to release any contractor proprietary data unless approved by the contractor. [DFARS, 225.7304]

Contract Pricing

SAMM C6.3.6.1 states that 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. Per the DFARS 225.7304, the FMS customer is not permitted to observe or participate in cost or pricing negotiations between the USG and the contractor unless a deviation is granted.

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 DOD and the foreign purchaser are identified in the LOA. Consequently, there normally should 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. Release of internal pricing or negotiation information is not permitted.

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 total performance by both the contractor and the USG. Specialists in contract administration, quality assurance, industrial security, financial management, and production management perform contract administration. FAR, section 42.3, provides a detailed listing of 70 contract administration functions.

Normally, there will be a procuring contracting officer (PCO) located at the MILDEP or defense agency. The PCO oversees the contract process through the contract award. Following contract award, the contractor may perform contract work at diverse and multiple geographic locations. It therefore becomes impractical for the PCO to be able to perform day-to-day oversight in administering the

awarded contract. As a result, the PCO will generally delegate the contract administration functions to an administrative contracting officer (ACO) that is physically located near or at the contractor's facility.

Within DOD, the Defense Contract Management Agency (DCMA) is 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 the customer's needs. After contract award, DCMA monitors contractors' performance and management systems to ensure that cost, product performance, and delivery schedules are in compliance with the terms and conditions of the contracts. DCMA has six product divisions:

- Aeronautical Systems Division
- Ground Systems & Munitions Division
- Space & Missile Systems Division
- Naval Sea Systems Division
- Special Programs Division
- International Division

These DCMA divisions consist of contract management offices (CMOs) that administer DOD contracts. More information on DCMA is available online at http://www.dcma.mil/.

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 web site; http://www.dcaa.mil/.

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 the following:

> 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 components:

- Contract administration
- Quality assurance
- Contract audit

When contract administration is performed outside of the U.S., a fourth CAS fee component will be applied. More information on the CAS fee is contained in Chapter 12 of this textbook, "Foreign Military Sales Financial Management."

In accordance with the 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. SAMM, Tables C9.T3, C9.T4, and C9.T5 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 quality conditions are detected, requirements for corrective action by the contractor are initiated. All FMS requirements have the same quality assurance processes applied that DOD utilizes for its own contracts. The quality assurance function includes the USG inspecting and ultimately accepting or rejecting the contractor's performance under the provisions of the contract. At the point of acceptance, the USG takes title to the material 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

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 cost incurred as the work progresses The customary progress payment rates on DOD contracts are 80 percent of the total estimated contract cost for large businesses, 90 percent for small businesses, and 95 percent for small disadvantaged 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 internal adjustments 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 government program manager agreed to the early delivery because there was no increase in contract cost. However, accepting early delivery generated an accelerated demand by the U.S. for LOA payments from the FMS customer. The customer's budget was already established to support the original estimate of payments. This early delivery decision actually turned out to cause significant problems and dissatisfaction for the FMS customer.

Figure 9-1
DD Form 250

MATERIAL INSPECTION AND RECEIVING REPORT

Form Approved
OMB No. 0704-0248

The public reporting burden for this collection of information is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0248), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE ABOVE ADDRESS.
SEND THIS FORM IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE DFARS, APPENDIX F-401.

1. PROCUREMENT INSTRUMENT IDENTIFICATION (CONTRACT) NO.	ORDER NO.	6. INVOICE NO./DATE	7. PAGE	OF	8. ACCEPTANCE POINT

2. SHIPMENT NO.	3. DATE SHIPPED	4. B/L TCN	5. DISCOUNT TERMS

9. PRIME CONTRACTOR CODE	10. ADMINISTERED BY CODE

11. SHIPPED FROM *(If other than 9)* CODE	FOB:	12. PAYMENT WILL BE MADE BY CODE

13. SHIPPED TO CODE	14. MARKED FOR CODE

15. ITEM NO.	16. STOCK/PART NO. DESCRIPTION *(Indicate number of shipping containers - type of container - container number.)*	17. QUANTITY SHIP/REC'D*	18. UNIT	19. UNIT PRICE	20. AMOUNT

21. CONTRACT QUALITY ASSURANCE

a. ORIGIN

☐ CQA ☐ ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.

DATE | SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE

TYPED NAME:

TITLE:

MAILING ADDRESS:

COMMERCIAL TELEPHONE NUMBER:

b. DESTINATION

☐ CQA ☐ ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.

DATE | SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE

TYPED NAME:

TITLE:

MAILING ADDRESS:

COMMERCIAL TELEPHONE NUMBER:

22. RECEIVER'S USE

Quantities shown in column 17 were received in apparent good condition except as noted.

DATE RECEIVED | SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE

TYPED NAME:

TITLE:

MAILING ADDRESS:

COMMERCIAL TELEPHONE NUMBER:

** If quantity received by the Government is the same as quantity shipped, indicate by (X) mark; if different, enter actual quantity received below quantity shipped and encircle.*

23. CONTRACTOR USE ONLY

DD FORM 250, AUG 2000 PREVIOUS EDITION IS OBSOLETE.

Contract Administration of Direct Commercial Sales

Eligible governments may request contract administration and contract audit functions normally provided by DCMA offices and the DCAA auditors, for direct commercial sales purchases. The procedure is for the foreign customer to submit an LOR for such services to DCMA.

This service for DCS purchases is normally authorized and reimbursed through a blanket order LOA between the foreign purchaser and DCMA. The LOA establishes an estimated dollar value against which individual contract administration requests can 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

In layman's terms, an offset is a package of additional benefits that the seller agrees to provide or perform 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 weapons system producers that are competing to sell their system to prospective purchasing countries. When a country makes the decision to procure a major foreign system, significant amounts of national funds are going to flow out of that country's economy. Given the cost of today's modern systems, the cash outflow is probably going to be in the hundreds of millions or even into the billions of dollars. As a result, purchasing countries often wish 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 intended to compensate for the huge financial outflow is referred to as an "offset".

Offsets are recognized as a legitimate, legal arrangement found in international acquisitions. Offsets in defense trade began in the late 1950s. The first example of U.S. offsets occurred in the early 1960's with the coproduction of the F-104 jet fighter and Hawk surface-to-air missile in the Western Europe. Today, offsets continue to be an important element in defense trade with the aerospace industry representing the majority of all offsets. In terms of defense acquisitions, offset requirements may be established in conjunction with either FMS or a DCS.

Types of Offsets

Various terms are used to describe different types of offset arrangements. The terms offsets, coproduction, buy-backs, barter, counter-purchase, compensation, and counter-trade are often used interchangeably. However, all offsets can fundamentally be categorized into two types: direct offsets and indirect offsets.

A direct offset is a form of compensation provided to a purchaser that involves goods directly related to the item being purchased. As an example, the U.S. contractor may agree to permit the purchaser to produce in its country certain components or subsystems of the weapon system the country is purchasing.

An indirect offset is a form of compensation provided to a purchaser that involves goods which are unrelated to the item being purchased. For example, the contractor may agree to purchase, usually for resale, certain of the customer country's manufactured products, agricultural commodities, raw materials, or services.

Congressional Interest and Notification

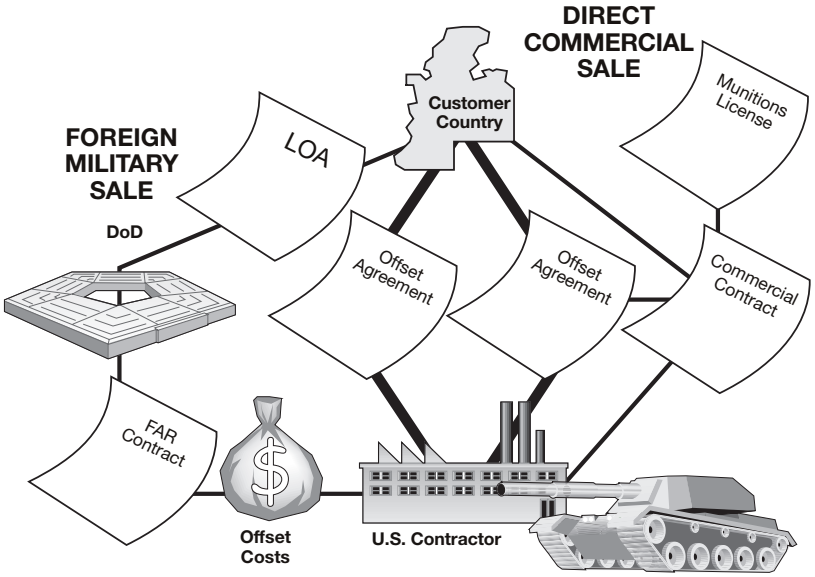
As the number and variety of offset programs has increased, so has the concern of many government agencies, private industries, labor officials, and the media over the impact of offsets on U.S. domestic industries. These concerns include the impact of these trade practices on American jobs, the U.S. 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 this annual offset report to Congress is included in the references section of this chapter.

The AECA, Section 36(g) requires congressional notification of proposed FMS and commercial export sales with offset agreements. The information provided to Congress includes a general description of the performance required for the offset agreement. This description should indicate whether or not a known offset requirement exists, whether the country has a standard offset requirement, and whether 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. Reporting of offset agreements is treated as confidential information and 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 a party to the agreement and does not retain any obligation to enforce the contractor's performance of the agreement. Figure 9-2 illustrates the offset relationship. This seems like and, in fact, is 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 would prohibit offsets from being offered under FMS, the U.S. firms would be at an enormous disadvantage in attempting to compete internationally. As stated earlier, it is DOD's preference to sell American equipment, so, in this environment, the USG must permit American firms to offer offsets to be competitive in the international arena.

Figure 9-2
Offset Relationships



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*. The key provisions of the policy on offsets are:

- 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 in SA transactions
- Negotiations or decisions regarding offset commitments reside with the companies involved
- Exceptions require presidential approval through the National Security Council (NSC)

Offset Costs

When a customer requires an offset in association with a major procurement, do they actually obtain the offset benefit at no cost? The fundamental principle of business dictates that any enduring enterprise cannot incur more expenses than revenue it collects. The same is true in offsets. Firms may agree to perform an offset to win an acquisition competition. However, they must recover the cost to perform the offset through the price charged for performing 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 an offset agreement directly with the FMS purchaser. Although DOD is clearly not a 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 the DFARS considers as allowable. Contractors are permitted to build the cost of performing the offset into the contract sale price it charges the USG. Under FMS pricing policy, the USG must recover all costs of conducting FMS through the LOA. As a result, if offsets are required by the purchasing country, the LOA price will actually 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. This is not true. Offset costs are included as part of the applicable line item unit cost in P&A data and in estimated prices quoted in the LOAs. It is the contractor's responsibility to inform the MILDEP when estimated offset costs have been included in the FMS pricing.

The additional cost to perform the offset will result in a higher contract cost which, in turn, results in a higher FMS cost under the LOA. Although not a party to the offset agreement, the USG serves as the banker for the offset. Although the DFARS states that offset costs will be considered allowable, it does not mean that the contractor does not have to exercise caution in offset performance. The DFARS requires the contracting officer to review and determine that the contract costs, to include offset costs claimed by the contractor, are both allocable and reasonable.

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. If the LOA is funded with FMFP funds, offset costs are unallowable.

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 estimate 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.

Letter of Offer and Acceptance Offset Note

All LOAs involving articles or services sourced from procurement and financed wholly with customer funds or with repayable credit are required to contain the following offset note. This note summarizes the USG policy regarding offsets in association with FMS.

> The DOD is not a party to any offset agreements/arrangements which may be required by the Purchaser in relation to the sales made in this LOA and assumes no obligation to administer or satisfy any offset requirements or bear any of the associated costs. To the extent that the Purchaser requires offsets in conjunction with this sale, offset costs may be included in the price of contracts negotiated under this LOA. If the Purchaser desires visibility into these costs, the Purchaser should raise this with the contractor during negotiation of offset arrangements.

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 why 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 the sole source process if they desire the USG to contract with a specific firm. Under sole source procedures, the FMS customer must include some reasonable justification to support the sole source 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 normal DOD business.

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 provided grant funds, offset costs claimed by the contractor will be considered unallowable.

References

DOD 5105.38-M, *Security Assistance Management Manual* (SAMM), Chapter 3, 5, 6, and 9.

Federal Acquisition Regulations (FAR), Parts 6, 14, 15, 16, 25, and 31. Available online at the following link: http://www.acquisition.gov/FAR/.

Defense Federal Acquisition Regulation Supplement (DFARS), Part 225 Foreign Acquisition. Available online at the following link: http://www.acq.osd.mil/dpap/dars/dfars/html/current/tochtml.htm.

Department of Commerce. *Offsets in Defense Trade*, Thirteenth Report. Available online at: http://www.bis.doc.gov/defenseindustrialbaseprograms/osies/offsets/default.htm.

Chapter

10 LOGISTICS SUPPORT OF INTERNATIONAL MILITARY SALES

INTRODUCTION

For Foreign Military Sales (FMS) customers, the weapon system acquisition phase begins with 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.

The Department of Defense (DOD) does not have a separate logistics system to support foreign military requirements resulting from security assistance (SA) efforts. Rather, these requirements are satisfied by using existing DOD logistics systems. Therefore, understanding how the basic DOD logistics system components fit together and function is a prerequisite to understanding the relatively minor system adaptations that have been made to accommodate SA requirements. Since many of the unique SA topics introduced here are covered in considerable detail in subsequent sections, the following discussion is presented as a DOD logistics system overview.

THE TOTAL PACKAGE APPROACH

The DOD policy is to offer the FMS purchaser a complete sustainability package when developing a letter of offer and acceptance (LOA) for non-excess systems. The total package approach (TPA) ensures items can be operated and maintained in the future, and ensures that FMS purchasers can obtain support articles and services required to introduce and sustain equipment. In addition to the system itself, other items to consider in a total package include training, technical assistance, initial support, ammunition, and follow-on support. The necessary planning for follow-on support, training, and other elements of continuity should accompany the transfer of end-items.

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 "the science of planning and carrying out the movement and maintenance of forces". In its most comprehensive sense it is those aspects of military operations which deal with design and development, acquisition, construction, storage, movement, distribution, maintenance, disposition or disposal 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, as a model for briefly examining the relationship between international logistics and the DOD logistics system, attention will be focused on the functional areas of transportation, maintenance, and supply.

Transportation

Transportation involves the movement of equipment from point of origin to final destination. U.S. government (USG) policy is that FMS purchasers should be responsible for as much of the transportation process as possible past the continental U.S. port of exit. The DOD becomes involved as an exception in certain complex FMS transportation actions. To help accomplish these tasks, the procedures prescribed in 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 is responsible for the administration of the procedures prescribed by DOD 4500.9-R, which uses military standard requisitioning and issue procedures to create and exchange standard shipping data for recording and reporting shipping status and to control materiel movements in the Defense Transportation System (DTS).

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, and is subsequently approved by the weapon system program manager.

There are three generic levels of maintenance in DOD. 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 three levels all the time. Each weapon system sale must take into consideration the purchaser's operating requirements, maintenance capabilities and investment costs, and a tailored maintenance plan must be developed for that specific purchaser.

Organizational or Field Level Maintenance

This level of maintenance is performed by individual organizations on their own equipment. Organizational maintenance duties include inspecting, servicing, lubricating, adjusting, and replacing parts, minor assemblies, and subassemblies.

Intermediate Level Maintenance

This level of maintenance is performed by separate maintenance activities to support users. Intermediate maintenance is normally accomplished in fixed or mobile shops, tenders, shore-based repair facilities, or by mobile teams. Its phases include: calibration, repair, or replacement of damaged or unserviceable parts, components, assemblies, the manufacture of critical non-available parts, and providing technical assistance.

Depot Level 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 military services and are accomplished by organic military repair facilities (i.e., Army maintenance depots, Air Force logistics centers, Navy aviation depots, Navy shipyards) or by civilian contractors.

Supply

Supply is another 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 services 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 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 items are generally repairable and non-expendable items, e.g., radios, generators, etc. Consumable items are usually low-cost and expendable items, such as gears, bearings, and gaskets.

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 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 and its supply centers. However, the ICPs in the military also serve as single item managers. Most of the items which remain under military service management are peculiar to the individual service or directly related to the operation of a particular weapon system, or are identified as high cost items worthy of service management.

Retail versus Wholesale Item Management

The term retail item refers to those stocks at the base or activity level which 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 wholesale or ICP management level via an FMS blanket order case or a cooperative logistics supply support arrangement (CLSSA).

Inventory Control Points

The primary players in the DOD wholesale system are the ICPs, i.e., Army Life Cycle Management Commands (LCMC), Air Force Air Logistics Centers (ALC) and product centers, the Navy ICPs and systems commands, and the various DLA supply centers and depots. ICPs play a major role in satisfying both U.S. and foreign military requirements placed on our logistics systems.

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, overhaul, and disposal management for secondary items. While the ICPs participate in the management of major end items/ systems, i.e., tanks, aircraft, ships, etc., they do not have primary responsibility for determining the requirements for these items.

An ICP's role in SA 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 such as ammunition and support equipment.

Major item sales cases usually include the repair parts required to support the major item for a 12-24 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 military departments' (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 request for items which they manage. Within guidelines established by DOD, they may either issue items directly from available stocks or, when necessary, by procuring 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.

- 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 Naval Inventory Control Point (NAVICP) situated in two locations. The activity located at Mechanicsburg, Pennsylvania manages ship spares, and the activity located at Philadelphia, Pennsylvania manages aircraft spares.
- The Naval Air Systems Command (NAVAIR) headquartered in Patuxent River, Maryland, manages Naval aircraft and air-to-air missiles, as well as their associated support equipment and repair depots.

- The Naval Sea Systems Command (NAVSEA) headquartered 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.
- The Space and Naval Warfare Systems Command (SPAWAR) headquartered in San Diego, California, manages the Navy's communications and electronics systems.
- The Marine Corps Systems Command (MARCORSYSCOM) headquartered in Quantico, Virginia, manages all Marine Corps specific vehicles, weapons and equipment. It also develops and manages Marine Corps FMS cases for the DON.

Army Inventory Control Points

Within the Army structure, there are five life cycle management commands, each with SA management directorates (SAMD).

- The Tank Automotive and Armaments Command (TACOM), headquartered in Warren, Michigan, manages 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 Fort Monmouth, New Jersey, is responsible for the Army's communications and cryptographic equipment.
- The Joint Munitions Command (JMC), headquartered at Rock Island Arsenal, Illinois, is the single manager of munitions for the DOD.
- The Program Executive Office for Simulation, Training and Instrumentation (PEO-STRI), located in Orlando, Florida, provides simulation, training and testing 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 overlaps among the three products centers and the three ALCs. Primary items are managed at the product centers, while depot repairables and secondary support items are managed by the air logistics centers.

The product centers include:

- The Aeronautical Systems Center (ASC) at Wright-Patterson Air Force Base, Ohio, manages a wide variety of aircraft and related equipment. These include the B-2 bomber, the F-17A Nighthawk, the C-17 Globemaster and C-5 Galaxy and C-130 Hercules upgrades. The center also manages unmanned aircraft systems.
- The Air Armaments Center (AAC) at Eglin Air Force Base, Florida develops, tests and fields all air-delivered weapons. The center plans, directs, and conducts tests and evaluations of U.S. and allied air armament, navigation/guidance systems, and command and control systems.

- The Electronic Systems Center (ESC) at Hanscom Air Force Base, Massachusetts, manages the development and acquisition of electronic command and control (C2) systems. One of the ESC's best known programs is the Airborne Warning and Control System (AWACS).

The air logistics centers include:

- The Warner Robins Air Logistics Center, Robins Air Force Base, Georgia, supports several Air Force weapons systems, including the C-5 Galaxy, the F-15 Eagle, the C-141B/C Starlifter, and the C-130 Hercules.
- The Oklahoma City Air Logistics Center, Tinker Air Force Base, Oklahoma, performs depot maintenance on various aircraft and overhaul and repair on numerous jet engines, and is the technology repair center for automatic flight control and engine instruments.
- The Ogden Air Logistics Center, Hill Air Force Base, Utah, performs depot level overhaul and repair for all types of landing gear, wheels, brakes and tires. The center supports the C-130 Hercules, the F-16 Falcon, and the A-10 Thunderbolt, and it is responsible for program management of the KC-135 Stratotanker.

All of these organizations belong to the Air Force Materiel Command (AFMC) and have SA responsibilities.

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 demands on the military supply systems have grown to nearly 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 supply actions. Unlike other organizations in the logistics system that serve both U.S. and foreign requirements, these organizations are devoted completely to SA. These organizations are generally called international logistics control organizations (ILCOs).

International Logistics Control Organizations Functions

The U.S. Army Security Assistance Command, New Cumberland, Pennsylvania (USASAC-NC) serves as the Army ILCO. The USASAC operates at Redstone Arsenal, Alabama. The USASAC commander also serves as the director of SA on the Army Materiel Command headquarters staff. The deputy for operations is the ILCO, USASAC-NC.

The U.S. Navy International Programs Directorate (NAVICP-OF) of the Navy Inventory Control Point is the Navy's ILCO. With offices in both Philadelphia and Mechanicsburg, Pennsylvania, NAVICP is a subordinate organization of the U.S. Navy Supply Systems Command.

The Air Force Security Assistance Center (AFSAC), the Air Force ILCO, is a major component of the AFMC. Both are located at Wright-Patterson Air Force Base, 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 customer and the service supply systems. 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 LOAs. They develop and manage follow-on support cases for maintenance, publications, nonstandard support, and excess material. 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 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 systems are discussed further in Appendix 2, "Security Assistance 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 requisitions must be prepared in accordance with *Military Standard Requisitioning and Issue Procedures* (MILSTRIP). Requisitions for defined order cases are prepared by the ILCOs, normally upon receipt of an implemented case. Requisitions for CLSSA and blanket order cases are prepared by the purchaser. Every requisition for SA must be validated and passed by the ILCO before it can enter the U.S. 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 the normal source of supply, an ICP.

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 - Indianapolis (DFAS-IN) for billing and record purposes. In some instances, the ICPs report their deliveries directly to DFAS-IN, 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 consolidated delivery status to DFAS-IN.

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, D.C., 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 about 93 percent of active national stock numbers (NSN) 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 a weapon systems approach toward materiel management. There are three ICPs. Each ICP is assigned responsibility for a portion of the same three million items used by the services but supplied by DLA. The three DLA ICPs and their responsibilities are as follows:

- The Defense Supply Center Columbus (DSCC), at Columbus, Ohio, is the lead ICP for land, maritime and missile weapon systems.
- The Defense Supply Center Richmond (DSCR), at Richmond, Virginia, is DLA's lead for aviation support and environmental products. The DSCR also serves as the storage and distribution center for maps and charts.
- The Defense Supply Center Philadelphia (DSCP) at Philadelphia, Pennsylvania provides food, clothing, textiles, medicines, medical equipment, general and industrial supplies and services to DOD, to other government agencies, and to 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 Defense Logistics Information Service (DLIS), Battle Creek, Michigan, as the national codification bureau for the U.S.
- DOD materiel utilization and surplus property disposal is performed by the Defense Reutilization and Marketing Service (DRMS), headquartered in Battle Creek, Michigan.
- The Defense Distribution Center (DDC), New Cumberland, Pennsylvania, operates the wholesale warehouse depots.
- The Defense Energy Support Center (DESC) at Ft. Belvoir, Virginia supplies bulk petroleum products and alternative fuels, performs direct delivery, and manages terminal facilities and distribution.
- The Defense Automatic Addressing System Center (DAASC) is the official repository for selected DOD publications and databases. DAASC receives, edits, and routes logistics transactions for the military services and federal agencies: information about anything, anywhere, anytime, to anyone in the DOD and federal logistics community. All electronic FMS transactions are routed through DAASC.

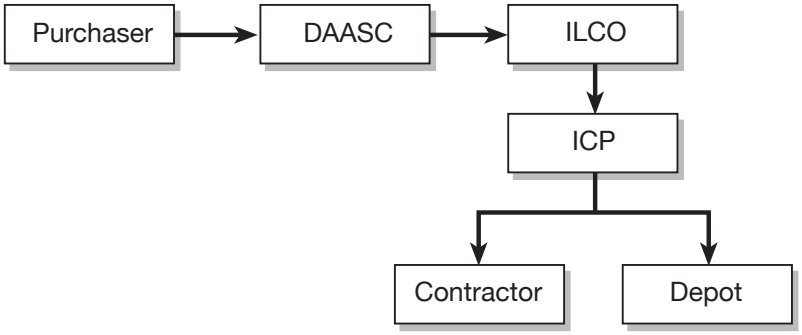
Although the DLA manages the vast majority of items, the DLA supply management mission does not have a central ILCO for the management of SA programs. Rather, foreign requisitions flow to DLA through the MILDEP ILCOs. It is interesting to note that a majority of MILDEP-processed FMS requisitions are for DLA-managed consumable items supplied by the DLA supply centers.

Requisition Process Overview

The typical FMS requisition process starts when the U.S. implementing agency (IA) receives obligation authority from the DFAS upon acceptance of an LOA by an FMS customer. 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 expenditure 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



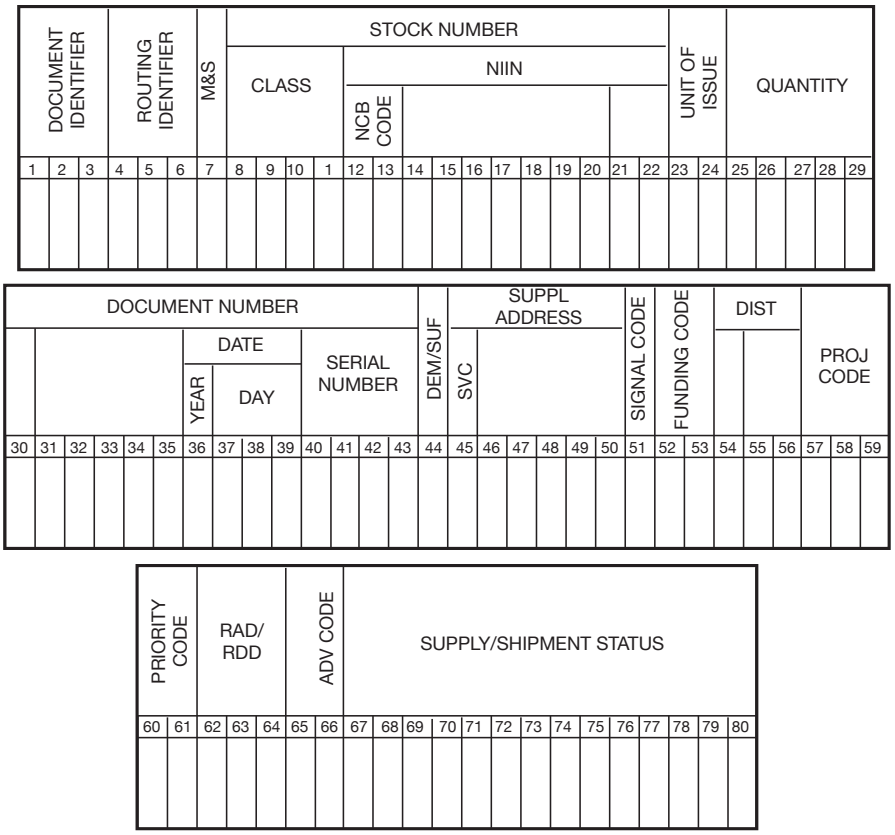
Regardless of the entry point, all logistics information passes through an information router, DAASC, where each transaction is recorded for future reference.

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. Chapter 6 of DOD 4000.25-1-M, *Military Standard Requisitioning and Issue Procedures* (MILSTRIP), covers MILSTRIP procedures for FMS purchasers. There are some service-developed brochures describing 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.

Figure 10-2
Foreign Military Sales Unique 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



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.

We tend to take this common language of logistics for granted in field operations. The NCS is quickly appreciated, however, when the operational commander finds himself in a coalition environment with partner countries using different components and nomenclature systems.

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 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 Defense Logistics Information Service (DLIS) 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 three unique parts:

- The first four digits are the NSC 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 sixteen million active NSNs (seven million for the U.S. and nine million assigned by other NATO countries). 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 seven million “active” U.S. NSNs have at least one allied user registered. There are currently fifty separate foreign countries recorded as users on various NSNs in the U.S. catalog system. About 31 million part numbers are registered on these NSNs, as are about 1.5 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 DLIS are produced from FLIS data.

Federal Supply Catalogs

DLIS is the DLA field activity designated as the manager of the Federal Catalog System (FCS). The FCS is the official USG program under which equipment and supplies are uniformly named, described, classified, and stock numbered. DLIS offers a range of products containing FCS information.

Certain products, such as the Federal Logistics Data (FED LOG) are available only to the NATO and NATO-sponsored countries because they contain proprietary data and characteristics data of countries other than the United States. Sponsorship agreements contain language regarding the protection of restricted data.

The FMS purchaser can obtain DLIS catalogs directly from DLIS or through cases with the MILDEP. Requests for information about DLIS information products or placing an order should be directed to Commander, Defense Logistics Information Service, Attn: DLIS-SD, 74 North Washington Street, Battle Creek, MI 49017-3084, DSN 932-4310/4328 Ext 5721, Commercial (616) 961-4310/4328 Ext 5721, Fax (616) 961-4760, or E-mail: fms@dlis.dla.mil.

DLIS also offers a wide range of training related to cataloging and the federal catalog system and the use of DLIS's information products. Additional information is available from Commander, Defense Logistics Information Service, Attn: DLISVST, 74 North Washington Street, Battle Creek, MI 49017-3084. The telephone number is (616) 961-4478/4829, Fax: (616) 961-4307, e-mail: dlis.tng.@dlis.dla.mil.

DLIS has a home page on the internet that has a large amount of information about its products, services, prices, and contact points, as well as links to other USG home pages. The web site is http://www.dlis.dla.mil.

Basic catalog data is available on the internet. DLIS provides both a public and restricted search capability through WebFLIS. Infrequent users who do not have sufficient need to purchase specific catalog products may be able to locate information via WebFLIS at: www.dlis.dla.mil/webflis.

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 web site http://www.dlis.dla.mil/nato/default.asp#Sponsorship.

In addition to the twenty-eight members of NATO, nearly thirty other nations around the world have been accepted as sponsored members of the NCS.

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 directive CJCSI 4110.01, *Force/Activity Designators for Foreign Country Forces*. The FAD is applicable to all requisitions for materiel destined for the country.

Table 10-1
NATO Codification System Sponsorship

NATO Countries	Sponsored Countries
Albania	Argentina
Belgium	Austria
Bulgaria	Australia
Canada	Brazil
Croatia	Chile
Czech Republic	Egypt
Denmark	Finland
Estonia	Georgia
France	India
Germany	Indonesia
Greece	Israel
Hungary	Korea
Iceland	Kuwait
Italy	The former Yugoslav Republic of Macedonia
Latvia	Malaysia
Lithuania	Morocco
Luxembourg	New Zealand
Netherlands	Oman
Norway	Papua New Guinea
Poland	Philippines
Portugal	Russia Federation
Romania	Saudi Arabia
Slovakia	Singapore
Slovenia	South Africa
Spain	Sweden
Turkey	Thailand
United Kingdom	Tonga
United States	Ukraine
	United Nations

The receiving activity'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 DDN is not available to the majority of FMS purchasers, other methods such as international mail, facsimile transmissions (Fax), e-mail, and the International Logistics Communications System (ILCS) serve many countries as the primary logistics communications methods for FMS.

International mail is both slow and unreliable when compared to electronic means of transmitting MILSTRIP documents, cataloging data, and narrative traffic. Although Fax and e-mail may be faster than international mail, they are still subject to manual processing at the ILCO. This intervention slows down the request and subjects the document to potential transcription errors.

The ILCS was developed to improve logistics communications service to SA 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 to 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 DOD.

The ILCS significantly increases the amount and timeliness of management information available to purchaser logisticians and reduces pipeline time by as much as 80 percent, resulting in substantial cost savings. This system, which has multi-service application, passes MILSTRIP requisitions to the DAASC. DAASC 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 directly or via the DAASC. 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 80 record positions of data for each transaction.

ILCS can be provided to the subscriber through:

- A DAASC-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 DAASC network control system computer system. DAASC will provide the interface requirements and the DAASC 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.

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, and 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 DAASC are on a time-used basis.

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 DAASC to secure the required ILCS services through an FMS case.

Currently, there are 46 countries connected through the ILCS system.

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 2, "Security Assistance 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 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, 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. The planning process 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 milestone chart 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 12 to 24 month period. In order to determine the level required for SA 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 provisioning conference.

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. [Joint Pub 1-02] We must not forget that 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 DOD does for each new weapon system it employs.

The provisioning conference is a working group consisting of contractor, engineering, maintenance, supply, and user personnel. 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 or restore (MTTR).

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 decisive 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, economy can be an overriding factor. The providing IA must consider not just the cost of the material, 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 which 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 support will be sold to a foreign purchaser. During the definitization process spares and support equipment requirements not already confirmed during the site survey are identified.

CSP accompany each system sale to provide the basic in-country supply system. FMS customers 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 restraints. 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. FMS customers and program managers should discuss future options for:

- Spare parts support through CLSSA or blanket order cases

- Repair options
- Follow-on training and training devices
- Technical and engineering services
- Updates of technical manuals and publications
- Munitions and explosives
- Transportation options for the movement of materiel

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 our SA 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. For the FMS customer, it is often insufficient to apply the same decisions as we have made for ourselves. The additional step of definitization is necessary to ensure adequate support for the system which is being purchased.

Follow-on Support Concept

Follow-on support is that provided on a day-to-day basis subsequent to the initial support period and prior to 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 corollary 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 less than adequate, the system’s mission capability is appreciably damaged or effectively neutered.

Follow-on support, unlike initial support, involves the USG being in a reactive role rather than a proactive role. That is, DOD responds to demands initiated by the international customer. Follow-on logistics support encompasses all the various services and material 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.

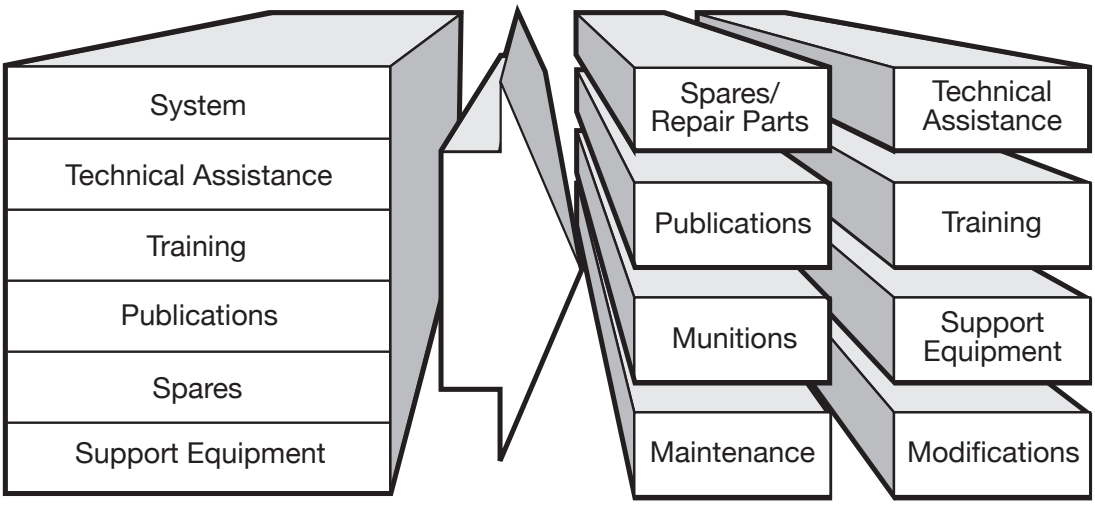
Follow-on logistics support is designed to maintain defense systems/equipment in an operable condition or to modify an original sale configuration after a weapon system or item of major equipment is sold.

The timely rendering of follow-on logistics support is vital to the success of the FMS program. Without it, the equipment, usually purchased at 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 lengthy 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. The following is a sample of the areas that should be considered in addition to spares and repair parts.

- Publications
- Maintenance
- Training
- Support equipment
- Munitions
- Modifications
- Technical assistance
- Petroleum, oil, and lubricants (POL)

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.

Commercial Contractor Support

The foreign purchaser may use commercial contractors for follow-on support in accordance with DOD 5105.38-M, Section C4.5, *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, or negotiate an offset arrangement.

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 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 purchaser 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 text book, "Foreign Military Sales Cases."

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 agreement 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 material, 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 service'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 provide 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 this arrangement, stock augmentation and subsequent materiel withdrawals, two FMS cases are required for a CLSSA:

- An FMS order (FMSO) I
- A FMSO II

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 12 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 material that must be in U.S. stock to fill CLSSA requisitions; and Part B, which represents a dependable undertaking of the on-order portion, or the value of items and quantities needed to maintain the on-hand material, based on the representative lead-time for the commodity to be supported. 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 DOD to set up the arrangement.

CLSSA procedures are outlined in DOD Instruction 2000.ii, dated 29 August 2005, and Defense Security Cooperation Agency (DSCA) Policy 05-23.

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 is quite similar in function to a 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 capacity. In today's war fighting environment the capabilities and interoperability of America's coalition partners cannot be overlooked.

The effectiveness of a 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 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 material by 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 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 material 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 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 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 for the U.S. implementing agency to manage follow-on support; added expenses, in turn, 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 non-responsive to requests for changes, and prices may be higher.

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 U.S. contractor 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 is in place for availability of items that were also provided to FMS customers, those with CLSSAs would participate in and benefit directly from the PBL support.

Obsolenscence, 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 or 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, 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:

- 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,* 1 November 2006.

Unfortunately, the reality for many FMS customer 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 themselves. These programs include System Support Buyout, Foreign Military Sales Reserve Program, the acquisition of property through the DRMS and the redistribution of FMS customer excess spares and equipment via the Worldwide 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 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 DOD. DOD also considers as nonstandard those country-peculiar system configurations resulting from the installation of a nonstandard item on equipment or system 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.
- 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 of supply of nonstandard items, particularly spare parts for end items no longer in 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 effectively supplied by the standard DOD logistics system. As DOD emphasizes business-like practices, including less stock and more direct vendor delivery, CBS efforts are becoming even more important.

Repair of Repairables

Joint Pub 1-02 defines a repairable as an item which 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 sole 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." That is, the repair, overhaul, or rebuild of unserviceable assets, which require 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 a must. 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 material 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 determines that an item is 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) or file a DSP-85 (classified) import document 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, "Foreign Military Sales Transportation Policy," of this text book, or the SAMM, Chapter 7.

Concepts of Repair

Two concepts are used in obtaining repairs under the FMS repairable program.

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 "return, repair, and reshipment" (RRR).

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 management (IM) before shipping material 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 RRR 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.

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 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 allies 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 Army, Air Force and the Navy currently offer purchasers the option of using both the repair and return and the direct exchange program. The Marine Corps offers only 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 NAVICP in conjunction with the U.S. Navy's hardware systems commands. If the requested material 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 (also known as the net cost). If the carcass is determined to be non-repairable, then the purchaser is charged the full price for a condition "A" item minus the net cost, which is charged when the requisition is initially submitted.

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 material 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.

U.S. Army. The U.S. Army calls its repair and replace program DX. Under this program, FMS customers can draw directly from the U.S. Army supply system (through a CLSSA or blanket order case) for specifically approved items. If the requested material is available in the U.S. Army's stock system, it is shipped immediately upon request and the purchaser is charged the standard price for the item. Upon the Army's receipt of the failed item (or carcass), the purchaser is credited for the value of the failed 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. Providing excess materiel is accomplished either through the Excess Defense Articles (EDA) program or the DRMS. 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 FMS basis. The DRMS program, on the other hand, is the sale of excess government property, which may include major end items, support equipment and consumables that are no longer needed by the MILDEPs, and are sold by DLA at a reduced cost based on the condition of the items. All sales of excess significant military equipment (SME) or materials valued at $7M or higher in original acquisition value require a 30-day advance congressional notification prior to transfer.

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 Assistance Legislation and Policy," of this text book.

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. Care should be taken to ensure a prospective customer has either an existing infrastructure or that one can be developed as part of the TPA 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. Not all countries are eligible for all types of EDA sales or transfers. 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 approximately 55% 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 material being offered for transfer.

Defense Reutilization and Marketing Service

There has been an increase of interest in the DRMS 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. DRMS provides an alternative low-cost method of acquiring property through FMS. Recent changes have streamlined the ability to find property when and where the purchaser wants it. With a web page and on-line searchable inventory, the property is virtually brought to the purchaser's desktop.

DRMS has performed disposal services for DOD for thirty years as a primary field level activity of DLA. The mission of DRMS is to maximize 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 DRMS property. To assist in this effort, DRMS writes and negotiates all of its own cases.

When property is no longer needed or DOD has too many items in stock, the property is deemed excess and scheduled for turn-in at one of the Defense Reutilization Marketing Office (DRMO). Once property enters the inventory, it begins a 42-day screening cycle. After the screening cycle is complete, items that have a military offensive or defensive capability are demilitarized (quite possibly destroyed) and sold as scrap. Therefore, it is important for the purchaser to locate needed property as soon as possible. DRMS has several methods to assist the purchaser in finding the property. Because 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, DRMS has taken extra measures to assist the purchaser in determining condition. The DRMOs takes photos of actual item, that are then uploaded to the web and are viewable by purchasers. Additionally, DRMO personnel can check 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 pricing of property in the DRMS inventory for FMS customers is based on the condition code of the item. The price ranges from five to fifty percent of original acquisition value with additional 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 text book, "Foreign Military Sales Financial Management," for more information on depreciation values.

The DRMS web site at http://www.drms.dla.mil/ is the customer's toolbox for searching and locating DRMS property. The purchaser 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 also may include photos of the items.

The preferred method for an FMS customer to order from DRMS 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 FMS web and process its order on-line. Each order is processed overnight and received at the DRMS 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 Support Programs

United States Air Force Technical Coordination Groups

For more than twenty-five years, the U.S. Air Force has been supporting the FMS and SA countries with what has become known as technical coordination groups (TCG). The TCGs, international engine management groups (IEMGs) and 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 TCG. The TCGs provide a single point of contact for countries on all their technical concerns regarding their respective systems once the system is procured. This means the country has direct contact with any of the TCG team employees. The TCGs provide technical assistance for weapon systems including: 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 IEMGs provide technical support for all aircraft engines to include: F100, F108, F110, J69, J79, J85, T56 and T30. ECISAP provides engineering software support and system hardware support. The TCGs, IEMPs, and ECISAP work exclusively for their international customers, and they are not responsible to provide any service to USAF units. The member countries fund the TCGs, IEMPs and ECISAP, and 100 percent of the TCG's time is dedicated to FMS support. The FMS customers pay on a prorated basis to receive these services.

There are currently twelve TCGs, two IEMGs, and the one ECISAP supporting a wide range of aircraft, missiles, engines, and other systems.

United States Army Fair Share Support 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. The UH-1 "Huey" helicopter system was also supported by the FSSP until 2009. There are currently 15 countries supported by the Army's FSSP programs; 11 are HAWK users and 4 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 that specifically apply to one or more FMS customers. The program supports the U.S., Canada, Australia, Spain, Kuwait, Switzerland, Malaysia, and Finland.

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 identifies those spares and repair parts that are adequate 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.

Foreign Military Sales Reserve Program

Many international customers that do not have the funding to buy new production weapon systems instead purchase used, older or excess weapon systems from the U.S. Before doing so, however, they want assurances from the supplier that the older weapon system configuration will be supportable throughout its life cycle. Protecting critical government-owned assets from disposal is a key aspect of future supportability. The FMS reserve program was established by the Office of the Secretary of Defense, and provides for the temporary retention in inventory (and subsequent sale of) defense articles which have been phased out of use by the DOD yet are still needed to provide support for foreign-owned weapon systems. The FMS reserve includes select secondary items (e.g. stock numbered items that are centrally managed/stocked), and service unique items managed by the system or product commands (e.g. test equipment, training devices, etc.). FMS reserve items are available to fill both initial and follow-on support requisitions. Items in the FMS reserve are not excess to DOD, therefore they are issued at full standard or market price with possible adjustments for age, model or condition. Both the U.S. Navy and the DLA participate in the FMS reserve program. Items are retained in reserve for at least four years. Items with demand during that four year period may be retained and managed in support of SA requirements [SAMM, section C6.4.7] under the FMS reserve program. Items with no demand in those four years, including the system support buyout period, may be processed for disposal.

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 web site. 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 web site. Once a buyer requisitions the item, the seller is instructed by AFSAC to ship the material to a contractor near Dayton, Ohio. Title to the material 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 home page 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 Air Force Base. 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. 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 examples are the sales of nine excess P-3B maritime aircraft to the Republic of Korea and six C-130E cargo aircraft to Pakistan, as well as the lease of 34 refurbished F-16A/B fighter aircraft to Italy.

Publications Support

The term publication can be defined as a wide range of printed material, or other media (such as microfiche, diskette, 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 for the FMS customer.

Numerous web sites 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 web sites can be accessed through the external links identified on the Defense Institute of Security Assistance Management (DISAM) home page at http://www.disam.dsca.mil/.

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 keep 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 a must. To aid in this effort, each of the MILDEPs has developed procedures for automatic distribution on which the purchaser can rely. 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 web sites.

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. 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 NAVICP-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 approved 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 NAVICP-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.

To understand the system, the purchaser needs to comprehend two terms used to describe the methods of distribution: resupply and initial distribution. 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. On the other hand, the purchaser uses the DA Form 12-99-R, *Initial Distribution Requirements for Publications,* to obtain publications using the initial distribution method (sometimes called pinpoint distribution). This reproducible form with instructions is also in DA Pamphlet 25-33.

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 on publications problems 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 Air Force Base, Oklahoma and shipped from the managing Air Logistics Center. All other publications are obtained through AFSAC at Wright-Patterson Air Force Base, 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 Department of Defense Form (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 release authority. Technical orders are requisitioned from the security assistance technical order program (SATODS) office located at the Oklahoma City Air Logistics Center on AFTO Form 187 or AFTO Form 276. Automatic distribution of changes can be requested by indicating 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. Requisitioning from these sources directly can speed up the delivery. In some cases, the agency is the only source of the publications. 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 web site.

Further guidance for FMS customers on obtaining publications is available online in "The New Guide to Security Assistance Publications," by Forrest E. Smith, *The DISAM Journal*, Spring 2005, http://www.disam.dsca.mil/pubs/Vol%2027_3/Smith.pdf.

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 DOD 4160.21-M-1. 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 the DRMS. The SAMM, Section C8.6, provides further guidance on equipment demilitarization and disposal.

International customers also may consider transferring their unwanted materiel to another country as a means of disposal. This is typically done with items which 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 assure 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 text book.

Teams Used to Support Country 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, 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 insure that all aspects of the SA 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 insure 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 quickly, 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.

Mobile Training Teams and Mobile Education Teams

Mobile training teams (MTTs) and mobile education teams (METs) consist of U.S. military and civilian personnel temporarily in country to train/educate foreign military personnel. MTTs/METs are authorized to conduct in-country training when the requirement is beyond the capability of the SCO and it is more effective to bring the training to the country. MTTs/METs are not authorized to provide technical assistance.

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 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 insuring 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 be given to using the various teams available to assist in both initial and follow-on support. For additional information, see the SAMM, section C10.5, and Chapter 14, "International Training," of this text book.

Discrepancy Reporting

In a system as large and diverse as the DOD logistics system, errors are bound to happen. 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 SA program, some discrepancies can be expected. When we seek the cause, we find it usually involves 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, it is policy that the USG is not responsible for discrepancies occurring after title transfer to the FMS customer. An exception to this is a discrepancy in billing, which normally occurs after title has passed to the purchaser.

There are four distinct categories of discrepancies. Each has unique reporting requirements for FMS.

- Transportation discrepancies, caused by the carrier or transportation system
- Product quality deficiencies, caused by the manufacturer
- Financial discrepancies, caused by erroneous computation of administrative or accessorial charges
- Supply discrepancies, which capture a wide range of issues

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 insuring 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 handled by filing a claim with the shipper against the carrier on a *Transportation Discrepancy Report* (TDR), DD form 361. The TDR procedures apply to any SA shipment made within the DTS. Transportation discrepancies are discussed in detail in Chapter 11 of this text book, "Foreign Military Sales Transportation Policy."

Product Quality Deficiency Reports

The Product Quality Deficiency Report (PQDR) program provides users with a method of reporting deficiencies in new or newly reworked materiel to the item manager for preventing recurrence. Item managers use PQDRs to justify freezing assets, purging system assets, or returning materiel to the contractor for repair or replacement. FMS customers are encouraged to submit a PQDR, Standard Form 368, via the ILCO to the item manager or to a TCG of which the FMS customer is a member. However, submission of a PQDR will not automatically give the purchaser any financial credit or provide a replacement item. When the deficient item is still within the supply discrepancy report (SDR) submission timeframe, the customer may submit the SDR in lieu of the PQDR to the ILCO in order to be considered for compensation for discrepant materiel. The ILCO will provide information about the product deficiency to the item manager. However, when the SDR submission timeframe has expired, the purchasers should use the PQDR to advise the U.S. item managers of product issues. Defense Logistics Agency Regulation 4155.24 provides further information on the submission criteria and use of the 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 directly to DFAS (except for U.S. Air Force FMS cases) in a letter format requesting correction. The SDR form, SF 364 is not used for reporting financial discrepancies. The U.S. Air Force requires the financial discrepancy to be submitted to the AFSAC. When submitting financial discrepancies to DFAS, use the following address:

DFAS-IN/JAXBC
8899 E. 56th Street
Indianapolis, IN 46249

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.

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.

Shipment Shortages. 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 $1.00 each, the total requisition value is $300.00. If the requisition is filled in three increments of 100, 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 a 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 20 to 30 small items consolidated in the shipment which may be individually accounted for by the foreign customer.

Discrepancies Caused by the Manufacturer. 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 which affects the operability and is not normally detected by examination or routine test, but which was present at 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 classified 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.

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, 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 an shelf life code (SLC) of 24 months or greater, issued to satisfy FMS shall be in condition code A, with a minimum of 12 months shelf life remaining. Requesters have the option to waive the 12-month minimum by submitting exception requisitions (A05).

Items with a SLC of less than 24 months are not subject to the 12-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.

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.

The Element of Time

SDRs must be submitted 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 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.

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 material. 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 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.T5

Table 10-3
Decision Table for Supply Discrepancy Report Submissions

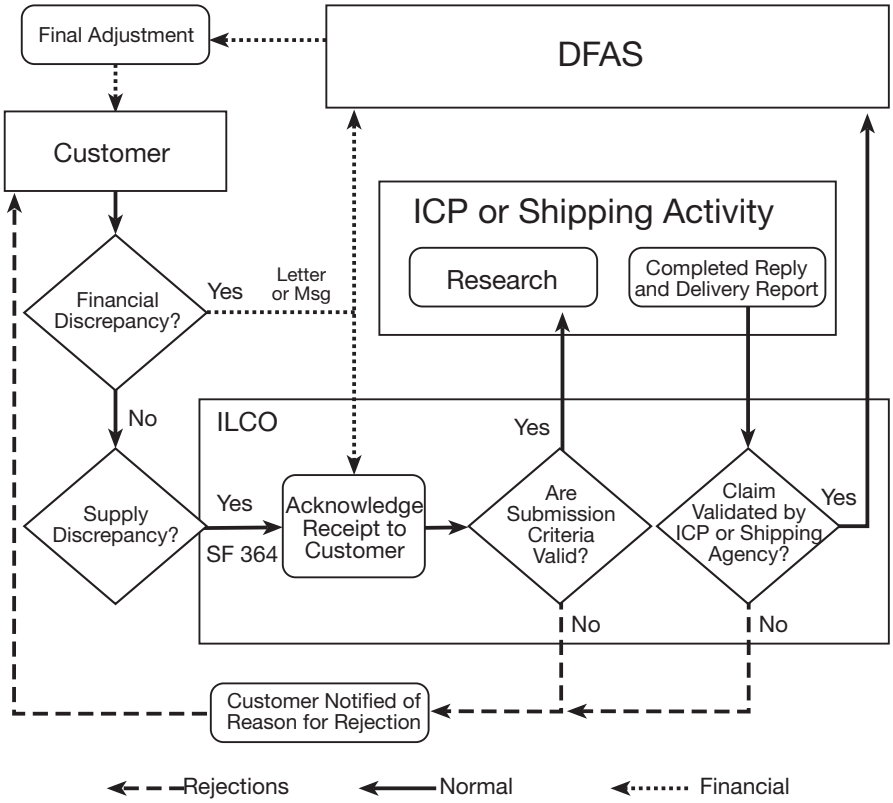
Discrepancy	Action
Transportation: Packages are missing or damaged when received. up by carrier.	Inspect the shipping manifest to ensure that cargo is missing and/or was not damaged when picked If DTS is the carrier, contact U.S. military representative and have the SCO submit an DD 361 (TDR). If not a DTS shipment, immediately submit a claim with the carrier.
Financial: Accessorial or administrative charges are computed incorrectly.	Army/Navy: Submit a letter directly to DFAS-IN explaining the deficiency and requesting correction. Air Force: Submit a letter to AFSAC explaining the deficiency and requesting correction.
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 appropriate ILCO.
Billing: Item is billed erroneously on the quarterly statement (duplication, etc.).	Submit an SF 364 (SDR) and all supporting documentation to 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 then item was shipped U.S. Postal Service or damage was caused by the way the item was packaged (improper bracing, marking, etc.).	Research status previously received to insure 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. Take photographs if possible, make drawings etc., and submit an SF 364 (SDR) with all supporting documentation to appropriate ILCO.

The Discrepancy Report

After completing the step-by-step review and 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*, is the document used in reporting selected discrepancies. See Appendix 1 for a sample SF 364. The requirement for the FMS customer to submit reports of discrepancy on a SF 364 is included in the conditions of each LOA negotiated with the country.

The supply discrepancy reporting process does not apply to Pseudo LOAs, EDAs, or materiel provided under a presidential drawdown. In Pseudo 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.

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, Navy e-Business Suite, AFSAC On-line, the SCIP or some other electronic medium will speed up the investigation process, but the FMS customer must still follow-up the electronic submission with sufficient hard copy documentation to facilitate rapid and accurate resolution. Photographs of materiel, as received, which involve damaged or mislabeled materiel, should be attached 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, *Material Inspection and Receiving Report*; 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
Commanding Officer
Navy Inventory Control Point
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
AFSAC/COSD
5490 Pearson Road
Wright-Patterson Air Force Base, Ohio 45433-5332

Initial Edit

When a SF 364 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 SF 364 normally requires a minimum of 120 days after receipt. Thus, the FMS customer will normally not receive any report of the final action taken until about four months after receipt of the SF 364 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 ninety calendar days of the denial. A copy of the original SF 364, 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 ninety 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 either by completing the reverse side of the SF 364 or providing comparable documentation and returning it to the ILCO.

When directed by the ILCO, DFAS takes appropriate financial action on the purchaser account. Credit to the purchaser's FMS case is the normal resolution of a valid SDR. The billing statement furnished to the purchaser on a quarterly basis (DD Form 645) will reflect such financial adjustments.

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.

Material Returns

Whenever discrepant materiel is to be returned to U.S. custody, the purchasing country will be directed to reship the material using the same document number under which the material was originally shipped. The country will be advised to return the material to USG custody within 180 days from date of approval, at USG expense, using either DTS or a commercial carrier under contract to the DOD. Upon evidence of material being returned, a credit adjustment will be processed for the return of the discrepant material if previously authorized. This evidence releases the FMS customer of liability for the material.

Warranties and Supply Discrepancy Reports

The SDR process is not a warranty. FMS customers may submit SDRs for discrepant material whether or not a warranty exists. Per the SAMM, Section C6.3, 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 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 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.

Foreign Military Sales 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 by Defense Working Capital Fund (DWCF) activities
- FMS items furnished by non-DWCF activities
- Packing, crating, and handling relating to FMS materiel
- Local disposal relating to FMS materiel
- Transporting items repaired under a warranty to the FMS customer

It does not apply to items requested by the international customer via direct commercial sales, or for materiel at the FMS customer freight forwarder for disposition to a U.S. depot or contractor facility.

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 three and five percent of the billed amount. More information is available in DSCA policy letter dated October 6, 2003, subject: FMS SDR Transportation Reimbursement Policy (DSCA 03-15).

Summary

Traditionally, logistics employs four processes to complete four tasks. The tasks are procurement, transportation, supply, and maintenance. Since there is no separate, dedicated logistics system for FMS, the processes and tasks required for its support are furnished through the existing DOD logistics 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, NAVICP-OF, and AFSAC. These organizations have employees who resolve FMS purchaser's logistics problems.

It is DOD policy to support FMS systems and equipment. In this regard, both initial support and follow-on support have to be considered as part of the 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. Instrumental to determining the range and depth of required spares is the concept of provisioning. Provisioning entails numerous considerations such as reliability, maintainability, economy, level of repair, and military essentiality. The benefits of provisioning are passed on to the FMS customer through definitization of the purchaser's total package.

Follow-on support is available through several avenues. 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), private U.S. contractor support, or through the USG.

There are several methods for acquiring such support, including CLSSA.

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. The FMS reserve maintains in inventory many spares that are needed by FMS customers, but no longer used by the DOD. 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 sheer number of FMS transactions and the worldwide distribution of the materiel involved, the opportunity for errors, differences, and discrepancies is ever present. In order to manage the discrepancy situation, a formal reporting system has been established using the *Supply Discrepancy Report* (SF 364).

References

Air Force Manual 16-101, *International Affairs and Security Assistance*.

Army Regulation 12-1, *Security Assistance, International Logistics, Training, and Technical Assistance Support Policy and Responsibilities*.

Navy Supply Publication-526, *FMS Customer Guide*.

JP 4-0, *Doctrine for Logistics Support of Joint Operations*, 6 April 2000.

DOD 5105.38-M, *Security Assistance Management Manual* (SAMM), Chapter 6.

Joint Regulation DLA 4140.55, AR 735-11-2, SECNAVINST 4355.18A, AFJMAN 23-215, *Reporting of Supply Discrepancies*.

Department of Defense. DOD 4140.27-M, *Shelf Life Management Manual*.

Chapter

11 FOREIGN MILITARY SALES TRANSPORTATION POLICY

INTRODUCTION

The movement of and the accounting for foreign military sales (FMS) materiel 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 FMS materiel is the responsibility of the Assistant Deputy Under Secretary of Defense for Transportation Policy within the Under Secretary of Defense for Acquisition, Technology and Logistics.

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 United States (U.S.) laws, regulations, and policies, the purchaser usually 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.

Point of Delivery

The point of delivery is that point in the transportation cycle where responsibility for physical movement of a FMS shipment passes from DOD to the purchaser. The point of delivery is identified on the LOA by the delivery term code (DTC). The continental U.S. (CONUS) point of shipment/origin is normally also the point of delivery, especially for shipments to freight forwarders. However, there are numerous situations when the point of delivery may be a CONUS port of embarkation (POE), a ship, or a purchaser's port or in-country destination.

The Defense Transportation System

The DOD prefers FMS customers to be self-sufficient 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

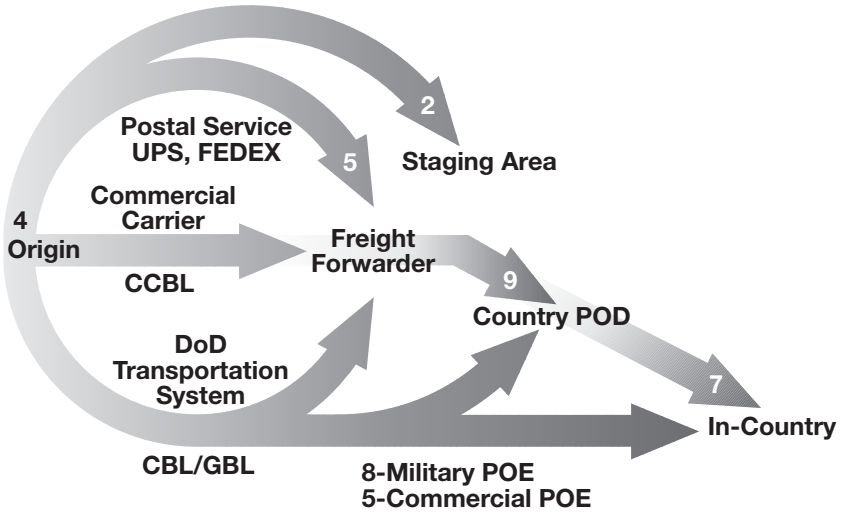
are eligible to be transported through commercial channels. For these reasons, the DOD arranges transportation for the FMS customer using the Defense Transportation System (DTS).

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 passengers booked on military airlift, and cargo. 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 either in the price of the materiel or by having a transportation line on the LOA. The price of Working Capital Funded (WCF) materiel (e.g. most Defense Logistics Agency (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 materiel 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 Volume II* (DTR), Part II, "Cargo Movement," will be shipped through CONUS water or aerial port facilities controlled by DOD. Air cargo that exceeds commercial capability can also be delivered through DTS. Figure 11-1 illustrates the DTS.

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 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 file a claim with the carrier. If resolution with the shipper is unsuccessful, the recipient may submit supply discrepancy reports (SDRs) to request additional shipment or billing information or to obtain implementing agency (IA) assistance in resolving the discrepancy. The USG has responsibility for filing and processing claims with carriers when shipment is made on a prepaid basis to locations where DOD personnel or other USG representatives have primary responsibility for receipt inspection and acceptance. When the USG files the claim, the benefits will be reimbursed to the purchaser.

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 their freight forwarder to arrange for commercial insurance on their behalf. Only in exceptional situations will a MILDEP obtain insurance for the purchaser. When this happens, the insurance will be billed as a separate line item on the LOA.

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) 2073-1D, *Department of Defense Standard Practice for Military Packaging*. This reference, and the *Security Assistance Management Manual* (SAMM) Section C7.10, 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 18 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 70 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 United Parcel Service (UPS) or Federal Express Corporation (FedEx) for small parcel shipments. Overseas movement via the military postal service (APO or FPO) may only be used if the APO/FPO is specifically identified in the LOA and the APO/FPO has agreed in writing to accept responsibility

for receiving security assistance shipments. Department of State's (DOS) diplomatic pouch services cannot be used for materiel shipments. As a rule, the APO/FPO 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 where the LOA specifies delivery in-country through the security cooperation office (SCO) or mission. The SAMM, Section C7.6.4, 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 a proof of entry into the transportation network and a 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 which are deemed hazardous by *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 which 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 materiel 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 and 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, to the *International Air Transport Association (IATA) Dangerous Goods Regulation* or *International Civil Aviation Organization (ICAO) Technical Instructions For The Safe Transport of Dangerous Goods by Air* if being transported by either commercial cargo aircraft or passenger aircraft, or to the *U.S. Air Force Joint Manual 24-204, Preparing Hazardous Materials* for *Military Air Shipments,* if being transported by military aircraft.

Classified Shipments

Classified shipments of FMS materiel are often made via the DTS which provides the required security and enables 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 5200.1-R, *Information Security Program Regulation*.

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 *Information Security Program Regulation*, Chapter 8, specifically advises that classified materiel shall be transferred on a government-to-government basis by duly authorized representatives of each government. This means classified materiel shall be transmitted 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 Defense Industrial Security Clearance Office (DISCO)
Attention: Facility Clearance Division
2780 Airport Drive, Suite 400
Columbus, Ohio 43219-2268

The DISCO web site contains directions and forms that needed to be completed prior to submitting with the letter requesting a facility clearance. A copy of the facility clearance letter must be sent to:

The Defense Logistics Management Standards Office (DLMSO)
Suite 1834
8725 John J. Kingman Road
Ft. Belvoir, VA 22060-6217

The DLMSO 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 material, see Chapter 7 of this textbook, "Technology Transfer, Export Controls, and International Programs Security."

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 is an integral part of all official copies of the LOA, and it 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 C3.F5. See Appendix 1 of this textbook for an example of a transportation plan. Classified FMS shipments require a U.S. DOS export authorization DSP-94, *Authority to Export Defense Articles Sold Under the Foreign Military Sales Program* permanently exported. A DSP-85, *Application/License for Permanent/Temporary Export or Temporary Import of Classified Defense Articles and Classified Technical Data*, is required for classified materiel to be temporarily or permanently re-imported by a commercial or foreign government representative. This includes classified materiel coming back into the U.S. for repair, overhaul, testing, calibration, training, or disposal.

Sensitive Shipments

The term "sensitive" has two different meanings, but both definitions impact the movement of materiel deemed "sensitive." In the context of security, "sensitive" is a special term that describes conventional weapons, ammunition, and explosives requiring special protection and security to keep them out of the hands of criminals and terrorists. Criminals and terrorists find conventional sensitive arms, ammunition, and explosives (AA&E) 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 AA&E. Sensitive materiel will always be moved via the DTS under DTCs 7, 8 or 9. Sensitive AA&E fall into four Security Risk Categories (SRC) based on degree of sensitivity and danger. These 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 Defense Security Cooperation Agency (DSCA). 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 with no less than 8.

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 material regulations categorize explosives based on their volatility or ease of detonation.

A CIIC is assigned to every piece of materiel in the DOD inventory which 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.

Though not all sensitive items are hazardous, they do still require special security. Sensitive items that are not AA&E include night vision devices, cryptographic equipment, and communications security (COMSEC) equipment.

Arms, Ammunition, and Explosives

The United Nations' (U.N.) hazard classification system for identifying explosive materials and explosive components is recognized internationally and is used universally by the DOD and the USDOT. The U.N. 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.

Table 11-1
Class 1 Explosives Hazard Class Definitions

Division 1.1	Substances and articles which have a mass explosion hazard. Includes MANPADS, 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 which 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 which 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 which have a mass explosion hazard, but that have 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 which do not have a mass explosion hazard and which demonstrate a negligible probability of accidental initiation or propagation. Includes pyrotechnics, flares, and gunpowder.

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 than may be used to transport the material, such as a passenger aircraft, or a dedicated ammunition surface ship.

Transportation of Arms, Ammunition, and Explosives

As this textbook goes to press there is much debate on the requirements for transporting explosives to FMS purchasers. The DTR Chapter 205B2 prohibits the use of freight forwarders from moving material in hazard class 1.1 through 1.6, leaving the DTS as the only transportation option for the FMS customer. Freight forwarders may coordinate customer pickup at a DOD-controlled port, and process export paperwork, but are precluded from accepting or storing explosive material in their facilities. Freight forwarders have routinely moved small caliber ammunition, Cartridge Actuated Devices (CADs), and Propellant Actuated Devices (PADs) deemed non-sensitive through their facilities (provided local safety ordnances permitted such material 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 material moves through the DTS or commercial channels, movement of AA&E designated as hazardous material 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 CA 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 DOD to allow for the transportation of Class 1 material in the U.S. when the item's final hazard classification process has not been completed. It 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. When the FMS purchaser elects to pick up material at a CONUS DOD-controlled port (DTC 8) using a commercial carrier, the FMS purchaser must have a country-specific EX number issued by the USDOT to the FMS purchaser's Competent Authority (CA) to allow the explosive material to move from CONUS after the transfer of custody from the DOD to the purchaser. If the DOD moves the explosive material to an overseas POD (DTC 9) or to the final destination (DTC 7), the DOD EX number/IHC is valid to transport the material to that location. However, when the explosive material is physically transferred to the FMS purchaser, the purchaser must have its own CAA, and any third-country CAAs through which the explosive material 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 CA approval 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 material can be moved 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 material 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 material 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 FMS the customer, such as the existing EX number, the JHCS record printout, and packaging documentation. FMS case managers may obtain assistance from:

Department of Defense

Department of Defense Explosives Safety Board (DDESB)
Hoffman Building 1, Room 856C
2461 Eisenhower Avenue
Alexandria, Virginia 22331-0600

Surface Deployment and Distribution Center (SDDC)

SDDC Operations Center
ATTN: SDDC-SA
661 Sheppard Place
Fort Eustis, Virginia 23604-1626

FMS customer may submit their CAA application directly to the USDOT:

U.S. Department of Transportation (DOT)
Pipeline Hazardous Materials Safety Administration
Office of Hazardous Materials Safety
Office of Hazardous Materials Special Permits and Approvals
1200 New Jersey Avenue, SE
East Building, 2nd Floor, PHH-32
Washington, D.C. 20590

Movement of 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,* Section C6.10.2.2 for more information.]

Notice of Availability

Classified, sensitive and hazardous shipments require the use of *Notice of Availability* (NOA), DD Form 1348-5. These notices may be mailed or sent electronically by the shipper. The NOA alerts the freight forwarder/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. 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, D.C. The MAPAD will be discussed in detail later in this chapter. NOAs are only applicable when the DTC is

4, 5, 8, B, C, E or H, and for all classified items regardless of DTC. See Figure 11-2 for an example of a NOA.

Figure 11-2
Notice of Availability/Shipment (DD-1348-5)

NOTICE OF AVAILABILITY/SHIPMENT

FROM (Issuing Activity's complete name and address)
DEFENSE SUPPLY CENTER RICHMOND (S9G)
800 JEFFERSON DAVIS HWY
RICHMOND, VA 23297-5000

FOR (Name of Country): GOVERNMENT OF BANDARIA
NUMBER OF ITEMS INCLUDED IN DD FORM 1348-1 DD FORM 1348-1: 1

NOTICE NUMBER	CASE ID.	TYPE PACK	PIECE	WEIGHT (Lb)	CUBE	SECURITY CLASSIFICATION
PBNK5420411147	RAE	1	1	99.20	282.52	UNCLASS

AMMUNITION/EXPLOSIVES CLASS: N/A

GROSS WEIGHT (Lb)	LENGTH (Ft)	WIDTH (Ft)	HEIGHT (Ft)
99.20	13.12	6.56	3.28

TO BE COMPLETED BY ADDRESSEE (Press hard when writing)

1. After completion detach both copies - retain Copy 2 for your records.
2. Fold Copy 3 place in envelope and mail at once to the Issuing Activity's address.

CONSIGNED TO (Enter the complete name and address of Consignee)

NAME	STREET
CITY	STATE (Include ZIP Code)

OTHER INFORMATION

ADDRESSEE →
SECURITY ASSISTANCE FOREIGN REPRESENTATIVE BANDARIA
INTERNATIONAL PROGRAMS SUPPORT DIRECTORATE
NAVAL INVENTORY CONTROL POINT INTERNATIONAL PROGRAMS
NAVICP-OF, CODE 76BN
700 ROBBINS AVENUE
PHILADELPHIA, PA 19111-5095

DD FORM 1348-5, JUN 69 (EG)

United States Flag Shipping

In accordance with the *Merchant Marine Act of 1936,* as amended, defense articles purchased through the Foreign Military Finance Program (FMFP) which will be shipped by ocean vessel are to be transported in vessels of U.S. registry. 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.

DSCA and the U.S. Maritime Administration of the USDOT closely monitor credit/loan shipments. Waiving and monitoring procedures are a part of the sales agreements. DSCA has the responsibility for acting on waiver requests from the foreign countries, while the Maritime Administration monitors actual shipments.

Additional information concerning credit agreements and waivers may be found in Chapter 12 of this textbook, "Foreign Military Sales Financial Management," and the SAMM, Chapters 7 and 9.

Accessorial Services and Charges

The SAMM and DOD 7000.14-R, *Financial Management Regulation* (FMR), Vol. 15, Chapter 7, define accessorial charges as certain expenses incident to issues, sales, and transfers of materiel which 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.

Transportation Responsibilities

There are normally three parties involved in the movement of FMS materiel:

- The USG
- The purchaser
- 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 material (to include certifying hazardous material) for transport through to its final destination. Additionally, it is essential that the on-line 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 material 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 information, 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. The same problems arise with items being shipped directly from procurement 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 DD 1348-5, *Notice of Availability/ Shipment*. The DTR, Part II, Appendix E requires all FMS shipping documents to be retained for a mandatory 30 years in hardcopy format. These documents include:

- Government Bills of Lading (GBL)
- Commercial Bills of Lading (CBL)
- *Notices of Availability/Shipment* (DD Forms 1348-5)
- Transportation Control and Movement Documents

- Issue release/receipt documents (DD Forms 1348-1, 1149, 250)
- *Signature and Tally Records* (DD Forms 1907)
- Any similarly related materiel used to transfer FMS shipments to carriers

This normally means keeping the documentation for two years at the shipper locations and 28 years in a national records archive. The SAMM, Section C6.2.1 requires general FMS case files to be retained for 10 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 assistance 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. Perhaps 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 DOD certification of FMS export documents.

The DOD is required to prepare the DSP-94 export authority for shipments made entirely through the DTS using either DOD or commercial ports. The freight forwarder or FMS customer prepares the DSP-94 for LOAs that include shipments made via a freight forwarder. In either situation, the IA's ILCO certifies the value of the materiel exports and lodges the DSP-94 with the primary CONUS POE, along with a complete copy of the LOA, amendments and modifications. The DSP-94 is valid for two years, as long as the value of materiel to be exported does not change. Additionally, 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 from the materiel export value on the DSP-94. 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. Whenever the value of materiel to be exported increases through an LOA amendment or modification, the DSP-94 must be amended and re-lodged with all supporting documentation at the POE. Specific export document preparation and filing instructions are provided in the SAMM, Chapter 7.

When preparing the DSP-94 only the value of material and maintenance services listed above the line (the net estimated cost) should be identified as the exportable value. This value excludes the administrative cost, transportation, technical services, training, and any other category for which a tangible item isn't physically moved in or out of the U.S. When re-exporting material which has

been returned for maintenance or overhaul, the value that should be decremented from the DSP-94 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 DSP-94, as opposed to the original acquisition cost. If this is not done correctly, the DSP-94 export authorization value will be consumed too quickly, resulting in Customs stopping further exports after the DSP-94 export 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.

Security Cooperation Office Responsibilities

Most SCO 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:

- The SCO
- The Defense Attaché
- A representative of the SDDC
- A DOD employee

The USMILREP is responsible for supervision of the discharge at 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 SCOs 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 Agency Instruction 4140.55, *Reporting of Supply Discrepancies*. This latter instruction explains how to report shipping or packaging discrepancies caused by the shipper (i.e., overages, damages, or non-receipt) via a SDR by the receiving activity.

The following guidance is provided for shipments made through the DTS on DTCs 9 or 7.

Shipping Documentation

The SCO must monitor and coordinate transfer of DTS-routed shipments arriving at aerial or water PODs. 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:

- DD Form 1348-1A
- DD Form 250
- DD Form 1149
- WAWF Forms (electronic version of DD Form 250)

These 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 e-mail address for the U.S. SCO is listed in the MAPAD special instructions. This message or e-mail 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.

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) does the same thing. These documents, MIL-STD-129, 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 e-mail address in the MAPAD or a copy of the Ocean Bill of Lading 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 *Ocean Bill of Lading* (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 requirements, 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 Security Cooperation Information Portal and the Enhanced Freight Tracking System to monitor shipments of DTC 7 and 9 materiel and plan for carrier arrival at Air POD (APODs).

Customs Clearance

Customs clearance is the purchaser's responsibility. At no time should the SCO or USMILREP get involved in clearing customs for the FMS purchaser.

Discrepancies

The SCO or USMILREP may also be required to initiate *Transportation Discrepancy Reports* (TDR) using form DD 361 when DTS shipments arriving in country are damaged or lost. The TDR process is discussed later in this chapter.

Purchaser

Normally, the FMS purchaser is responsible for the transporting its own LOA-furnished materiel beyond the U.S. port of exit. 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., 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 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 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 or the DLA MAPAD administrator at the Defense Automatic Addressing System Center (DAASC). 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 and obtain export licenses from the DOS. When materiel is shipped through a freight forwarder, the foreign purchaser can delegate the responsibility for preparing all export documents, which include initiating and lodging the DSP-94 and 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)(5) 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*.

Freight Forwarder

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 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 receive electronic supply status via the Defense Automatic Addressing System Center, which enables the freight forwarder to track all incoming status and shipment information, and perpetuate the necessary data (such as Transportation Control Number (TCN) in air or ocean manifests, air waybills, and customs declarations). 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, initiate claim action against the carrier, and resolve paperwork 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 DOD 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 must be licensed under a DSP-85, *Application/License for Permanent/Temporary Export or Temporary Import of Classified Defense Articles and Classified Technical Data*. FMS customers must apply for the DSP-85 from the DOS Directorate of Defense Trade Controls.

Many freight forwarders licensed by the United States 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 selection of a freight forwarder must be made by the FMS customer. DOD personnel are not authorized to recommend a freight forwarder to a purchaser or tell a freight forwarder how to conduct his operations. The National Customs Brokers and Forwarders Association of America (NCBFAA), Inc. located at: www.ncbfaa.org, publishes an annual membership directory. It lists the licensed customs brokers and international freight forwarders in numerous locations throughout the U.S. and other locations in the world. The directory explains what customs brokers and freight forwarders are and what they do. It also describes how to locate a customs broker or freight forwarder in a particular area in the U.S. The NCBFAA membership directory is an excellent source of information on where and how to find a freight forwarder.

For more information on freight forwarder selection see Defense Institute of Security Assistance Management publication *Foreign Purchaser Guide to Freight Forwarder Selection* is located at www.disam.dsca.mil/publications.

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 handled by filing a claim with 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 361, *Transportation Discrepancy Report,* process. A large number of supply discrepancy reports submitted by the purchaser for non-receipts may indicate a potential problem at the freight forwarder's facility, and often the missing items have been found at the

purchaser's freight forwarder awaiting shipment. If non-receipt is suspected, countries should initiate tracer actions in accordance with the SAMM, Chapter 6.

Transportation discrepancy reporting procedures apply to any security assistance 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 a 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) 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 these reports to initiate tracers or damage claims with the inland CONUS carrier. The proceeds from claims will be forwarded to the customer country's account held at the Defense Finance and Accounting Service-Indianapolis.

Non-prepaid shipments can either be picked up from a CONUS shipping activity by freight forwarder/customer country-arranged transportation, or they may be released by the shipper to the freight forwarder under a collect commercial bill of lading. In either case, all requests for tracing actions or claims for damages must be submitted to the carrier by the FMS customer (the consignee). The shipping activity will not involve itself with the carrier in these actions.

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. 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 a 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 for the FMS customer 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.

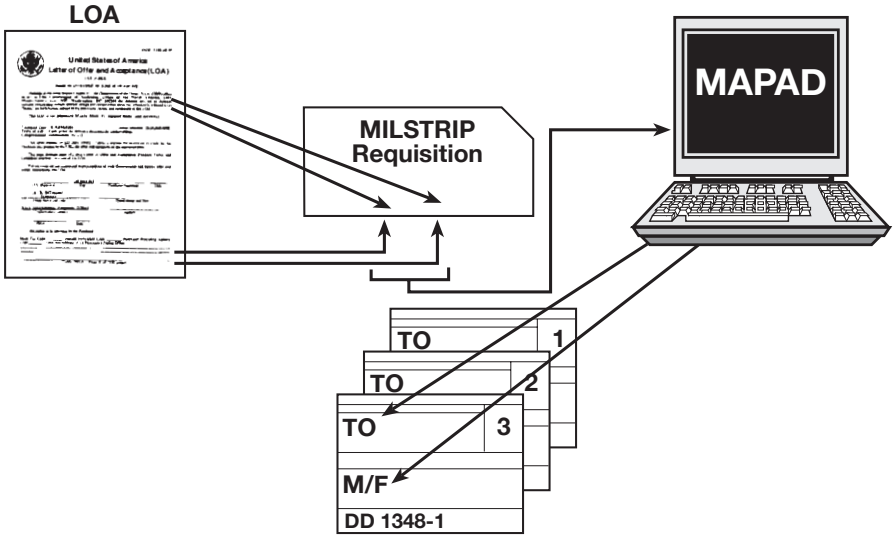
Transportation Pricing

The FMS customer always pays for transportation. 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. The cost of transportation 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. The USTRANSCOM charges higher rates for FMS materiel shipments via DTS than it collects for DOD materiel shipments. FMS customers are strongly encouraged to employ the services of a commercial freight forwarder to take advantage of lower transportation costs that the freight forwarder may be able to negotiate with commercial carriers. For a more detailed explanation of transportation pricing, see Chapter 12, "Foreign Military Sales Financial Management," of this text.

Three Major Delivery Elements

There are three major elements involved in the delivery of FMS materiel to the proper purchasing country address, as illustrated in Figure 11-3. These elements are the FMS LOA, the MILSTRIP, and the MAPAD system.

Figure 11-3
Document Relationships



Letter of Offer and Acceptance

During the negotiation 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 for the freight forwarder to initiate and lodge the U.S. Customs DSP-94 export document. 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.

Delivery Term Code. The DTC indicates the point in the transportation cycle where responsibility for physical movement of an FMS shipment passes from the U.S. DOD to the purchaser. The LOA

normally specifies a delivery location for every item 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 port of exit. This is normally the freight forwarder. DTC 8 is commonly used for DTS shipments and indicates pick up 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 11-2 shows the numeric DTCs for outbound materiel, as illustrated by Figure 11-4. Table 11-2 also shows alphabetic DTCs for returning materiel.

Figure 11-4
Delivery Term Codes for Shipments from the United States (Outbound)

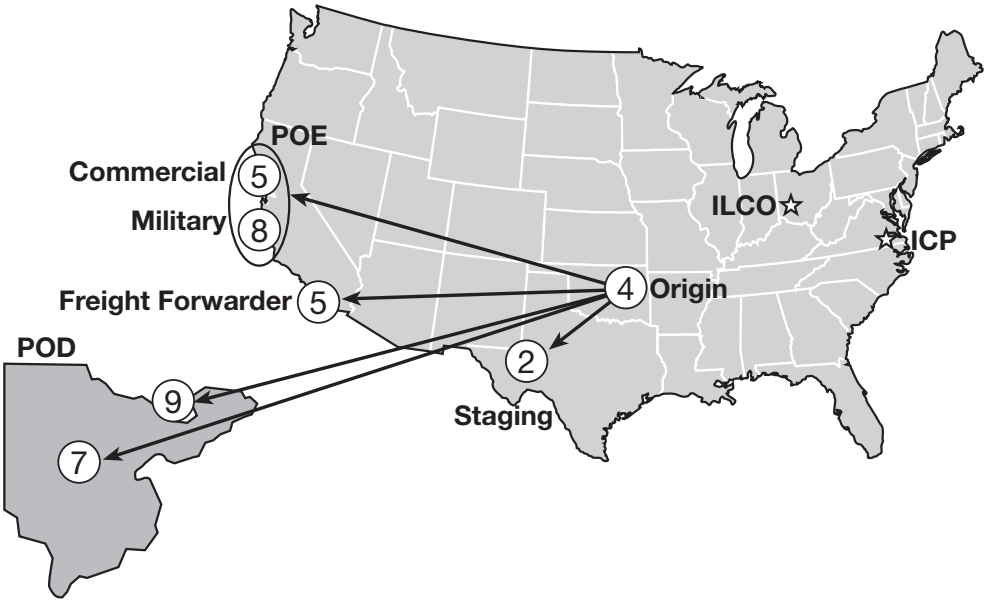


Table 11-2
Delivery Term Codes for Shipments from the United States (Outbound)

Delivery Term Code	Definition
2	DOD/USG delivers to a CONUS inland point (or overseas inland point when a shipment's origin and destination are within the same geographic area).
3	This DTC is currently not being used.
4	Delivery at origin. Materiel is made available to the Customer Country at the Point of origin (i.e. a depot's or vendor's loading dock) and that the customer is responsible for taking custody as well as title at that point.
5	Delivery to a CONUS-located freight forwarder, Customer Country facility or commercial port. DoD is responsible for movement to the POE. The customer is responsible for unloading the shipment from the inland carrier at the POD, delivery alongside the vessel/aircraft, and all subsequent onward movement.
6	This DTC is currently not being used.U.S.
7	Delivery to an inland point in the recipient country. The DOD is responsible for transportation, including over-ocean and inland overseas movement, from point of origin to a specified inland point overseas. The Customer Country is responsible for offloading the shipment from the overseas inland carrier's equipment to a subsequent onward movement.

Table 11-2 (Continued)
Delivery Term Codes for Shipments from the United States (Outbound)

Delivery Term Code	Definition
8	DOD delivery on board a customer country controlled ship or aircraft at a DOD-controlled POE. The DOD is responsible for transportation from the point of origin to a customer country controlled ship or aircraft at the DOD-controlled POE, including unloading materiel from the inland carrier, port handling and for stowage aboard a customer country-controlled ship or aircraft. The customer country is responsible for all subsequent onward movement.
9	DOD delivery to closest overseas air or ocean POD offloaded. This POD may or may not be in the customer's country. Movement may be effected either by DOD organic or commercial carrier. The Customer Country is responsible for all handling and onward movement of the materiel from the dock alongside the ship or from the air terminal.
0	The zero is not a DTC. It is used as filler for any Grant Aid procedure shipment (e.g., PD Drawdown shipment).
A	This DTC is currently not being used.
B	The DOD is responsible for transportation from a designated overseas POE to a CONUS destination, return to a CONUS POE, and CONUS port handling. The customer is responsible for overseas inland transportation to the overseas POE, overseas port loading, and all return transportation from the CONUS POE to ultimate destination. (Transportation is the same as DTC 9 for inbound materiel, and DTC 8 for outbound materiel.)
C	The DOD is responsible for CONUS port unloading from the customer-arranged carrier, transportation to and from a designated CONUS destination, and CONUS port loading of a customer arranged carrier. The customer is responsible for movement of materiel to and from the CONUS POD/POE. (Transportation is the same as DTC 8 in both directions.)
D	This DTC is currently not being used.
E	The customer is responsible for all transportation from overseas point of origin to the CONUS destination and return to an overseas destination. (Transportation is the same as DTC 4 in both directions.)
F	The DOD is responsible for transportation from an overseas inland location to an overseas POE, overseas port handling, transportation to a CONUS POD, CONUS port handling, inland transportation to a designated CONUS destination, and return to an overseas destination. (Transportation is the same as DTC 7 in both directions.)
G	The DOD is responsible for overseas port handling through an overseas POE, transportation to a CONUS POD, CONUS port handling, inland transportation to a CONUS destination, return to an overseas POD and overseas port handling. Customer country is responsible for overseas inland transportation to and from the overseas POE/POD. (Transportation is the same as DTC 9 in both directions.)
H	Customer country is responsible for all transportation from overseas point of origin to the CONUS repair facility. DOD/USG is responsible for transportation from CONUS repair facility to CONUS POE. Customer country is responsible for CONUS POE port handling and all further movement to overseas destination. (Transportation is the same as DTC 4 for inbound materiel and DTC 5 for outbound materiel.)
J	Customer country is responsible for all transportation from overseas point of origin to CONUS repair facility. DOD/USG is responsible for all movement from CONUS repair facility to the 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, 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 generally no longer used.) Code Z is entered when advanced notice is required before 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.

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 in this text, "Foreign Military Sales 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 perpetuated on 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 web site 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 assistance 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 no longer published in printed format, it now resides on the internet. DOD personnel with Common Access Cards (CAC) may access the MAPAD at https://www.daas.dla.mil/daasinq/. FMS customers,

contractors and freight forwarders may access a read-only version of the MAPAD at https://www.daas.dla.mil/daasinorg/.

The MAPAD contains addresses and corresponding address codes to identify where FMS materiel/documentation is to be shipped. It includes addresses of freight forwarders, country representatives, and customer addresses within country. Generally, the information is coded to provide:

- A shipping address for parcel post, small package shipments, and freight
- An address to receive NOA
- 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 Defense 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 DAASC is responsible for the maintenance of the MAPAD automated file and directory. The DAASC serves as the focal point for the receipt of all file and directory changes. For example, DAASC will receive address changes from various country representatives, SCOs or U.S. embassies, and then will initiate appropriate file maintenance actions.
- Post Office Addresses. Military post office addresses (APO/FPO) 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 Security Service (DSS) 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 material, 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 located at the customer's embassy in Washington, or with 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, revisions, and deletions to the MAPAD are made when such requests are received by ILCO case manager from 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 is an example of the on-line MAPAD.

Figure 11-5
Military Assistance Program Address Directory

DEFENSE AUTOMATIC ADDRESSING SYSTEM CENTER

Contact Us | Help | Home

DAASC Inquiry System (DAASINQ)

MAPAC Query for DBN

What is DAASINQ?

DoDAAC

MAPAC

NIIN

RIC

MAPAC: DBN002 1 / 15

MAPAC Information

TAC: 1	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2009146
AFI: F	**SII:**	**CHG NO:** 9193	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2009146
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- WAREHOUSE DOCKS
- 1205 68TH STREET
- BALTIMORE MD 21224-2548
- TEL 301-555-1234 FAX 301-555-4321

City: BALTIMORE	**ZIP:** 21224-2548	**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: BN		

MAPAC: DBN002 2 / 15

MAPAC Information

TAC: 3	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2009146
AFI: F	**SII:**	**CHG NO:** 9193	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2009146
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- WAREHOUSE DOCKS
- 1205 68TH STREET
- BALTIMORE MD 21224-2548
- TEL 301-555-1234 FAX 301-555-4321

City: BALTIMORE	**ZIP:** 21224-2548	**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: BN		

MAPAC: DBN002 3 / 15

MAPAC Information

TAC: 4	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 009146
AFI: F	**SII:**	**CHG NO:** 9193	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 009146
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- OFFICE OF DEFENSE COOPERATION
- DEPARTMENT OF STATE
- 7890 HERAT PLACE
- WASHINGTON DC 20521-7890
-
-

City: WASHINGTON DC	**ZIP:** 20521	**IPC ZIP:**
State Name: District of Columbia	**State A/N** DC/11	
Country Name: UNITED STATES		
Country Codes: ISO 2- US ISO 3 - USA FMS - MILS - FIPS - US		
MAPAC Country: BN		

Privacy/Security Accessibility Conact Webmaster

The column titles stand for the following:

- MAPAC - Military assistance program address code.
- TAC - Type of address code.
- TSC - TAC sequence code. When more than one MAPAC and TAC combination exists, the TSC distinguishes each address. 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. Codes reflect special instructions located on the country introduction 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 designates a specific water port as the overseas place of discharge.
- APOD - Aerial port of debarkation. A three-position identifier in DOD 4500.9-R, *Defense Transportation Regulation*, Part II, "Cargo Movement," Appendix CC, that designates a specific air terminal as the overseas place of discharge.
- FFLC - Freight forwarder location code. When an MAPAC designates multiple locations for consigning shipments and mailing documentation, i.e., east, west, and gulf coast 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 - The change number is a tracking number assigned by DAASC.
- EFF DATE - Date that the address noted 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 shipment is made through a freight forwarder.

A MAPAC doesn't 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 30-50 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

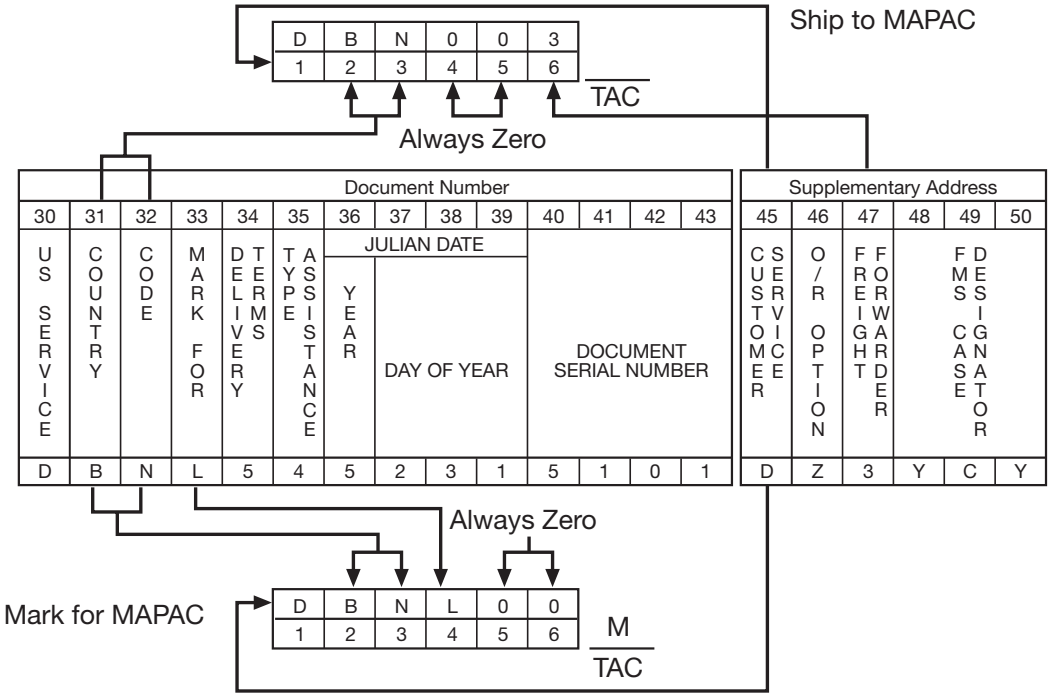
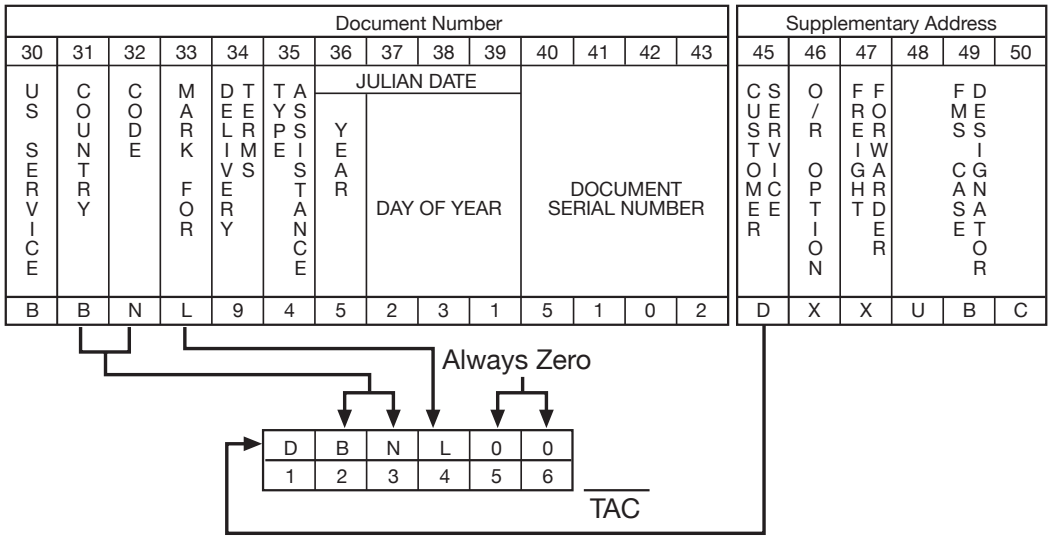


Figure 11-7 illustrates the MAPAC construction when shipment is made entirely through the DTS, so there is no NOA, and no freight forwarder. In this case, the offer/release option and freight forwarder code are replaced in the supplementary address fields by "XX". The mark-for address becomes the ship-to address.

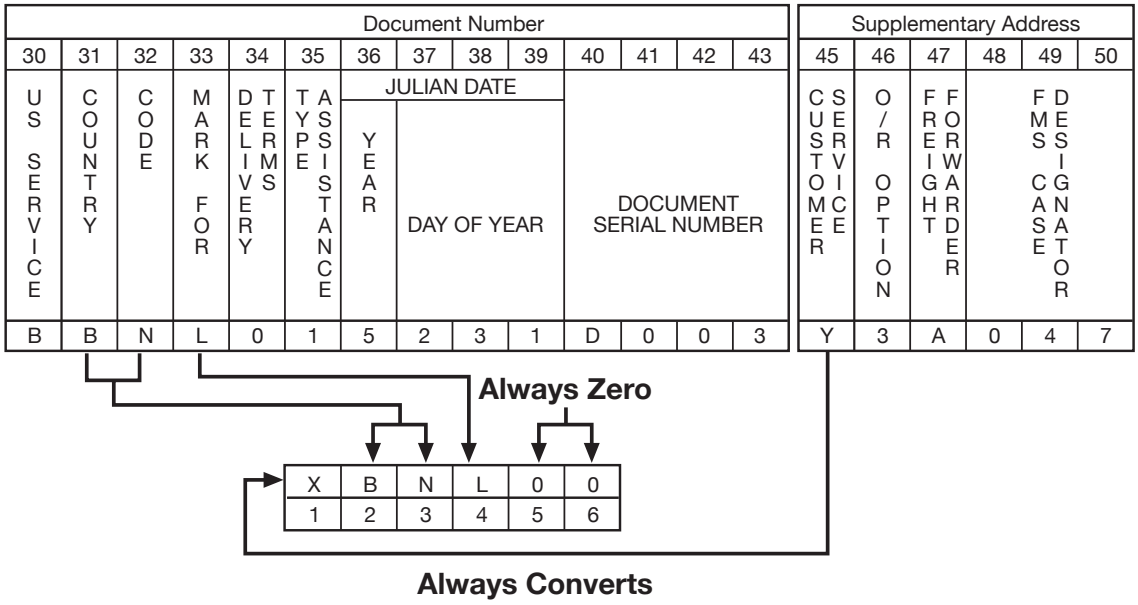
Figure 11-7
Relationship of the MAPAC to the MILSTRIP Requisition for DTS Shipments



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.

Figure 11-8
Relationship of the MAPAC to the MILSTRIP Requisition for Grant Aid Shipments



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 45 on the MILSTRIP document is Y. The Y is converted to X in the MAPAC as shown in Figure 11-8 because 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, Section C4.

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 33 indicates 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 11-3 is a list of TACs that has been extracted from the MAPAD and briefly defines the types of addresses available in the MAPAD and explains their use.

Table 11-3
Type of Address Codes

Type of Address Code (TAC)	Explanation
A	This address is used when material 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, *Defense Transportation Regulation*, Part II, "Cargo Movement Procedures."
B	This address is used when material 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 material classified confidential is moved by small parcel carrier. It must be shipped by a carrier than can provide evidence of shipment or proof of delivery in compliance with DTR procedures.
D	This address is used when material 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 material.
2	This address is used when surface or air freight is selected as the mode of transportation for shipment of unclassified material. 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.

Table 11-3
Type of Address Codes (Continued)

Type of Address Code (TAC)	Explanation
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)

Once a purchaser is known, a MAPAC is constructed from a requisition and the type of shipping action is determined, a mailing or shipping address may be easily obtained. 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.

Shipment of Pseudo Letter of Offer and Acceptance Materiel

Materiel shipments made as part of a non-FMS, or Pseudo LOA follow different rules than materiel shipments made under an FMS LOA. For pseudo cases, 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 U.S. Defense 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. All materiel transferred under a pseudo 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 be different for different security cooperation programs. Chapter 11 of the SAMM addresses special programs. It is recommended that country/case managers consult with the DSCA Policy office to verify that the transfer procedures described here are still valid.

Summary

This chapter has presented an overview of the DOD transportation policy for the movement of FMS. 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 perpetuated on a MILSTRIP requisition enabling shippers to move articles to the proper in-country address.

The MAPAD is a web site 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 negotiators, managers, and all applicable supply/shipping activities must be familiar with the MAPAD and comply with the marking and addressing of security assistance shipments.

Certain categories of materiel require specific permits and coordination documents before movement can occur. FMS purchasers must obtain a CAA before moving explosive material. A transportation plan must document the transportation security procedures for classified and/or explosive material.

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). Additionally, a DOS license DSP-94 must be filed at the primary commercial port of exit.

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 notice of availability responses.

References

DOD Manual 4000.25-1-M, *Military Standard Requisition and Issue Procedures* (MILSTRIP).

DOD Regulation 4500.9-R, *Defense Transportation Regulation* (DTR), Part II, "Cargo Movement."

DOD Manual 5105.38-M, *Security Assistance Management Manual* (SAMM) http://www.dsca.mil/samm/.

DOD Manual 5100.76-M, *Physical Security of Sensitive Conventional Arms, Ammunition and Explosives*.

DOD Manual 5220.22-M, *National Industrial Security Program Operating Manual* (NISPOM).

DOD Regulation 5200.1-R, *Information Security Program*.

DOD Regulation 7000.14-R, *Financial Management Regulation, Volume 15*, "Security Assistance Policy and Procedures."

MIL-STD-129P, *Department of Defense Standard Practice for Military Marking*.

MIL-STD 2073-1D, *Department of Defense Standard Practice for Military Packaging*.

USASAC Training/Orientation Booklet, *Transportation and Traffic Operations*.

NAVSUP Publication 526, *Customer Supply System Guide*.

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*.

DLAI 4140.55/AFJMAN 23-215/NAVINST 4355.18A/AR 735-11-2, *Reporting of Supply Discrepancies.*

Useful Web Sites

Security Assistance Management Manual (SAMM) http://www.dsca.mil/samm/.

United States Customs and Border Protection (CBP): http://www.cbp.gov/.

Defense Logistics Agency (DLA): http://www.supply.dla.mil/.

U.S. Transportation Command (USTRANSCOM): http://public.transcom.mil/.

Military Assistance Program Address Directory (MAPAD) System: https://www.daas.dla.mil/.daasinq/ or https://edaasing.daas.dla.mil/edaasing/default.asp.

Surface Deployment and Distribution Command (SDDC): http://www.sddc.army.mil/Public/Home.

Air Mobility Command (AMC): http://public.amc.af.mil/index.html.

Military Sealift Command (MSC): http://www.msc.navy.mil/.

National Customs Brokers and Forwarders Association of America (NCBFA): http://www.ncbfaa.org/.

Defense Security Service (DSS): http://www.dss.mil/.

Chapter

12 Foreign Military Sales Financial Management

Introduction

The execution of the Foreign Military Sales (FMS) program involves the management of substantial amounts of funds. The fact that 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. Financial management is far-reaching and must be considered by all functional disciplines in the security assistance (SA) community throughout the life-cycle of an FMS case. This chapter will discuss processes and procedures of U.S. Government (USG) personnel, based on established Department of Defense (DOD) fiduciary responsibilities. Management at all levels of the DOD must assure these processes and procedures are adhered to upon implementation and execution of FMS cases. References in this chapter refer to DOD 7000.14-R, Volume 15 *Financial Management Regulation* (FMR), DOD 5105.38-M *Security Assistance Management Manual* (SAMM), and DOD 5105.65-M *Reconciliation and Closure Manual* (RCM).

Financial Management Responsibilities

Under Secretary of Defense (Comptroller)

It is the responsibility of the Under Secretary of Defense (Comptroller) to establish policies and procedures involving financial management, fiscal matters, accounting, pricing, auditing, and the international balance of payments as these matters relate to SA.

Defense Finance and Accounting Service

Defense Finance and Accounting Service (DFAS), located in Washington, D.C., is the organization responsible for the implementation of all accounting and finance activities within the DOD. [FMR 020102C]

Defense Security Cooperation Agency

The primary functions of Defense Security Cooperation Agency (DSCA), as prescribed by DOD Directive 5105.38, are discussed in Chapter 4, "Security Cooperation Organizations Overseas," of this text. The financial elements of those duties include the financial oversight of all FMS programs to include management of the FMS trust fund. The DSCA comptroller supervises the financial implementation of all FMS cases and countersigns those letters of offer and acceptance (LOA) requiring countersignatures. DSCA is also responsible for managing the Foreign Military Financing Program (FMFP), the International Military Education and Training (IMET) program, and the FMS administrative fund. DSCA also has waiver authority for most of the FMS related costs described in this chapter.

Financial Management Review Program

DSCA is also responsible for monitoring the requirements for and the availability of funds to support FMS programs. The financial management review program constitutes a country-level review of an

FMS customer's total program, taking into account current and projected requirements and anticipated resources, including FMS credits, 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 from 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. [SAMM C9.14]

Case Writing Division

Although the responsibility for accurate pricing of the FMS lines on a case is the responsibility of the IAs, DSCA's Case Writing Division has the responsibility of preparing the payment schedule based on the IA input and reviewing the charges for their correct application, waivers, and cost recovery rates.

Defense Finance and Accounting Service-Indianapolis, Security Assistance Accounting

Defense Finance and Accounting Service Center-Indianapolis (DFAS-IN), Security Assistance Accounting has the following financial responsibilities as they relate to the SA programs within DOD:

- Account for the daily operations and fund transfers to and from the FMS trust fund
- Provide obligation and expenditure authority to DOD components for the financial execution of the FMS program
- Operate the Defense Integrated Financial System (DIFS) for centralized DOD-wide FMS delivery reporting, collecting, forecasting, and billing
- Perform continuing cash analysis to assure sufficient cash is available to pay DOD suppliers and military departments (MILDEPs)
- Prepare, review, and dispatch all FMS billing and holding account statements
- Perform final accounting actions and render final accounting statements
- Provide assistance to, and interact with, DOD components regarding FMS logistical and financial systems, projects, policies, and procedures
- Participate with MILDEPs, as required, in FMS reviews within and outside the United States

Implementing Agencies and Military Departments

A discussion of each IA and MILDEP organization for FMS is included in other chapters of the text. The following types of organizational components have a financial role in FMS:

- Service headquarters review, and in some instances, prepares the LOA, issue implementing directives/letters, and provide service-wide policy and oversight
- Systems/logistics/training commands prepare the LOA data, and acquire defense articles and services upon implementation of the LOA
- International logistics control organizations (ILCOs) maintain the detailed case records for accounting and logistics reporting

In the past, the MILDEPs and DOD agencies utilized a variety of automated systems to compute LOA prices and payment schedules. Currently, all MILDEPs and DOD agencies utilize the Defense Security Assistance Management System (DSAMS) for this purpose.

Funds Management for Foreign Military Sales

Foreign Military Sales Trust Fund

The FMS trust fund is a U.S. Treasury account credited with receipts, earmarked by law and held in a fiduciary capacity by the USG, to carry out specific purposes and programs. The FMS trust fund (accounting classification 97-8242) represents the aggregation (corpus) of cash received from purchaser countries and international organizations. DSCA is responsible for management of the trust fund. DFAS-IN is responsible for accountability of the trust fund.

FMS customer cash deposits for defense articles and services sold under Sections 21 and 22, *Arms Export Control Act* (AECA), are made in advance of delivery or performance and for making progress payments to contractors. These cash deposits are identified and accounted for at the case level. DFAS-IN exercises stringent controls over the FMS trust fund to insure proper visibility and accountability are maintained for all payments made by a customer for every FMS case. The integrity of customer country monies must be strictly observed and certain established principles guide the management of the trust fund. All cash disbursements for a foreign country or international organization are identified by FMS case and should not exceed the customer's total cash deposits. A specific case may be in a deficit cash position with the deficit being funded by the customer's cash advances on other cases. 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 and SAMM C9.3.5 and C9.11.1]

Holding Accounts

As a convenience to the FMS purchaser, DFAS-IN maintains purchasers' holding accounts within the FMS trust fund. The holding accounts are subaccounts of monies from FMS cases where the customer has not provided instruction on disposition of the funds. In other words, holding accounts are funds not identified to a specific FMS case. These funds could be a result of excess funds left when an FMS case is closed, or a result of a quarterly payment by an FMS customer that does not identify to which case the payment should be applied. 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-IN to "draw upon" its holding accounts for transfers to specific cases as needs arise. The holding account balances are not included in the totals of the DD Form 645, *Foreign Military Sales Billing Statement*. A separate statement is provided to the country showing deposits and withdrawals to each holding account and is considered an attachment to the DD Form 645.

Purchasers have at least one, but may have numerous holding accounts for different purposes. 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:

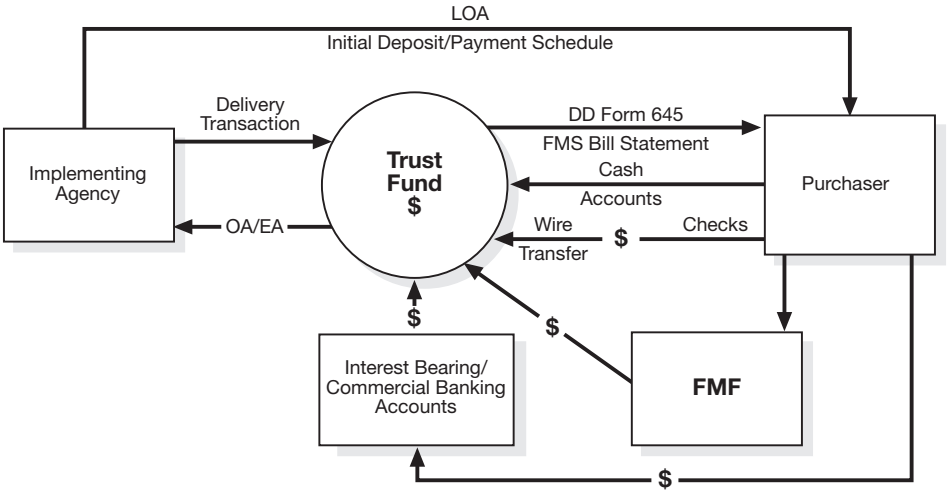
Numeric Code	Type of Funds
0	Interest bearing account
1	Regular FMS payments by purchaser
2	MAP funds (nonrefundable to FMS customer)
3	Third country recoupments
4	Buybacks
5	FMS credit funds (nonrefundable to FMS customer)
6	Worldwide Warehouse Redistributions Services (WWRS)
7	Unliquidated obligation (ULO) accelerated case closure procedures (ACCP) participants (refundable to customer)
8	Supply Discrepancy Report (SDR) transportation reimbursement

The second digit, an alpha code, identifies the U.S. IA, and the third digit, also an alpha code, identifies the purchaser's in-country service. For example a Bandarian Army Regular FMS Payment by Purchaser account with the U.S. Army would appear as 1BB. Countries that have an Interest Bearing Account with the Federal Reserve Bank (FRB) typically consolidate all their holding account funds into one account generally identified as 1QQ.

Flow of Funds

As a ready reference, Figure 12-1 depicts a block diagram, providing the "big picture" relating to the flow of funds. Details and interfaces are omitted to emphasize concepts. The following is a brief explanation of how to interpret the flow diagram.

Figure 12-1
Flow of Funds



Requirements

The funds flow process starts with the USG placing financial requirements on the foreign purchaser. These requirements are generally of two forms:

- The initial deposit requirement, if applicable, which is reflected in the LOA
- Quarterly payment requirements, which are contained in the estimated payment of the LOA and subsequently incorporated in the DD Form 645, FMS Billing Statement, issued by DFAS-IN.

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-IN directly by wire transfer or by check. Direct cash payments are mailed or wire transferred to DFAS-IN in accordance with instructions provided in the LOA and the quarterly billing statement.

Interest Bearing Accounts

In response to the initial deposit and quarterly billing requirements, a purchaser may also make payments, if authorized, to a separate interest bearing account.

Federal Reserve Bank, New York Accounts

Some countries may establish an account with the FRB, New York, for their FMS deposits. An agreement between the FMS purchaser's defense organization, the purchaser's central bank, FRB New York and DSCA identifies the terms, conditions, and mechanics of the account's operation. Countries receiving FMFP funds must maintain their interest bearing account in the FRB.

Commercial Banking Account

Some countries may establish an account with a commercial bank for FMS deposits. Commercial accounts do not include FMFP funds. Two agreements are required:

- An agreement between the FMS purchaser and the participating commercial bank
- An agreement between the FMS purchaser and DSCA

These accounts operate in a very similar fashion to the FRB interest bearing accounts. [DSCA Policy Memo 04-02]

Department of Defense Financial Controls

In addition to preparation of the LOA package and required DSCA, DFAS-IN documents, the IA should provide budget authority data to DFAS-IN for incorporation into the DIFS. The following discussion concerns the creation of budget authority, obligation authority (OA), methods of funding, and automated financial control systems.

Budget Authority

FMS budget authority is created through the IAs preparation and processing of five forms, as applicable:

- LOAs
- LOA modifications
- LOA amendments
- DD Form 2060 *FMS Obligation Authority* [FMR 0201]
- DD Form 2061 *FMS Planning Directive* [FMR 0202]

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), DFAS-IN records acceptance of the LOA and then releases to the IA specific values of OA

as requested by the IA. 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 2061 and 2060 are prepared, it is necessary to determine the planned funding source. The two funding authorities identified on DD Forms 2061 and 2060 are direct cite and reimbursable.

Direct citation method involves entering and maintaining an FMS trust fund accounting citation on documents relating to FMS transactions. For example, the trust fund accounting data is shown on a DOD contract and is the funding source for a USG paying office to make payment to a contractor. In accordance with DOD 7000.14-R, Volume 15, new procurement actions should be accomplished to the maximum extent feasible and appropriate through direct citation. [FMR 010302]

Reimbursable method is used when the MILDEP or DOD agency cites its performing appropriation as the funding source (for example, the U.S. Army's missiles procurement appropriation). The DOD component's performing appropriation is subsequently reimbursed by DFAS-IN from case funds. [FMR 010303]

Flow to Department of Defense Components

The DOD component having implementation responsibility for a given FMS case will request OA and expenditure authority (EA) from DFAS-IN at the appropriate times in the life of an FMS case.

Obligation Authority

The OA is a financial authority, which allows obligations to be incurred in an amount not to exceed the value of the materials and services requirements on a FMS case. Once the purchaser has accepted an LOA and provided funds to DFAS-IN, and the IA has received OA issued by DFAS-IN, then the case can be implemented and obligations can be recorded. The term "obligation" relates to orders placed, contracts awarded, requisitions submitted, services received, and similar transactions during a given period that will require payments during the same or future period.

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 normally 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 IA. Thus, EA may be requested and accounted for by one of two methods:

- Reimbursement [FMR 040602]
- Direct Cite [FMR 040603]

Foreign Military Financing Program

FMFP facilitates the purchase by many allies and friendly countries of U.S. military equipment, spare parts, and training. The following discussion identifies the various terms used in financing programs and briefly discusses policies and procedures. [SAMM C9.7]

Department of State Role

The Secretary of State, under Section 2, AECA, is responsible for the continuous supervision and general direction of sales and exports of defense articles and services. In accordance with this AECA authority and by executive order, the Secretary of State determines which countries will receive grants/loans, unless Congress has enacted specific country/amount determinations (i.e., earmarks), prohibitions, or ceilings into law.

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. (DOS must first approve their use.)

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 private 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.

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-IN, along with a request for advance of funds. Once DFAS-IN certifies/approves the request, funds are disbursed as appropriate. For direct commercial sales (DCS), the borrowing country must submit to DFAS-IN 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

Prohibitions contained in the annual foreign operations appropriations act limit the use of FMFP funds for commercial procurements to only those countries for which FMFP assistance was justified in the fiscal year (FY) 1989 *Congressional Presentation Document for Foreign Operations*:

Egypt	Greece	Israel	Jordan	Morocco
Pakistan	Portugal	Tunisia	Turkey	Yemen

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 loan funds, the contractor must certify those items and/or services supplied are U.S. source products. DSCA policy precludes the use of FMFP credit funds for direct commercial purchases of less than $100,000. [SAMM C9.7.4]

Denial of Financing

FMFP credit financing shall not normally be approved when the transaction would:

- Place an undesirable burden on a purchasing country's foreign exchange resources, create excessive claims on future budgets (e.g., induced expenditures for maintenance, spare parts, replacement, and indirect support and organizational costs), or otherwise materially interfere with development
- Be used to finance production or co-assembly/coproduction projects overseas
- Have an unreasonable expectation of loan repayment

Commitment Period

The commitment period of a loan is the period of time that DSCA agrees to make the loan amount available for use by a borrower to apply on FMS LOAs or DCS contracts. DOD direct credit loans normally have a commitment period of two years from the date the loan has been signed. Theoretically, after the two-year commitment period has expired, DSCA will no longer accept new LOAs/contracts against the loan. There have been exceptions. Once loan funds have been committed to specific LOAs/contracts, the funds may be disbursed over an indefinite period.

Repayment Period Procedures

Section 23, AECA, requires that loans be repaid within a period not to exceed twelve years after the delivery of such articles or the rendering of such services. However, most loans mature and are repaid over a period of five to nine years following a grace period of one or two years on the repayment of principal. The repayment schedule usually requires payments semi-annually. In lieu of the normal repayment period, a thirty-year payback has occasionally been authorized, with a grace period on the repayment of principal the first ten years of the thirty-year period. [SAMM C9.7.2.1.2]

Terms of Sale

Terms of sale and related type of assistance/finance codes indicate whether the sale of an article or service is from DOD stocks or new procurement and the applicable AECA statutory authority. Terms of sale also indicate when payments are to be made and whether the agreement has been or is to be financed on a cash, FMS credit (repayable or non-repayable), or MAP funding basis. The value of an FMS case may influence the term of sale. [SAMM C9.T10] The IA enters the appropriate term(s) of sale on page one of the LOA. If an LOA involves more than one term of sale, the IA will cite on the LOA all of the applicable terms. [SAMM C9.T8]

Cash with Acceptance

This term applies when the initial cash deposit equals the "Total Estimated Cost" line on the LOA.

Cash Prior to Delivery

Under this term, the USG collects cash in advance of delivery of defense articles and rendering of defense services from DOD resources.

Dependable Undertaking

Under this term, the USG collects cash in advance of procurement payment requirements. Sections 22(a) and 29, AECA apply. Section 22(a) allows the President to enter into contracts for the procurement of defense articles or defense services for sale to a country or international organization after the USG is provided with a dependable undertaking. Section 29 authorizes the President to

enter into contracts for the procurement of design and construction services for sale to eligible foreign countries or international organizations if such country or organization provides the USG with a dependable undertaking. A dependable undertaking is a firm commitment by the purchaser to pay the full amount of a contract, which assures the USG against any loss on the contract. The purchaser agrees to make funds available in such amounts and at such times to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages or costs are due.

See SAMM C4.T2 for a list of those foreign governments and international organizations authorized direct arrangements for a dependable undertaking.

Payment on Delivery

Under this term of sale, the USG bills the purchaser at the time of delivery of defense articles or the rendering of defense services from DOD resources. Section 21(d), AECA, advises that if the President determines it to be in the national interest, billings may be dated and issued upon delivery and interest shall be charged on any net amount due and payable which is not paid within 60 days after the date of such billing. The President may extend the 60-day period to 120 days if he determines an emergency exists. The IA may use this term only pursuant to a written statutory determination by the Director of DSCA that it is in the national interest to do so.

Foreign Military Sales Credit

This term of sale currently applies to payment for an FMS case in whole or in part from FMFP credits (i.e., repayable loans or non-repayable grants extended by DOD under Section 23, AECA). Currently, non-repayable loans/credits are provided in the form of a grant agreement. Repayable credits currently are in the form of direct, market interest rate loans. The amount of the initial deposit for cases financed with foreign military financing (FMF) grant funds will be equal to the estimated total costs of the LOA except for Egypt and Israel.

Type of Assistance Codes

Type of Assistance (TA) codes (also known as Type of Finance codes) indicate the applicable section of the AECA and the source of supply, and are reflected on the LOA in column (5), SC/MOS/TA, or note, along with planned Source of Supply codes (SC). TA codes are also a part of the document number for requisitions and performance reporting. [SAMM C5.F4 and FMR 080402]

Financial Forecasting

It is DOD policy that FMS purchasers pay amounts shown in the LOA estimated payment schedule, except in those instances where potential cash disbursements are anticipated to exceed the current payment schedule. 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:

- An initial deposit
- Estimated quarterly payments

The initial deposit relates to the costs anticipated to be incurred from case acceptance until the first DD Form 645 is rendered and monies collected. With respect to estimated quarterly payments, the payment schedule should reflect amounts due and payable as of the 15th day of the last month of each calendar quarter. For instance, an FMS case having an estimated total cost of $150,000 reflected on line (13) of the LOA might have a payment schedule as follows:

Payment Date	Quarterly	Cumulative
Initial Deposit	$45,000	$45,000
15 March 2010	$40,000	$85,000
15 June 2010	$35,000	$120,000
15 September 2010	$30,000	$150,000

Payment Schedule Content

The initial deposit is a financial requirement collected from the customer at the time they accept the LOA. The initial deposit is required to implement the case and is used to cover the outlays and or deliveries anticipated between the offer expiration date on the LOA and the first payment due date reflected on the payment schedule. SAMM C9.T9 defines the initial deposit time frame based on offer expiration dates. Any quarterly payments thereafter 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 0402, 0403 and SAMM C9.9.1] The list below describes types of cost that can make up the initial deposit and any estimated quarterly payment:

- Anticipated materiel deliveries/services from procurement
- Anticipated materiel deliveries/services from stock
- Progress payments to defense contractors
- Authorized surcharges
- Termination liability (TL)
- Contractor holdback
  - Note: The initial deposit will also include 50% of the total administrative charge

Some of the terms used deserve special comment:

- Progress payments are made to contractors or DOD industrial fund activities as work progresses under a contract, based on costs incurred or percentage of completion, or a particular stage of completion, accomplished prior to actual delivery and acceptance of contract items.
- Contractor hold back is the amount earned by contractors or suppliers during the period but held back to ensure future performance of the contractor.
- 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, payment are received, and deliveries are made. Payment schedules are built upon assumptions such as source of supply, lead-time, delivery schedules, period of performance, progress payment schedules etc. Payment schedules for all cases with two or more lines will be calculated at the line level. When a standby letter of credit applies, the payment schedule will be developed without TL. In the event an amendment or modification of the basic LOA is processed, the previous payment schedule assumptions must be revalidated and the payment schedule adjusted as appropriate. In addition, revised payment schedules should be reviewed against collections and disbursements prior to revising the payment schedule.

Standby Letter of Credit

The standby letter of credit (SBLC) is in lieu of the TL prepayment requirements under the FMS program. Instead of TL prepayments being deposited into the FMS purchaser's FRB account or the FMS trust fund, an equivalent amount is guaranteed under the SBLC. Other financial requirements owed the USG are not covered by this arrangement. DSCA is the beneficiary of the SBLC in the event of FMS case termination. The DSCA comptroller performs the FMS trust fund manager functions and duties. In regards to the SBLC, DFAS-IN will record the deposit of funds from the issuing or confirming bank(s) to the FMS purchaser's government or organization. The FMS purchaser may initiate a request for participation in the SBLC for a FMS program. All requests must be sent to the DSCA comptroller in writing and signed by an official authorized to accept the SBLC documents on behalf of the purchaser's government or organization. The SBLC is binding when issued. The LOA terms and conditions agreement is considered implemented when all parties signed all copies of the documents and the corresponding SBLC is issued.

Case Reviews

SAMM Chapter 6.5.2 requires that all FMS cases be reviewed at least annually using one of the following:

- The anniversary of basic case implementation
- In preparation for a formal review with the FMS customer
- Where there is a ten percent or more change in case value [FMR 040309C]

DSCA Policy Memo 01-22, Attachment 2B, provides the minimum review items that, taken together, constitute a full review of an FMS case. The IAs should develop checklists that incorporate the Attachment 2B case review items, and issue detailed procedural guidance that provides supplementary information unique to each IA. Each checklist shall be signed and dated by the case manager conducting the review, and shall become an official document within the applicable case file.

Payment Schedule Reviews

The SAMM C9.9.3 requires the review of the case payment schedule as part of the annual case review. These reviews are necessary to assess the impact that revisions to delivery schedules, scope changes, pricing updates, actual contract award dates. Contractor payment milestone revisions, etc., may have had on our payment schedule forecast. Payment schedules are evaluated for possible changes when a modification or amendment is processed. If the contract award date slips, the payment schedule is adjusted by a modification within 30 days of contract award. A new payment schedule should be furnished whenever there is a substantive change in payment requirements. FMR 040309 provides further guidance as to the revision of payment schedules.

Additional Major Case Requirement

In addition to the guidance specified above, a quarterly payment schedule variance report (PSVR) [DSCA Policy Memo 05-20] was developed to signify major cases for which discrepancies between the payment schedule and financial requirements appear to exist.

The report compares projected financial requirements in the payment schedule to actual case execution. This comparison focuses on large dollar FMS cases most critical to an FMS customer's overall financial status. The quarterly PSVR will be provided to DSCA country financial managers for review and assistance in managing their respective programs. DSCA country financial managers will

determine if follow-up action with the respective MILDEPs is necessary to potentially revise existing payment schedules for these cases.

Antideficiency Act Violations and Adverse Financial Conditions Reports

The FMR Vol. XV Chapter 2 paragraph 0212 informs us that for purposes of the *Antideficiency Act*, appropriated funds are not limited to those funds specifically appropriated by the Congress to federal agencies from the general fund of the United States Treasury. Rather, funds available to agencies are considered appropriated, regardless of their source, if made available for collection and expenditure pursuant to specific statutory authority. Accordingly, in applying the *Antideficiency Act*, the FMS Trust Fund is considered to be, and is to be treated as, appropriated funds. Transactions that involve the FMS Trust Fund may constitute violations of the *Antideficiency Act*.

Potential Types of Violations. Potential violations can occur under the FMS trust fund when:

- Issuing OA and/or awarding an FMS contract without a signed LOA
- Obligating and/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.

Identifying and Reporting Violations on the Antideficiency Act. Detailed guidance for identifying and reporting violations under the *Antideficiency Act* is contained in DOD Directive 7200.1, *Administrative Control of Appropriations*, and Volume 14, *Administrative Control of Funds and Antideficiency Act* Violations of this Regulation. 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 *Antideficiency Act* for FMS.

Foreign Military Sales Pricing

The methodology employed in developing an FMS price depends upon whether that price is placed on a LOA as a cost estimate or, whether it is the price later reported in the billing system as the result of the constructive delivery of an article or service. The prices entered on an LOA are estimates of the expected costs of articles and services to be delivered sometime in the future. The objective of these estimates, developed using cost analysis techniques, is to provide the FMS purchaser with an accurate prediction of a future cost. Prices entered into the billing system represent the actual prices of the article at the time it is dropped from inventory or the wage or salary rate at the time the service is performed. In the case of articles coming from new procurement, the prices reported will 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 are entered into the billing system to be replaced by the actual costs when they are determined. The important thing to remember is that the components of an FMS 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 is the reporting of the actual cost incurred.

Foreign Military Sales Pricing Elements

Figure 12-2 illustrates the basic pricing concept used to structure and compute an FMS price. The elements of an FMS 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, i.e., contract price, inventory price, replacement price, etc. 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. In the following discussion, both of these categories will be addressed.

Figure 12-2
Foreign Military Sales Pricing Formula

FMS Price = Base Price + Authorized Charges

- **Stock**
  - Training
  - Services
  - Catalogue/spares
  - Major item
  - Excess Defense Articles (EDA)
- **New procurement**

- **Operating cost**
  - Contract administration services (0.2% - 1.7%)
  - Packing (PC&H) (3.5%)
  - Transportation (3.75% - 22.25%)
  - Administration (2.5 - 5%)
  - Small Case Management Line (Cases < $400,000)

- **Investment**
  - Nonrecurring Research, Development, Test, and Evaluation (RDT&E)

Base Price Computation

Training Pricing. The *Foreign Assistance Act* and AECA prescribe a multi-tier pricing structure for training provided under the U.S. SA program. The present pricing structure for SA training provides for five separate tuition rates:

- FMS
- FMS/North Atlantic Treaty Organization (NATO)
- FMS incremental
- FMS/grant and IMET

Rates for the same course differ because various cost elements have been authorized by law to be excluded from some rates and others are charged only on an incremental cost basis. [FMR 0711 and FMR Table 710-1] 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. [FMR 071004]

Personnel Services. Many FMS cases that contain personnel support costs such as engineering services, configuration data management services, technical services, and training team members. These services must be priced to recover all USG costs and will be included as separate, well-defined lines on the FMS case. DOD personnel providing services on FMS cases are to receive identical payments and entitlements as DOD personnel working on direct DOD mission assignments at similar locations. Thus, personnel services lines must be priced to recover not only the appropriate wages, but also all appropriate 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. [FMR 0702]

U.S. military pay and entitlements (other than Coast Guard) are excluded from all services lines on cases wholly financed by MAP or FMFP. This exclusion includes training, design and construction services, and all other case funded services.

As of 1 August 2006, DSCA published Policy Memo 06-14. The policy memo laid out how all services paid for by an FMS case must be well defined above the Standard Level of Service (SLS) and

program management lines were eliminated from new LOAs. SAMM C5.4.9 and C5.T6 details SLS and ultimately the determination of how manpower on FMS cases should be funded and priced.

Materiel Funded from the Defense Working Capital Fund. Typically, the DOD, through a revolving cost account, purchases most secondary items in DOD inventories. The goal of this revolving cost account or the Defense Working Capital Fund (DWCF) is to recoup the full retail costs of obtaining an item and maintaining it in the DOD inventory. Thus, the base cost of a non-major inventory item should be the same for a FMS or USG domestic customer. This means that packaging, crating, and handling (PC&H), and transportation to the continental U.S. pickup points of the FMS customer's freight forwarder are included in the item price and not added onto the basic cost of FMS materiel funded through the DWCFs. [FMR 070302B and FMR Table 703-1]

There are four main funds. Each MILDP operates their own DWCF and the Defense Logistics Agency operating a DOD-wide DWCF. A small percentage of secondary items are not included in the DWCFs, for example:

Munitions	Cryptology items	Classified items
Publications	Maps and charts	Tanks
Racks	Adaptors	Pylons

Major and Principal Items from Inventory. The FMS base price established for a major item (e.g., ship, aircraft, tank, etc.) or a principal item (e.g., component of a major item, such as an aircraft engine) depends upon whether the item is to be replaced or not, and if replaced, whether it will be "in kind" or with an "improved" item.

The computation for an item not to be replaced is based on the most recent procurement cost plus any modifications. Reductions in price can be made for the item's age or condition. [FMR 0703C1 and T703-2.]

The computation for an item to be replaced is determined by whether the item will be replaced "in kind" or replaced with an "improved" item as these prices will be different. As above, reductions in price can be made for the sale item's age or condition. [FMR 0703C2 and T703-3]

Excess Materiel. Excess defense articles (EDA) which are excess to the approved force acquisition level and approved force retention stock requirements of all DOD components. A determination of "excess" is made either by the MILDEP system manager or by the item manager. EDA are sold in an "as is, where is" condition. The cost of excess items is determined by computing and then using the highest of market value as hardware, scrap value, or fair value. Military articles are not sold for less than scrap value. If the item is repaired, rehabilitated, or modified for transfer, this extra cost will be also applied to indicate the final price of the item. Fair value is based on the condition codes shown on the next page:

Federal Condition Code*	Applicable Percentage
A1 (serviceable, unused - good)	50
A4 (serviceable, used - good)	40
A2, A5, B1, C1, D1, B4, C4, D4 (serviceable with qualification, materiel is either unused in fair condition; if used, in good condition)	30
B2, C2, D2, B5, C5, D5, D7, E7, F7, G7 (serviceable with qualification, if unused in fair condition; if used, in good condition) (Also includes unserviceable items that are in good condition but required minor repairs)	20
A3, B3, C3, D3, A6, B6, C6, H7, F8 (serviceable, in poor condition; unserviceable, in poor condition; or unserviceable because item requires minor repairs)	10
D8, H8, D9, H9, F9, FX, GS, HS, HX (unserviceable, requiring major repairs)	5

*See *DOD Operating Manual* 4160.21-M for specific definitions. [FMR 070304 and FMR Tables 703-6, 703-7, 703-8]

New Procurement. Defense articles procured for direct delivery are priced to recover full contract cost plus applicable surcharges. Revised costs may need to be reflected from time-to-time in order to indicate increases due to escalation of labor-materiel and/or to reflect other changes in procurement costs. The cost principles utilized, in general, are the same as those used in pricing defense contracts covering items for DOD use. The LOA total cost, column (4)(b), for a line item from new procurement may be composed of the contract cost plus applicable charges for nonrecurring production and research, development, test, and evaluation (RDT&E), government furnished materiel, contract administration, and other special considerations such as the cost of implementing an offset program. [FMR 0704]

Authorized Charges

Nonrecurring Costs. DOD policy since the early 1960s has required that non-USG purchasers pay a fair price for the value of the DOD nonrecurring cost (NRC) investment in the development and production of defense articles and/or the development of related technology. In accordance with DODD 2140.2, recoupment of these costs is required on all cash sales unless a specific waiver has been authorized. These charges are not applicable to FMS cases that are wholly financed with MAP grant and/or non-repayable FMS credit funds. NRC on major defense equipment for DCS are not recouped. NRCs are currently applicable to FMS of significant military equipment having a nonrecurring RDT&E cost of more than $50 million or a total production cost of more than $200 million regardless of the source of supply of the item. For a current listing equipment, and approved pro rata charges, see SAMM Appendix 1. When the price of an item being sold is reduced because of age, condition or supply status, the same percentage reduction shall be applied to the pro rata NRC. NRC are not itemized or listed separately on either the LOA or the customer billing. [SAMM C9.T2, C9.6.3, and FMR 070305]

Contract Administration Services. Contract administration services (CAS) is a cost incurred by contract administration offices in accomplishing contract administration, quality control, and contract audit, before and after a procurement contract is awarded. 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. 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. The contract administration surcharge is subject to waiver in whole or in part. [SAMM C9.T2, C9.6.2, C9.T3, C9.T4, and C9.T5 and FMR 070405]

The DOD comptroller determines the applicable contract administration surcharge by dividing the cost of conducting contract administration for FMS by anticipated disbursements to contractors, which will be reported to DFAS-IN. Current charges are:

Contract Administrative Service	Applicable Percentage
Quality Assurance and Inspection	0.65%
Other Contract Administrative Services	0.65%
Contract Audit	0.20%
Overseas CAS	0.20%
Total	**1.70%**

Administrative Charges. Administrative charges are collected on all FMS cases to recover expenses of sales negotiations, case implementation, program control, computer programming, accounting and budgeting, and general administrative support of the FMS program. This charge also includes the SLS on every FMS case. [SAMM C5.T6] Administrative charges do not include the administration of FMS training cases at the installation level, since such charges are included in tuition rates. The estimated administrative expenses are on Line (10) of the LOA. [SAMM C9.T2 and FMR 0706.]

The standard administrative charges are:

- Cooperative Logistics Supply Support Arrangement (CLSSA). 5% of the basic sales price of initial "on-hand" items Foreign Military Sales Order I.
- Nonstandard Articles. The administrative fee for nonstandard support has been reduced to 3.8% of the basic sales price as of 1 August 2006. A nonstandard article is one that DOD does not actively manage, either because it has been retired from inventory, or was never purchased for DOD components. 3.8% also applies to nonstandard procurement executed by personnel funded on a case/program management line, or by a service contracted procurement authority.
- All Other Foreign Military Sales Orders. 3.8% of the cost or price (including training) for the procurement of new items or sales from stock. The charge was 2.5% for cases implemented between June 1999 and 31 July 2006, and 3% on cases implemented prior to June 1999. As lines on these cases are amended or modified, the rate remains the same. If new lines are added to the case, the new line rate will be 3.8%. If the administrative charge is waived, the administrative fee is funded from the current operation and maintenance appropriation of the applicable IA.
- Small Case Management Line. Effective 1 August 2006 a minimum administrative surcharge of $15,000 per case is collected to insure costs to prepare and implement the case are recovered. This charge will be reflected by the addition of a line to the case with a generic code of R9C. [DSCA Policy Memos 06-14 and 06-19]

Accessorial Costs. Accessorial costs represent expenses incident to issues, sales, and transfers of materiel that are not included in the standard price or contract cost of materiel. It is important to note at this point that there have been several changes to the application of these accessorial costs to stock funded items. The base price computation of DWCF materiel section of this chapter has more detailed information on the application of surcharges. Two primary accessorial costs are PC&H and transportation.

PC&H costs are those costs at DOD facilities for labor, materials, and services to take articles from storage, prepare them for shipment, and process the documentation. The PC&H charge of 3.5% for the first $50,000 of the unit cost and 1.0% for the remainder of the unit cost will be applied to all items supplied from DOD inventory. However, PC&H costs are not applicable to items released from DOD stocks funded through a DWCF. Further, PC&H costs do not apply to sales from procurement unless

the item is processed through a DOD depot/distribution center. The PC&H charges are shown on Line (9) of the LOA.

Transportation costs are the costs of DOD provided or financed transportation (land, air, inland and coastal waterways) in the U.S. (for non-DWCF items) and outside the U.S. and overseas transportation by vessel or air (including parcel post via surface or air). These costs are not applicable to FMS customers who use commercial modes of transportation since this transportation is performed on collect commercial bills of lading. LOAs, which require use of the defense transportation system (DTS), will use look-up table rates for those items included in the table; otherwise, percentage surcharge rates as shown in Figure 12-3 may be applicable.

Figure 12-3
Defense Transportation System Percentage Rates

Rate Area		DOD Movement to Destination						
		DTC 4 Point of Origin TBC D, K, L	DTC 5 CONUS Port of Exit TBC A, B, E	DTC 8 CONUS Aboard Vessel TBC H, U	Port to Port Discharged TBC J	DTC 6 Overseas Port TBC F, X	DTC 9 Overseas Port Discharged TBC C, V	DTC 7 Overseas Inland Destination TBC G, Y
1	Central America[1], Europe, Mediterranean	0.00%	3.75% 0.00%	6.25% 2.50%	7.50%	10.25% 6.50%	11.25% 7.50%	14.25% 10.50%
2	South America[2], Newfoundland, Labrador, Thule, Iceland, Far East, Africa, Near East			6.25% 2.50%	9.50%	12.25% 8.50%	19.25% 15.50%	22.25% 18.50%

Notes:

1 "Central America" includes east and west coasts of Central America, all Caribbean Islands, ocean ports of Venezuela, Guyana, Suriname, French Guiana, and Colombia.

2 "South America" includes all ports on the east and west coasts of South America, island possessions of South American countries, and ocean ports south of French Guiana to Cape Horn.

In general, the applicable transportation percentage will be applied to the first $10,000 of the unit cost and 1/4 of the applicable percentage will be applied for the remainder of the unit cost on all items supplied from DOD inventory. In addition, percentage based transportation rates are assessed when the DTS provides transportation for FMS materiel, when items are shipped on a government bill of lading, and when packages are shipped prepaid through the U.S. Postal Service (excluding DWCF materiel). The transportation costs are shown on Line (11) of the LOA. [SAMM C9.T2, C7.18 and FMR 070503, and T705-1.]

When costs using standard transportation percentages in Figure 12-3 are significantly different from actual charges, the MILDEPs have established “estimate actual costs”. These estimated actual costs have been determined over time by the MILDEPS on based historical costs of shipping identified items and are published in the Transportation Cost Look-Up Table, published by DSCA. [SAMM Appendix 2] Figure 12-4 provides a sample of the cost look-up table.

Other Cost Recovery Charges

The SAMM C7.18.3 allows for the recovery of additional transportation services associated with delays in shipment caused by others will be charged to the FMS case line associated with the shipment. If multiple FMS cases/lines are involved, the charges must be prorated to the applicable lines according to the purchase cost of the individual shipments. Cases may need to be modified to identify the additional costs. These additional transportation costs must not be paid from the FMS Transportation Surcharge Account. Case managers must notify and obtain the approval of DSCA

(Business Operations Directorate) before processing billings in excess of $50,000 or 10 percent of the case value. An e-mail message, facsimile, or hard copy request from the service provider is sufficient for the notification to the designated point of contact (POC) at the ILCO, in order to identify the case manager responsible for processing the bill. [DTR 4500.9-R Part II, Attachment V7, Table V7-2 TAC POC] The carrier is responsible for providing sufficient documentation to the case manager to process the bill. Generally these charges are defined as detention and demurrage.

Figure 12-4
CY-09 Transportation Cost Look-Up Table

Army Annex				
NSN	ITEM	Code 6 Estimated Actual Total	Code 8 Estimated Actual Total	Code 9 Estimated Actual Total
APACHE				
1615-01-252-6376	TRANSMISSION	$1,535	$1,223	$21,486
1615-01-306-6948	HEAD, ROTARY WING	$1,858	$1,234	$31,758
1615-01-310-4978	BLADE, ROTARY WING	$1,521	$1,209	$11,906
1650-01-273-7608	SERVOCYLINDER	$1,159	$1,145	$2,056
2835-01-172-6200	ENGINE, GAS TURBINE	$1,186	$1,072	$5,322
ATACMS				
1427-01-274-3904	GUIDED MSL AND LAUNCH POD ASSEMBLY, M39	$2,004	$1,392	$44,813
1427-01-445-3758	GUIDED MSL AND LAUNCH POD ASSEMBLY	$2,031	$1,400	$47,513
1427-01-494-1457	GUIDED MSL AND LAUNCH POD ASSMEBLY, M39A1	$2,004	$1,392	$43,231
BLACKHAWK				
1615-01-096-5427	HUB ASSEMBLY	$1,019	$920	$4,556
1615-01-106-1903	MAIN ROTOR BLADE MODULE	$1,345	$990	$13,042
1615-01-145-3928	GEAR BOX, MAIN	$1,237	$967	$18,674
1615-01-168-2983	GEAR BOX, MAIN	$1,237	$967	$18,674
1615-01-230-6218	GEAR BOX ASSEMBLY INPUT	$983	$912	$3,634

A detention charge is caused when a carrier conveyance is held by or for a consignor or consignee beyond the allowable free time for loading or unloading, awaiting forwarding directions or for any other purpose authorized and documented by the consignor or consignee. Charges for detention are in addition to all other lawful transportation charges.

A 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. It may also be a charge to shippers accruing from the time the container is discharged from the vessel. Charges for demurrage are in addition to all other transportation charges. Demurrage charges typically are associated with rail and water port operations.

Logistic Support Charges

Effective 1 October 2007, the 3.1% 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. You may have to reconcile or have other issues particularly with older cases containing LSC. [DSCA Policy Memo 06-14]

Foreign Military Sales Billing

Sections 21 and 22, of the AECA, provide the legal basis for FMS billing policies and procedures. FMS case billing involves many actions, but can be viewed as one of two processes. First, the agency providing a commodity or service, from either organic or contractual sources, bills the FMS customer's trust fund account managed by DFAS-IN via the FMS delivery transaction. Second, DFAS-IN sends the international purchaser the DD Form 645, *Foreign Military Sales Billing Statement*.

Foreign Military Sales Delivery Transaction

IAs must report the performance and execution (e.g., deliveries from stock, progress payments, etc.) of the FMS program to DFAS-IN within 30 days of physical delivery of material or physical completion of services via an FMS delivery transaction. The delivery transaction prompts liquidation of customer funds collected in advance and maintained in the FMS trust fund. The delivery transaction equates to an 80-position document. [FMR 0804 and FMR Table 804-1]

Among other things, the delivery transaction reflects:

- *Military Standard Requisitioning and Issue Procedure* Document Number
- Stock or Part Number
- Quantity
- Mode of Shipment
- Delivery Source Code
- Transportation Bill Code
- Dollar Value

Hundreds of delivery transactions are submitted by the IAs and are received by DFAS-IN on a monthly basis. The delivery transaction provides data enabling DFAS-IN, via DIFS, to compute and bill FMS customers for accrued expenditures including the application of various charges, such as administration, contract administration, PC&H, and transportation.

The delivery transaction is the basic source document for the detailed entries which appear in the FMS delivery listing. Attachment 12-1 provides additional information regarding the delivery transaction and an example of the format.

Foreign Military Sales Billing Cycle

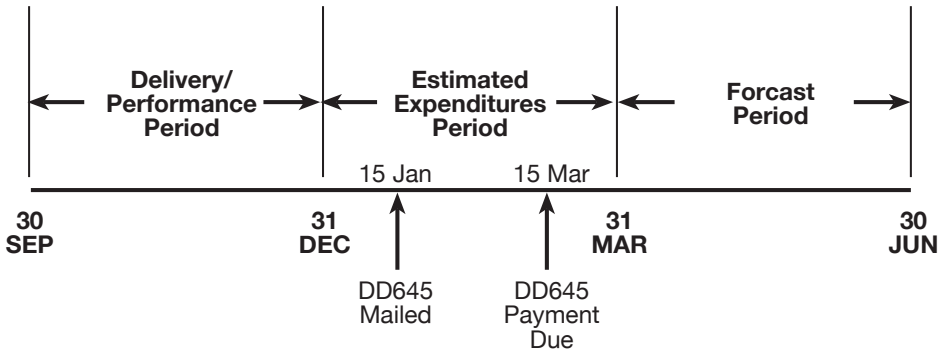
Billing Cycle

DFAS-IN issues quarterly billing statements (DD Form 645) to FMS customers based on the LOA payment schedule prepared by the applicable IA. DFAS-IN bills the customer for costs related to defense articles, services, and training that have been sold pursuant to the AECA. After the FMS customer accepts the offer and provides DFAS-IN with signed copies of the LOA and the applicable initial deposit, DFAS-IN updates DIFS with applicable LOA data. The FMS case is implemented in DIFS and the system 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 the first billing payment due date. Billing statements are prepared and forwarded to the FMS purchaser on a quarterly basis (i.e., for quarters ending March, June, September, and December). A sample billing cycle is shown on the next page.

Previous Period/Quarter	Projected Mailing Date	Payment Due to DFAS-IN	Forecast Quarter
JAN-MAR	15 APR	15 JUN	JUL-SEP
APR-JUN	15 JUL	15 SEP	OCT-DEC
JUL-SEP	15 OCT	15 DEC	JAN-MAR
OCT-DEC	15 JAN	15 MAR	APR-JUN

Figure 12-5 is the diagram of an FMS billing cycle. This cycle must be taken into consideration during the computation of the initial deposit period and any quarterly payments thereafter.

Figure 12-5
Foreign Military Sales Billing Cycle



If the anticipated FMS case acceptance date is between 11 October and 10 December, the initial deposit should cover the forecast of expenditures from the date of acceptance through 31 March. If the acceptance date is between 11-31 December, the initial deposit coverage period is from the date of acceptance through 30 June.

The DD Form 645, FMS Billing Statement, for the period ending 31 December would contain delivery transaction data provided to DFAS-IN in October, November, and December and a forecasted financial requirement for April, May and June. The delivery transaction data is due to DFAS-IN from the MILDEP by the 16th day of the month following the month being reported. For example, the aforementioned October delivery transaction data should consist primarily of the previous month's (September) deliveries/performance together with a few of old, prior month's deliveries/performance that were late in arriving at DFAS-IN. The payment due date (of 15 March in the above example) shown in the DD Form 645 is the payment date as contained in the estimated payment schedule of the LOA.

Foreign Military Sales Billing Statement

The FMS Billing Statement, DD Form 645, Figure 12-6, prepared by DFAS-IN represents the official claim for payment by the USG referred to in LOA. It also furnishes an accounting to the FMS purchaser for costs incurred under each agreement. In addition to identifying deliveries (or performance of services) made on the FMS purchaser's case, the DD Form 645 also reflects the forecasted costs which relate to the next quarter's financial requirements on that same FMS case. These forecasted costs may include anticipated progress payments, contractor holdback, TL reserve, accrued and future deliveries, NRC, contract administration services costs, and administrative/accessorial costs. [FMR 0802, FMR 080203, and FMR Table 802-1.]

Figure 12-6
DD Form 645

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/ARMY				
1. TO: BANDARIA ARMY		2. THIS IS A BILLING STATEMENT BASED ON CASH REQUIREMENTS. PAYMENT IS DUE BY: 09 MAR 15		3. STATEMENT NUMBER: 08–12NA		4. FOR PERIOD ENDED: 08 DEC 31		5. DATE PREPARED: 09 JAN 15
CASE IDENTIFICATION AND DELIVERY STATUS				FINANCIAL STATUS				
6. CASE & ITM 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
URK								
001	60,000.00	14,900.00	15,100.00	30,000.00				
	ARMAMENT SYS							
002	10,000.00	3,844.50	1,155.50	5,000.00				
	SUPP EQP							
003	12,340.00	12,340.00		12,340.00				
	SMALL CASE SPT EXPENSES							
L6A	2,660.00	712.29	617.71	1,330.00				
	ADMINISTRATIVE FEE							
L00	625.00	270.47	150.70	421.17				
	ACCESSORIAL COSTS							
WIP	WORK IN PROCESS			13,978.83				
CASE TOTAL	85,625.00	32,067.26	17,023.91	63,070.00	8,550.00	71,620.00	63,070.00	8,550.00

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

DD Form 645 Supporting Documentation

In addition to the DD Form 645, the purchaser is provided certain attachments, as applicable, which contain information of a more detailed nature. Attached to the DD Form 645 are the following five supporting documents.

Foreign Military Sales Delivery Listing

The delivery listing, Figure 12-7, is detailed information of the performance reporting of articles, services, supply discrepancy reports (SDR), and notices of actions taken or to be taken, which have been reported to DFAS-IN by the IAs, supporting Column 9 of the DD FORM 645. It provides delivery information at DSC level by case and line number regarding articles/services transactions, administrative/accessorial transactions, and a summary of delivery costs for each item number. [FMR 080204 and FMR Table 802-2]

Figure 12-7
Foreign Military Sales Delivery Listing

PCN: UH028A150 — FMS DELIVERY LISTING — PAGE: 1

FOR PERIOD ENDED: 08 DEC 31
DATE PREPARED: 09 JAN 15

COUNTRY: BANDARIA — STATEMENT NUMBER: 08–12NA
SERVICE: ARMY — CASE: URK ITM NBR: 002 — U.S. DEPT/AGENCY: ARMY

ARTICLE/SERVICES TRANSACTIONS

DOC ID	RIC	PRC CD	STOCK NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT NUMBER	DOC SFX	SUPL ADRS	M S	ARC	ACTG DATE	TBC	DSC	DATE SHIP	UNIT PRICE	EXTENDED VALUE
FKB	B14	A	C0001BDURK	EA	5CR	BBNC5471009004		BZ2URK	G	CB	0810	A	AB	8140	70.00	350.00 CR
FKA	B14	E	493000926123400	EA	10	BBNC5480359001		BZ2URK	Q		0810	G	AB	8250	120.55	1,205.50
FKA	S9J	A	473000016267800	EA	2	BBNC5481299009		BZ2URK	G		0811	A	AB	8280	50.00	100.00
													ITM NBR/DSC SUBTOTAL:			955.50
FKA	B14	A	CONTRACT ADM	XX	1	BBN00000005330		URK			0811	D	BD	8330	2.96	2.96
													ITM NBR/DSC SUBTOTAL:			2.96
FKA	B14	A	493000928111100	EA	1	BBNC5481009010		BZ2URK	B		0811	D	DC	8281	197.04	197.04
													ITM NBR/DSC SUBTOTAL:			197.04

ADMINISTRATIVE/ACCESSORIAL TRANSACTIONS

DOC ID	GENERIC CODE	COST DESCRIPTION	DOCUMENT NUMBER	ARC	ACTG DATE	TYPE OF COST	PERCENT FACTOR	TOTAL VALUE APPLIED	ADMIN/ACSRL COST
FKC	L6A	ADMIN COSTS	BBN		0810	COMPUTED	3.80	1,205.50	45.81
FKC	L6A	ADMIN COSTS	BBN		0811	COMPUTED	3.80	300.00	11.40
FKD	L6A	ADMIN COSTS	BBN		0810	COMPUTED	3.80	350.00 CR	13.30 CR
FKE	L1C	AIR TRANS	BBN		0810	COMPUTED	6.00	1,205.50	72.33
FKE	L1F	OS INLAND	BBN		0810	COMPUTED	3.00	1,205.50	36.17
FKE	L2B	CONUS PORT	BBN		0810	COMPUTED	2.50	1,205.50	30.14
FKE	L2C	OS PORT	BBN		0810	COMPUTED	1.00	1,205.50	12.06

PCN: UH028A150 — FMS DELIVERY LISTING — PAGE: 2

FOR PERIOD ENDED: 08 DEC 31
DATE PREPARED: 09 JAN 15

COUNTRY: BANDARIA — STATEMENT NUMBER: 08–12NA
SERVICE: ARMY — CASE: URK ITM NBR: 002 — U.S. DEPT/AGENCY: ARMY

SUMMARY OF DELIVERY COSTS

	ACTUAL COSTS	COMPUTED COSTS	
FKA ARTICLES/SERVICE COSTS			1,505.50
FKB ARTICLES/SERVICE COSTS			350.00 CR
NET TOTAL OF ARTICLES/SERVICES COSTS			1,155.50
FKC ADMINISTRATIVE COSTS	0.00	57.21	57.21
FKD ADMINISTRATIVE COSTS	0.00	13.30 CR	13.30 CR
NET TOTAL OF ADMINISTRATIVE COSTS	0.00	43.91	43.91
FKE ACCESSORAL COSTS			
L1C AIR TRANS	0.00	72.33	72.33
L1F OS INLAND	0.00	36.17	36.17
L2B CONUS PORT	0.00	30.14	30.14
L2C OS PORT	0.00	12.06	12.06
NET TOTAL OF ACCESSORIAL COSTS			150.70
TOTAL DELIVERY COSTS			1,350.11

Foreign Military Sales Reply Listing to Customer Requests for Adjustments

The reply listing, Figure 12-8, reflects transactions relating to the final disposition/action taken with respect to SDRs. All responses to SDRs are listed separately for each country, service, case, and item number. The reply listing is prepared in the same basic sequence as the billing statement and FMS delivery listing. All SDRs appearing on the reply listing are included in the FMS delivery listing. [FMR 0803 and FMR Table 803-1]

Foreign Military Sales Financial Forecast

The financial forecast, Figure 12-9, reflects forecast 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.

Figure 12-8
Foreign Military Sales Reply Listing to Customer Requests for Adjustments

PCN: UH028A150 — FMS REPLY LISTING TO CUSTOMER REQUEST FOR ADJUSTMENTS — PAGE: 1

FOR PERIOD ENDED: 08 DEC 31
DATE PREPARED: 09 JAN 15

COUNTRY: BANDARIA
SERVICE: ARMY — STATEMENT NUMBER: 08–12NA — U.S. DEPT/AGENCY: ARMY

DOC ID	RIC	PRC CD	ROID SERIAL * NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT ** NUMBER	DOC SFX	SUPL ADRS	M S	ARC ***	ACTG DATE	TBC	DSC	UNIT PRICE	EXTENDED VALUE
						CASE: URK ITM NBR: 002									
FKB	B14	A	C0001BDURK	EA	5CR	BBNC5471009004		BZ2URK	G	CB	0810	A	AB	70.00	350.00 CR

NOTES:

* EXTRACTED FROM THE STOCK NUMBER DATA FIELD OF THE RELATED FKA/FKB TRANSACTION IN THE FMS DELIVERY LISTING.

** THE DOCUMENT NUMBER IN THE FMS REPLY LISITNG AND THE FMS DELIVERY LISTING ARE IDENTICAL AND CAN BE IDENTIFIED BACK TO THE ORIGINAL REQUIREMENT.

*** ARC MAY BE THE RESULT OF NON–RSDRADJUSTMENTS. FMS CUSTOMERS SHOULD REVIEW THE LINE ENTRY IN ITS ENTIRETY TO DETERMINE IF A REPLY (ARC) IS BEING PROVIDED WITHOUT IDENTIFICATION BY SDR SERIAL NUMBER.

Figure 12-9
Foreign Military Sales Financial Forecast

PCN: UH028A150 — FMS FINANCIAL FORECAST

U.S. DEPT/AGENCY: ARMY — STATEMENT NUMBER: 08–12NA — FOR PERIOD ENDED: 08 DEC 31
COUNTRY: BANDARIA — DATE PREPARED: 09 JAN 15
SERVICE: ARMY

CASE	FORECAST BY QUARTER	1ST	2ND	3RD	4TH	5TH	6TH	7TH
		8TH	9TH	10TH	11TH	12TH	13TH	14TH
		15TH	16TH	17TH	18TH	19TH		
CXY		12000	0	0	0	0	0	0
		0	0	0	0	0	0	0
		0	0	0	0	0		
URK		7000	5000	1725	0	0	0	0
		0	0	0	0	0	0	0
		0	0	0	0	0		
TOTAL STATEMENT		19000	5000	1725	0	0	0	0
		0	0	0	0	0	0	0
		0	0	0	0	0		

Holding Account Statement

Discussed earlier in this chapter as a convenience to the FMS purchaser, DFAS-IN maintains a purchaser holding account. The FMS customer may request DFAS-IN to draw upon its country holding account for transfers to specific cases as a need arises. The holding account balances are not included in the totals of the DD Form 645. A separate holding account statement, Figure 12-10, is provided to the country showing deposits and withdrawals to the holding account and is considered an off-line billing statement.

Figure 12-10
Holding Account Statement

BANDARIA HOLDING ACCOUNT: BN-B-1BB FOR QUARTER ENDING: DECEMBER 31, 2008 CASH ACCOUNT FOR SALES TO BANDARIA ARMY				
DATE	DETAIL	DEPOSITS	WITHDRAWALS	BALANCE
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	$50.00		
	D-KAB	$75.00		
29-Dec-08	Cross-leveling transactions per letter, Embassy of Bandaria, 15 SEP 06 to cases:			
	D-KBU		$100.00	
	D-KAW		$25.00	
31-Dec-08	ENDING BALANCE			$2,890.00

The FMS customer must advise DFAS-IN of its desires relative to the controls over holding account transactions. For example, DFAS-IN needs to know if the customer desires automatic refunds, or if the customer wants to request refunds on a case-by-case basis.

Suspense Account Statement

For those countries participating in accelerated case closure procedures, a statement of the country's suspense account, Figure 12-11, 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.

Cross-Leveling

Cross-leveling is an accounting technique by which DFAS-IN 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-IN 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 a written agreement between DFAS-IN and the FMS customer. 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. A sample of this transaction documentation can be seen in Figure 12-10.

Figure 12-11
Accelerated Case Closure Suspense Account Statement

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 – P) = 1					
				** 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.

Special Billing

In much the same manner as cross-leveling, customers may be able to minimize cash flow using collections for all 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. As noted, since each agreement is unique, the DSCA Comptroller should be contacted if additional information is desired.

DFAS-IN Performance/Delivery Reporting Feedback to Implementing Agencies

In accordance with DOD 7000.14-R, Vol. 15, IA earned reimbursements are to be paid by DFAS-IN within 20 working days from the date of receipt at DFAS-IN. DFAS-IN provides several products to the IAs to assist in reconciling their accounts. The following is a list of selected DFAS-IN products and some of the data provided by each product. DFAS-IN normally provides these products on electronic media to the IAs.

Foreign Military Sales Command Pay List

This report identifies the total amount of deliveries charged to FMS cases excluding accounts payable (i.e., country account in a deficit position) and IA delivery reports rejected by DFAS-IN. The report also includes the additional charges that were mechanically computed by DFAS-IN. The FMS command pay list summarizes deliveries reported by case and country for each reporting activity. The last line of the list, total reimbursable to this payee, should equal the amount the payee receives by check.

Foreign Military Sales Implementing Agency Performance Report Transaction Register

This computer printout is available for IAs to use in reconciling their reported deliveries to the deliveries processed by DFAS-IN. The register contains transactions submitted by the IA that could not be processed by DFAS-IN because of invalid data and/or suspected problem areas. DFAS-IN also provides information on transactions inputted by DFAS-IN on the IA's behalf, transactions modified by DFAS-IN, and transactions deleted by DFAS-IN.

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 or the purchaser did not have enough cash available, or the amount of credit deliveries outweighed the debits. The list contains a total of all transactions that are reimbursable and non-reimbursable to the reporting activity.

Case Reconciliation and Closure

Case reconciliation is not a single action. Rather, it is a series of actions of identifying and resolving discrepancies among logistics and financial transactions throughout the life of an FMS case. Reconciliation commences with the implementation of an FMS case and concludes when the case is closed.

Foreign Military Sales Case Reconciliation and Closure Manual

DOD 5105.65-M, FMS RCM, published in August 2004, is the authoritative FMS policy source concerning case review, reconciliation, and closure procedures. It consolidates reconciliation and closure policies into a single policy reference. This manual complements and expands on DOD 7000.14-R, FMR, and DOD 5105.38-M, SAMM. It is intended to identify all policies and procedures, and ease actions by simplifying efforts to research the associated business rules. Every effort is made to ensure this document is user-friendly, comprehensive, relevant, and concise.

Case Reconciliation

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 assure the safeguarding of customer and USG funds.

- Ensuring case identifiers are recorded in all financial transactions when the DOD accepts an FMS case it also accepts a fiduciary responsibility, which is, completed once final reconciliation is effected. Those cases where reconciliation cannot be achieved should be referred to the DSCA case closure executive committee.

Case Closure

An FMS case becomes a candidate for closure when:

- Ordered items have been physically delivered
- Ordered services have been performed (and all warranties are expired)
- SDRs have been submitted and resolved
- Financial requirements are complete (collections, disbursements, deliveries and obligations are equal)
- Records maintained by the IA and DFAS-IN are in agreement

IAs then perform final case reconciliation actions and submit closure certificates to DFAS-IN where an audit is accomplished and final statements of account are issued.

Accelerated Case Closure

One of the major hindrances to case closure, under the above procedures, is the final settlement of long-running contracts in which the FMS case is a part. An alternative process to close FMS cases is called Accelerated Case Closure. This procedure allows these cases to be closed in the customer's records in advance of final contract settlement, and as a result, FMS customers electing to participate in the process will have their cases closed more expeditiously, with a goal of closing a case within two years of supply/services completion. While these cases are closed as far as the customers are concerned, as evidence by the customer receipt of a final statement of account, the cases continue to be accounted for in both the MILDEP and DFAS-IN records. Final closure in DOD records only occurs when all contracts or other unliquidated obligations are completely settled. The closure certificate process under these accelerated procedures will be in two phases. For those cases closed with unliquidated obligations, an interim closure certificate is submitted. Based on this interim certificate, DFAS-IN will issue a final statement of account to the FMS customer. Subsequently, a final closure certificate is submitted by the IA when all contract issues are finalized and all obligations liquidated.

Summary

Proper FMS funds management requires the FMS manager to acquire an understanding of a myriad of policies and procedures. Each LOA must reflect easily understood payment terminology. This is accomplished using terms of sale and the payment schedule. For a case to be implemented, IAs must request OA, and the OA in turn must be passed from DFAS-IN to the applicable IA. OA allows the IA to prepare and process funding documents on behalf of the FMS purchaser. Expenditure authority must be requested by the IA from DFAS-IN in order to pay bills as a result of material delivered and services rendered.

The methodology employed in determining an FMS price 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 policy and procedures. The basic methodology involves the determination of a base cost (e.g., stock, inventory, procurement) plus other associated costs (e.g., administrative charge, accessorial charges etc.). Although the pricing methodology is relatively simple, estimating the cost elements i.e., "how much" or "to what extent" for allocation to an FMS 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 that payments are to be made in advance of USG expenditures on the purchaser's behalf. IAs report the cost of DOD services, inventory, and new procurement sales to DFAS-IN using the "Delivery Transaction." The basic FMS billing document is the DD Form 645, which is prepared at the end of each calendar quarter. The DD Form 645 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," the "FMS Reply Listing to Customer Request for Adjustments," the "FMS Financial Forecast," and the "Holding Account Statement."

References

U.S. Department of Defense Manual 5105.38-M, *Security Assistance Management Manual* (SAMM), 3 October 2003.

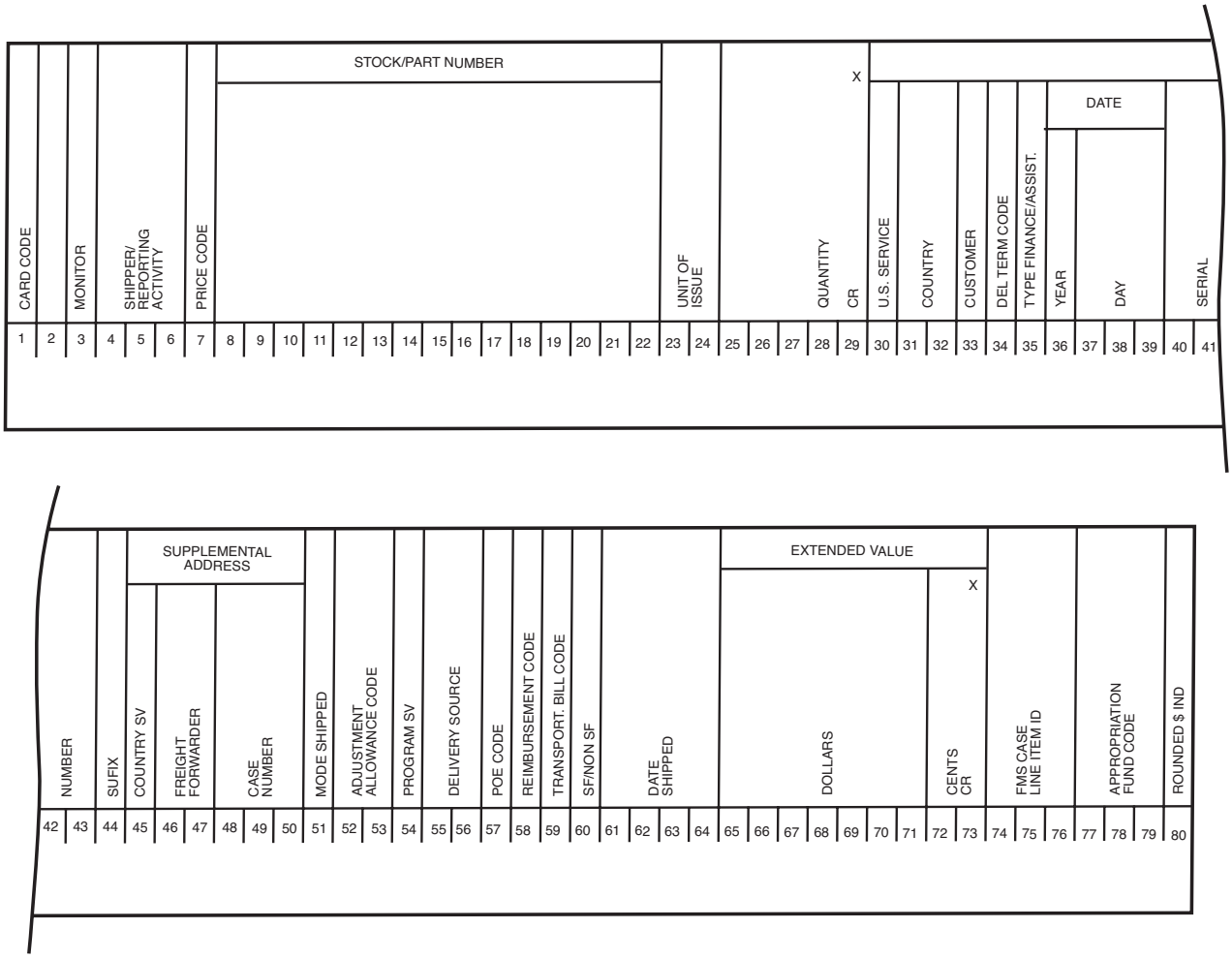
Financial Management Regulation 7000.14-R, Volume 15, "Security Assistance Policy and Procedures", 18 March 1993.

U.S. Department of Defense Manual 5105.65-M. *Foreign Military Sales Case Reconciliation and Closure Manual* (RCM), August 2004.

ATTACHMENT 12-1
FOREIGN MILITARY SALES DELIVERY TRANSACTION

The FMS Delivery Transaction identifies accrued MILDEP/IA FMS expenditures (work in process) and physical deliveries of inventory/new procurement articles and services. Based on the data contained in the delivery transaction, DFAS-IN will compute applicable surcharges and report the transactions to the purchaser through the FMS delivery listing attachment to the DD Form 645 *FMS Billing Statement*. [A Delivery Transaction Report example is shown in Figure 12-1-1.]

Figure 12-1-1
Foreign Military Sales Delivery Transaction



The importance of accurate and timely performance reporting is self-evident. For example, transaction position 3, Monitor Code and positions 4-6, Routing Identifier Code identify the activity to which the case is assigned for action and which is to be reimbursed as well as the shipping depot or activity performing the service delivery. An "E" in transaction position 7, Price Code advises the customer that delivery is at an estimated price and "A", actual costs, will be reported at a later date.

Transaction position 34 delivery term code (DTC) indicates the responsibility, DOD or purchaser, for transportation of FMS articles. For example, DTC "8" advises the purchaser that the DOD planned to transport the article(s) to a continental U.S. port of exit and provide loading, handling, and storage aboard a vessel at the port of exit. 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, a shipment from a customer's supply support arrangement.

Transaction positions 55 and 56 DSC provide an audit trail between performance and the pricing of the LOA. The DSC is also used by DFAS-IN to recognize:

- IA earnings for administration of a case
- PC&H
- Contract administration services
- Certain transportation charges

For example, a DSC beginning with the alpha "A" indicates delivery from DOD inventory and a DSC beginning with the alpha "D" indicates work in process on FMS customer procurements and deliveries from procurement. The second alpha of a DSC beginning with a "D" identifies government furnished materiel, NRCs, a requirement for DFAS-IN to collect for contract administration, etc. [See Figure 12-1-2 for a listing of DSC, and Figure 12-1-3 for the applicable charge matrix based upon the DSC.]

Transaction position 59 Transportation Bill Code (TBC) is a very important code. It is used by DFAS-IN to recognize DOD earnings for transportation of materiel. If this position is left blank, DFAS-IN will compute transportation costs using the DTC previously discussed. However, at present, DTCs do not identify small package shipments (parcel post and United Parcel Service) and DFAS-IN computer is not programmed to consult the mode of shipment code for MILDEP deliveries. Consequently, without a TBC identifying DOD small package shipments the customer is not billed for costs and the MILDEP is not reimbursed.

Transaction position 60 (Stock Fund/Non-Stock Fund) identifies the DOD financing appropriation or stock fund. The reporting activity may use transaction positions 77-79, appropriation/fund budget code, to identify its appropriation/fund to be reimbursed, if applicable.

Transaction positions 65-73 (Extended Value) represent the total dollar value of the delivery transaction report. DFAS-IN will divide this value by the quantity shown in transaction positions 25-29 to determine the unit price as reported in the FMS delivery listing to the purchaser.

Under the positive transaction control performance reporting process, additional data fields are added to the basic 80-column format to provide tracking and suspense monitor. One of the data fields added is an element called the transaction control number, a unique 13-position code assigned by the MILDEP financial integrated control system to each transaction submitted. The transaction can then be tracked until its final disposition posting to the DIFS performance reporting subsystem or deletion from the financial records. If there are several transactions against one single document number, each one can be monitored separately. In-depth explanation of all transaction positions may be found in DOD 7000.14-R, Volume 15. As can readily be seen, errors in any codes can, and do, cause serious difficulties in the proper billing of purchasers and reimbursement of costs. Delays in submission of delivery transaction reports by the MILDEPs/IAs result in late reporting of transactions to purchasers, and the erroneous appearance of excessively large purchaser trust fund balances as well as other related problems.

Figure 12-1-2
Delivery Source Codes

	DSC 1st Position	DSC 2nd Position
Sale of DOD Articles under Section 21, AECA DWCFs non-excess items, including technical data packages and publications, from inventory		
1. Matured FMSO	A	A
2. Other than matured FMSO	A	B
DWCFs non-excess items diverted from procurement initiated to maintain stock fund inventory		
1. Matured FMSO	A	C
2. Other than matured FMSO	A	D
Procurement funded item (including technical data packages and publications) from inventory that requires replacement.	A	E
Procurement funded item (including technical data packages and publications) from inventory that do not require replacement.	A	G
Excess Working Capital Funds Item		
1. Matured FMSO	A	H
2. Other than matured FMSO	A	J
Excess procurement funded Item from inventory PC&H computed on original acquisition cost of item and submitted by IA.	A	K
Any item other than DWCF Items sold from inventory that are not subject to normal PC&H charge. This code shall only be used with the case contains a transportation line or a packing, crating and handling line, or a pricing exception has been granted by the Office of the Under Secretary of Defense (Comptroller).	A	L
Performance of DOD Services under Section 21 or 22, AECA		
Training Course		
1. DOD	B	A
2. Contractor	B	B
Repair or replace customer equipment. IAs shall include actual PC&H and transportation for materiel consumed in overhaul in reported costs.	B	C
Other DOD services. Does not include “above-the-line” transportation or “above-the-line” PCH&T associated with the repair or modification of customer owned equipment that is included in repair cost reported using code “BC”.	B	D
Storage charge (for other than FMSO cases)	B	E
Leases		
1. Depreciation	B	F
2. LOA sales of articles and services in connection with lease, prior to, during, or after lease period (includes transportation, PC&H, refurbishment).	B	G
Actual PC&H charge. This report must accompany delivery transactions for items sold from inventory with DSCs AK and AL	B	H

Figure 12-1-2 (Continued)
Delivery Source Codes

	DSC 1st Position	DSC 2nd Position
"Above-the-line" transportation to FMS customers that is included in management line(s). Code includes "high-flight" or special airlift. Code does not include "above-the-line" transportation cost that is included in the selling price of an item or service.	B	T
Unique FMSO Charges		
FMSO I materiel used to support system obsolete to DOD use (buy out of unique repair parts to support obsolete end-items).	C	A
Annual inventory maintenance and storage cost. Charge annually on current FMSO II case. The FMSO I case manager shall input the FMS detail delivery transaction. There is no annual charge for DWCF items for CLSSAs, as the DWCF standard stabilized price recoups all costs.	C	B
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 case. The FMSO I case manager shall input the delivery transactions.	C	C
Cash advances for on-hand portion of FMSO I.	C	D
Procurement for FMS Customers under Sec. 22, AECA		
Codes DE through DL represent work-in-process (WIP) transactions. The break-down of these charges provides audit trail visibility for pricing purposes. The DFAS-IN shall treat them as progress payments and report them as such to the FMS customer. These charges shall be liquidated by one of the contract delivery codes DA through DD in combination with reimbursement code "N".		
1. Contractor services (other than training)	D	A
2. DWCF item, TDP, or publications from contractor	D	B
3. Procurement appropriation funded secondary item from contractor	D	C
4. Procurement funded principal or major item from contractor	D	D
5. Progress payment to contractor	D	E
6. DOD services in support of procurement. (This code was applied to actual CAS hours prior to establishment of the charge. It now applies to other than CAS services).	D	F
7. Nonrecurring Cost Recoupment Charge (R&D and production).	D	G
8. Government-furnished materiel (GFM)		
a. Shipped from inventory	D	J
b. Shipped from another contractor	D	K
c. PCH&T applicable to procurement funded GFM	D	L
9. Contractor effort in overseas locations which is supported by an FMS management line rather than through normal CAS effort.	D	X

Figure 12-1-2 (Continued)
Delivery Source Codes

	DSC 1st Position	DSC 2nd Position
Miscellaneous Charges		
1. Royalty charge (USG TDP)	E	E
2. Other federal agency shipment		
a. From stock	E	F
b. From contractor	E	G
3. NATO Petroleum, Oil, and Lubricants	E	H
4. Redistributable MAP property	E	J
5. Collection on nonrecurring production charge or license fee on behalf of a third country	E	K
6. Prepositioning costs	E	L
7. Interest on arrearage computed in accordance with Volume 6, Chapter 12, DOD 7000.14-R, Volume 15. "Collecting and Reporting of Foreign Indebtedness Within the Department of Defense." Restricted to use by the DFAS-IN	E	M
8. Nonrecurring cost recoupment charges	E	N
Special Defense Acquisition Fund (SDAF)		
The SDAF shall use DSCs as follows:		
This code shall be used for SDAF sales of items originally purchased from DOD DWCF inventories.	S	A
This code shall be used for SDAF sales of items originally purchased from DOD inventories other than defense business operations fund.	S	B
This code shall be used for SDAF sales of items procured from contractors for the fund.	S	D
This code shall be used for SDAF sales of items procured from contractors and shipped directly from the contractor to the FMS customer, providing there is no requirement for any special PC&H.	S	E

Figure 12-1-3
Delivery Source Code Matrix
Accessorial Computation Matrix [N = No; Y = Yes]

Delivery Source Code	Contract Administration[1]	PC&H[2]	Administration[4]	Transportation Parcel Post [5, 6]
AA	N	N	Y	Y
AB	N	N	Y	Y
AC	N	N	Y	Y
AD	N	N	Y	Y
AE	N	Y	Y	Y
AG	N	Y	Y	Y
AH	N	N	Y	Y
AJ	N	N	Y	Y
AK	N	N	Y	Y
AL	N	N	Y	Y
BA	N	N	Y	N
BB	N	N	Y	N
BC	N	N[3]	Y	N[3]
BD	N	N	Y	N
BE	N	N	N	N
BF	N	N	N	N
BG	N	N	Y	N
BH	N	N	Y	N
BT	N	N	Y	N
CA	N	N	N	Y
CB	N	N	Y	N
CC	N	N	Y	N
CD	N	N	N	N
DA	Y	N	Y	N
DB	Y	N	Y	Y
DC	Y	N	Y	Y
DD	Y	N	Y	Y
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	N	Y	Y
EG	N	N	Y	Y
EH	N	N	Y	N
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	Y
SB	N	Y	Y	Y
SD	N	Y	Y	Y
SE	N	N	Y	Y

Notes:

1 DFAS-IN will compute CAS (unless statutory waiver of contract administration has been made) if price code is “N” and reimbursement code is other than “N.”

2 PC&H does not apply to stock fund or DWCF items with ship dates after 1 October 1990.

3 Included in actual or estimated actual repair cost.

4 Administrative costs will be computed unless administrative costs have been waived pursuant to statute.

5 Transportation costs will be computed using the transportation bill code in position 59 of the delivery transaction. However, if this position is blank, transportation costs will be computed using the DTC (position 34).

6 The inland CONUS transportation charge of 3.75 percent does not apply to DWCF shipments with shipping dates subsequent to 1 October 1990. Computation for generic codes L1D and L1E for DWCF items was discontinued on items with shipping dates from October 1991. See DOD 7000.14-R for additional information regarding transportation charges.

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). As discussed earlier in this text, the term security assistance (SA) refers primarily to a group of six programs:

- Foreign Military Sales (FMS)
- Foreign Military Financing Program (FMFP)
- International Education and Training (IMET)
- Direct Commercial Sales (DCS)
- Economic Support Fund (ESF)
- Peacekeeping Operations (PKO)

SA itself may be viewed as a portion of a broader area of interaction referred to as security cooperation (SC). IAC is not a SA program but is a parallel area of international defense relationships under the security cooperation umbrella.

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 customers in addition to SA activities. From the foreign purchaser's perspective, both areas involve a defense relationship with the U.S. and the foreign customer may not recognize the different management structure the U.S. applies for IAC versus the management structure for SA.

The purpose of this chapter is to introduce IAC to the SA professional in order to promote awareness and to enable individuals to be somewhat conversant in IAC fundamentals if the customer raises IAC related issues within the SA arena. This chapter will describe the different types of IAC programs and the key IAC organizations within the Department of Defense (DOD).

Due to IAC's intertwined relationship to the U.S. systems acquisition process, this chapter will first briefly discuss the system acquisition process and foreign partner's potential involvement. The FMS program predominately involves the sale of various defense systems the DOD has already developed and deployed to its own forces. FMS includes the total package approach (TPA) to provide the foreign purchaser with all the necessary elements to operate and sustain the system over its life cycle. IAC, on the other hand, predominantly focuses on interfacing with international partners in various ways during the research, development, testing and evaluation (RDT&E) phases of the U.S. systems acquisition process.

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 factors relating to potential future foreign sales of the system are considered concurrent with system development. The DOD does not wait until a FMS letter of request (LOR) is submitted to begin evaluating the various technology transfer and releasability issues. DOD's system acquisition policy requires these issues to be examined concurrent with new system development.

System Acquisition Policy

The DOD has a standard management framework 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 Defense Acquisition System*

Both of these policy documents are publicly accessible. All military departments (MILDEPs) are required to use the processes specified in these documents to develop new weapon systems. If, under FMS, the DOD approves developing a unique system or a major modification to an existing system for an FMS customer, these same system acquisition policies and processes would apply to the FMS customer's development or modification work.

Defense Acquisition Oversight Structure

If an FMS unique development or major system acquisition project is undertaken, the FMS customer and the security cooperation workforce should be familiar with the acquisition oversight structure that will be applied. The acquisition oversight structure depends primarily on the scope and costs of the program. Each acquisition program will be designated into an acquisition category (ACAT). The ACAT specifies the level for program review and decision that must be accomplished for the program to progress through the various acquisition milestones and decision points. The ACAT categories are described in DOD Instruction 5000.02.

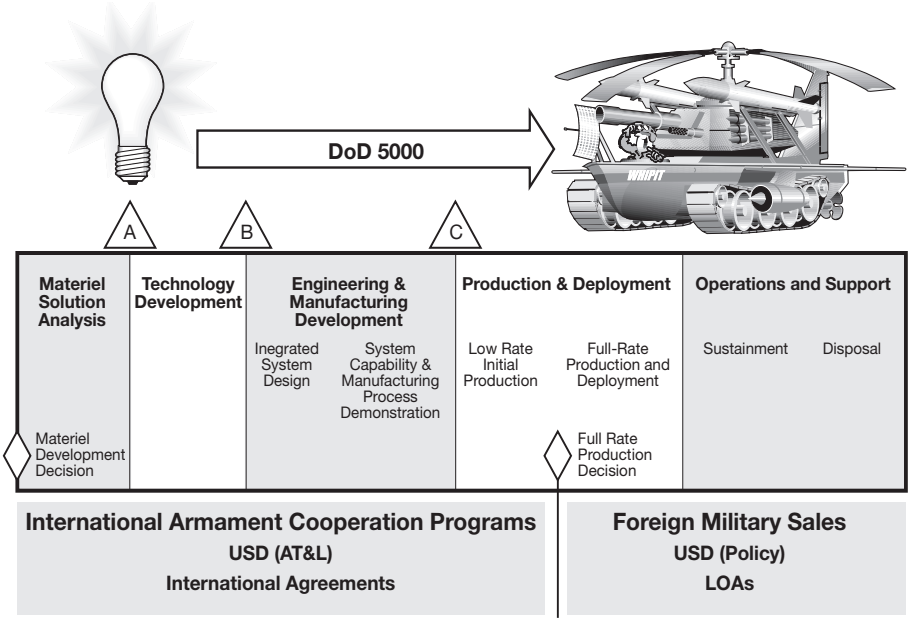
The most complex and expensive acquisition programs must be reviewed and have decisions rendered by the Defense Acquisition Executive (DAE). The DAE is the Under Secretary of Defense for Acquisition, Technology and Logistics [USD (AT&L)]. The next tier of programs is reviewed by the Component Acquisition Executive (CAE) which is the senior acquisition individual within each military service. Next, in the acquisition management structure, are the Program Executive Officers (PEOs). PEOs are individuals that have responsibility for overseeing several acquisition programs and report to the CAE. An acquisition program manager is responsible for managing all aspects of an individual acquisition program and for guiding the program towards meeting all cost, schedule and system performance goals. Individual program managers report up through the acquisition management structure applicable to the program's ACAT. This may include reporting to the PEO, CAE and DAE.

Defense Acquisition Management Framework

The DOD defense acquisition management framework is depicted in Figure 13-1. This life cycle process consists of five phases:

- Materiel solution analysis
- Technology development
- Engineering and manufacturing development
- Production and deployment
- Operations and support

Figure 13-1
Defense Acquisition System Life Cycle



FMS are typically generated during the last two phases of the system acquisition life cycle. In fact, DOD policy states that the USG will only agree to sell systems through FMS that have been approved for full rate production for U.S. forces. Therefore, the key acquisition decision point, from an FMS perspective, is the full rate production review. If a foreign customer requests a letter of offer and acceptance (LOA) for a system that has not yet been approved for full rate production, a policy waiver is required. In this situation, Defense Security Cooperation Agency (DSCA) will coordinate with USD (AT&L) before offering an LOA for the system.

The reason for this policy concerns future supportability and interoperability issues. Prior to the 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 U.S. government (USG) may not place this system into production. This waiver policy is often referred to as the Yockey waiver named after a former Under Secretary of Defense for Acquisition.

From an FMS perspective, another point of interest in the acquisition management framework is the milestone B decision. The weapon system program management office is established following the milestone B decision. The program office team will typically consist of a weapon system program manager supported by personnel from several functional disciplines such as:

- Engineering
- Testing
- Contracting
- Logistics
- Financial management

The system program management office is responsible for overseeing the balance of the development and acquisition process. In addition, the program management office will remain in place to manage all the technical aspects of the system after it is delivered to U.S. forces. The program management office will also be responsible for acquiring any additional quantities for DOD and to develop improved or modified configurations.

If the U.S. agrees to sell the system through FMS, the acquisition will be accomplished by the same program management office. The system program management office may acquire the FMS quantities either as individual procurements or by merging the FMS requirements with DOD requirements on the same U.S. contract.

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 is to support all systems sold through FMS for as long as the FMS customer chooses to operate the system. Many examples exist where DOD currently supports systems operated by FMS customers that the DOD no longer actively retains in its inventory.

System Acquisition Documents Associated With Foreign Military Sales

History shows that most U.S. defense systems will eventually be sold or shared with other friendly nations sometime during the system's life cycle. There are many political, military and economic advantages resulting from the use of the same military equipment by the U.S. and its friends. Whether the situation is just a loan of communications gear to enable a joint operation or a decision to sell advanced military aircraft, the U.S. must evaluate the benefits and risks of sharing military technology and capabilities. As DOD develops new weapon systems, the potential for future international involvement, perhaps to include FMS, is to be considered.

Several documents are generated during the system acquisition process that support evaluating and planning for possible foreign involvement with the system. This section summarizes some of these key documents developed in the system acquisition process that relate to potential FMS system sales.

Cooperative Opportunities Document

Rather than the U.S. independently funding and managing a new system development, Congress requires the DOD to evaluate potential opportunities to cooperatively develop new systems by partnering with one or more other countries. The document that compares the relative positive and negative impacts of a potential cooperative development is the cooperative opportunities document (COD). The COD answers the four questions listed below. Based on the responses to these questions, the COD draws a conclusion regarding whether cooperative development should or should not be pursued.

- Are there any similar projects in development or production by one or more major allies of the U.S.?
- Could any of these projects satisfy, or be modified in scope, so as to satisfy the U.S. military requirements?

- What are the advantages and disadvantages of trying to structure a cooperative development program? Things such as program timing, cost sharing, technology sharing and standardization should be addressed.
- What are the opportunities for alternative forms of cooperation such as FMS, coproduction, licensed production, component/sub-component co-development or incorporation of subsystems from allied sources and what are the advantages and disadvantages?

In the evaluation process to prepare the COD, the benefits and risks, particularly in the areas of technology sharing and standardization, regarding foreign participation are identified. Many of these same issues will resurface in the future when FMS customers submit LORs to purchase the system. The COD, which is developed early in a new system development process, starts to form a U.S. position regarding foreign access to the technologies and capabilities contained within the weapon system. The COD position on foreign access will influence future FMS decisions.

A current example of an international cooperative development is the Joint Strike Fighter (JSF) program. In this program, the U.S. Air Force, Navy, Marines and several other countries are working together to cooperatively develop the JSF. In regard to future JSF sales through FMS, many of the technology transfer and releasability issues are already being identified and resolved during the cooperative development effort.

Program Protection Plan

The weapon systems created via the acquisition process provide the DOD the capabilities necessary to protect U.S. national security. Critical program information (CPI) consists of the critical elements of the system that make it unique and valuable to U.S. defense forces. CPI includes information that if compromised would:

- Degrade combat effectiveness
- Decrease the combat-effective lifetime
- Allow a foreign activity to clone, kill, or neutralize the U.S. system

The objective of the program protection plan (PPP) is to identify CPI and to protect it from hostile collection efforts and unauthorized disclosure during the acquisition process. The official definition of a PPP is:

> A risk-based, comprehensive, living plan to protect CPI that is associated with a RDA program. The PPP is used to develop tailored protection guidance for dissemination and implementation throughout the program for which it is created. The layering and integration of the selected protection requirements documented in a PPP provide for the integration and synchronization of CPI protection activities throughout the DOD.

The relevance of the PPP to the FMS process is that it begins to identify which elements of the system represent security and technology release concerns. If an FMS customer desires to purchase the system, the PPP created during system development will have already identified the system CPI that needs to be evaluated relative to potential release under an FMS.

Technology Assessment and Control Plan

Acquisition policy encourages program managers to pursue foreign participation in programs. If international participation is anticipated, either through cooperative development or by FMS, the PPP should include a technology assessment/control plan (TA/CP).

DOD Directive 5530.3 requires a TA/CP to assess the feasibility of foreign participation in a program from a foreign disclosure and technical security perspective, to identify security arrangements for international programs and to make decisions on FMS, commercial sales, foreign production or other international use of U.S. technology or processes. The TA/CP consists of four sections.

- Program concept section concisely describes the purpose of the program and the threat or military or technical requirement that created the need for the program.
- Nature and scope of the effort section describes how the technical and/or military operational objectives will be satisfied, how the program will be organized or phased, and how the program will benefit the U.S.
- Technology assessment is the most important part of the TA/CP. It analyzes the technology involved in the program, its value from both a military and commercial perspective, and the consequences of compromise. The assessment should discuss any known foreign availability of the information or technology involved, and any previous release of the same or similar information or technology to other countries. This assessment should provide a conclusion regarding whether foreign involvement will result in clear benefits to the U.S. that outweigh any damage that might occur.
- The control plan identifies measures to minimize the potential risks and damage to the U.S. through loss, diversion or compromise. It describes how the security requirements will be satisfied. This may include:
  - Use of modified or FMS-only versions of critical components
  - Application of anti-tamper technology in system design
  - Phasing the release of information over the course of the program
  - Special security procedures to control access to program information

Delegation of Disclosure Authority Letter

The authorization to release classified information to any foreign participants in the program will be in the form of a delegation of disclosure authority letter (DDL). A DDL provides detailed guidance regarding releasability of all elements of a system or technology.

The DDL is generated using the guidelines and restrictions identified by the technology assessment and control plan. The DDL's purpose is to provide disclosure guidance to foreign disclosure personnel so that they may carry out their releasability review functions. Delegated disclosure authorities are responsible for reporting all disclosures of classified information made under their delegation in the Foreign Disclosure System (FDS).

DOD Directive 5230.11, *Disclosure of Classified Military Information to Foreign Governments and International Organizations* provides the format for a DDL. A DDL will address the following areas:

- Highest level of classification of the U.S. information involved in the program

- Approved methods of disclosure, e.g., oral, visual or documentary
- Categories of information may be disclosed or released
- Who is authorized to release material or information, and to whom disclosure is authorized
- Material or information that can be released or disclosed
- Conditions or limitations including material or information that cannot be released or disclosed
- Review and release procedures, special security procedures or protective measures to be imposed
- Extent of redelegation of authority, if any, permitted to subordinate activities

Program Security Instruction

Many international agreements for cooperative programs contain a requirement for the preparation of a program security instruction (PSI). The PSI is used to reconcile differences in the security requirements of the various participating governments into a single set of standard security procedures for the program. The PSI deals with classified and controlled unclassified information furnished by the participants or generated in the program.

Anti-Tamper Technology

This is a concept rather than a formal acquisition document. In order to protect critical system information and technologies, components of a system may be specifically designed to prevent unauthorized access. This approach facilitates providing advanced capability to foreign users while reducing disclosure risk. All FMS agreements transferring materiel require an LOA note regarding anti-tamper measures. The note states that the USG may incorporate anti-tamper (AT) protection into weapon systems and components. The AT protection will not impact operations, maintenance, or logistics provided that all terms delineated in the system technical documentation are followed.

International Armaments Cooperation

The term 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 illustrates that FMS occurs later in the life cycle after the system has already been fully developed and placed into production. IAC represents opportunities to cooperatively work with other countries in the earlier developmental phases of a system's 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 armaments cooperation are:

- Operational - increase military effectiveness through interoperability and partnership with allies and coalition partners

- Economic - reduce weapons acquisition cost by sharing costs, economies of scales or 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

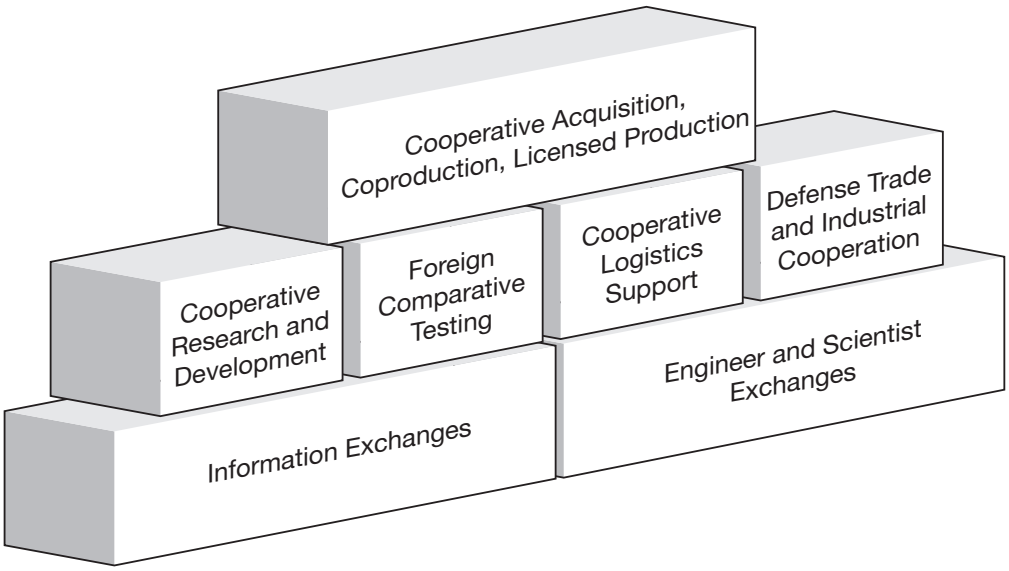
International Armaments Cooperation Programs

The individual programs that comprise the over arching term IAC are listed below. Each of these IAC programs will be presented in more detail later in this chapter.

- Information Exchange Program (IEP)
- Engineer and Scientist Exchange Program (ESEP)
- Foreign Comparative Testing
- Cooperative Research, Development and Acquisition
- Defense Trade
- Cooperative Logistics

Although these are separate IAC programs, there may be an evolutionary relationship between the programs. For example, one of the more basic cooperative programs may lead to a future more advanced level of cooperation. This building block relationship between IAC programs is illustrated in Figure 13-2.

Figure 13-2
Building Blocks of International Armaments Cooperation



International Armaments Cooperation Legislative Authority

Over the years, Congress has enacted a number of laws encouraging and enabling IAC 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 DOD's IAC organizations.

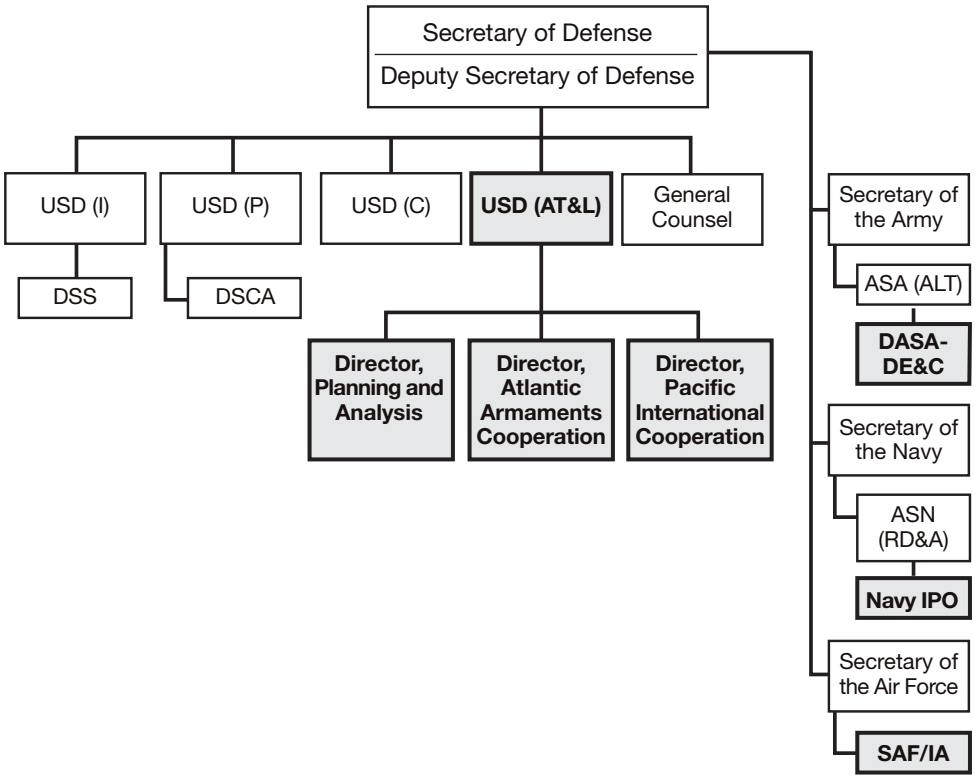
International Armaments Cooperation Oversight

The DOD's oversight for the military components of SA (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 (AT&L) is responsible for all IAC activities. In this role, the USD (AT&L) serves as the U.S. National Armaments Director (NAD). The USD (AT&L) established the Office of International Cooperation to focus on overseeing IAC activities. The USD (P) has a supporting role in IAC by reviewing international agreements for foreign policy considerations.

International Armaments Cooperation within Military Departments

Each of the military departments has established an infrastructure to support the armaments cooperation program. Figure 13-3 illustrates these organizations.

Figure 13-3
Department of Defense International Programs Organization



The Deputy Assistant Secretary of the Army for Defense Exports and Cooperation is responsible for Army IAC programs. The office with day-to-day responsibility is the Director of Armaments Cooperation. The Army has overseas IAC offices in:

Argentina	Australia	Canada
Chile	France	Germany
Japan	Singapore	The United Kingdom

The Assistant Secretary of the Navy (ASN) for Research, Development and Acquisition ASN (RD&A) 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 IAC activities. The Navy has overseas IAC offices in:

Australia	Chile	Japan
Singapore	The United Kingdom	

The Deputy Under Secretary of the Air Force for International Affairs (SAF/IA) has assigned oversight of Air Force IAC programs the Air Force Armaments Cooperation Division (SAF/IAPQ). The Air Force has three overseas IAC offices. The IAC offices are listed below:

- The European Office of Aerospace Research and Development (EOARD) in London
- The Asian Office of Aerospace Research and Development (AOARD) in Tokyo
- The Southern Office of Aerospace Research and Development (SOARD) in Arlington, Virginia, coordinates research activity in Central America and South America.

In addition to the military department sponsored overseas offices, U.S. embassies include Security Cooperation Offices (SCOs). The SCO is generally responsible for in-country FMS activities. The SCO may also have IAC responsibilities. In countries with significant IAC activity, DOD places dedicated IAC personnel within the country. Currently, DOD has approximately 40 dedicated armaments cooperation personnel assigned worldwide. In countries where there is no SCO, the armaments cooperation point of contact is usually the defense attaché.

Armaments cooperation personnel assigned overseas are the in-country liaison for the USD (AT&L). These IAC personnel assist the host government to obtain information on U.S. equipment and programs as well as assisting DOD acquisition organizations to obtain information on host nation equipment, requirements and programs in support of IAC. This function extends to assisting industry, both U.S. and host nation, in gaining access to the other nation's defense markets and in developing cooperative programs. The *Security Assistance Management Manual* (SAMM) identifies the role of the SCO relative to IAC. Table 13-1 summarizes the IAC functions performed by the SCO.

Table 13-1
Security Cooperation Organizations Functions for Armaments Cooperation

Activity	Specific Function
General program support	a. Liaison for NAD to host country counterparts in the ministry of defense (MOD), services and industry for: • Representation • Information exchange • Coordination of contacts • Advice on technical capabilities and military developments b. NAD advisor and liaison for cooperation R&D, production, and support of military systems for: • Identification of possibilities and contacts • Transmittal of proposals and liaison with contacts • Exchange of data, information, and questions on DOD and the North Atlantic Treaty Organization (NATO) cooperative initiatives and programs • Stimulation of host country participation in cooperative initiatives (e.g., emerging technologies, Nunn Amendment concerning cooperative projects) • Participation in negotiations for initiation and continuation of cooperative programs and monitor ongoing programs • Identification of problem areas and potential solutions
Support of specific activities	Liaison for DOD planning and advisory activities intended to develop defense industrial capabilities in nations with whom we have formal agreements for: • Identification of host country defense industry needs and capabilities • Data exchange • Project monitoring and assessment
Support of specific reciprocal reciprocal defense procurement Memorandum of Understanding (MOU) and Memorandum of Agreement (MOA)	a. Substantive and administrative participation and support for: • Bilateral meetings • Renegotiation and negotiations of annexes • Seminars (government and industry) to explain acquisition practices b. Point of contact for MOD and foreign firms on DOD acquisition and logistics practices and contacts for: • Explanation of DOD practices • Identification of DOD contacts • Interface with host country organizations with existing implementing annex c. Point of contact for the office of the OSD and foreign governments to support initiatives that establish new reciprocal procurement MOUs and MOA.
Other activities (applicable to allied to all of the above categories)	a. Oversight of participating arrangements for protection of U.S. and allied technologies and military systems to ensure continued cooperative activities. b. Coordination of host country cooperative activities (e.g., hosting meetings with U.S. theater forces, U.S. mission NATO activities, and representatives of continental U.S. (CONUS) organizations located in host country involved with defense cooperation in armaments (DCA). c. Liaison and advisory support for MILDEPs activities in support of cooperative programs. d. Administrative support for visits. e Provide assistance to the National Disclosure Policy Committee (NDPC) in evaluating host country security programs and negotiating security agreements. f. Point of contact for U.S. defense industry visits.

International Armaments Cooperation Government-to-Government International Agreement

The area of IAC uses international agreements as the official government-to-government document rather than LOAs. International agreements may also be referred to as Memorandum of Understanding (MOUs) or Memorandum of Agreement (MOAs). Unlike LOAs, international agreements constitute a binding commitment subject to international law. DOD Directive 5530.3, *International Agreements*, governs the international agreements process and specifically states that the FMS LOA is not an international agreement.

Also, unlike LOAs, international agreements are developed through a process of negotiation. To assist in developing armaments cooperation international agreements, DOD has created the international agreements generator that permits draft agreements to be quickly developed while ensuring that 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 *Case Act of 2005* requires consultation with the Secretary of State before signing an international agreement. 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

At present, there are six primary programs that comprise the overall area of IAC. These six programs are:

- Information Exchange Program
- Engineer and Scientist Exchange Program
- Foreign Comparative Testing
- Cooperative Research, Development and Acquisition
- Defense Trade
- Cooperative Logistics

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 to:

- 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" also includes:

- Photographs
- Reports
- Manuals
- Threat data
- Experimental data
- Test data
- Designs
- Specifications
- Processes
- Techniques
- Drawings
- Technical writings
- Sound recordings
- Magnetic media
- Pictorial representations
- Other graphical presentations

Information Exchange Program Master Agreements

S&T information can be exchanged between the U.S. and a foreign nation using a case-by-case release. However, such 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 undergo a case-by-case review and approval by the cognizant foreign disclosure and international programs organizations.

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 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 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). TPOs have the authority to manage information exchanges within the scope of the 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, and funding.

Engineer and Scientist Exchange Program

The 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 defense government and contractor RDT&E facilities. ESEP itself is a component of the broader defense personnel exchange program.

The primary goals of ESEP are:

- Broaden perspectives in research and development techniques and methods
- To 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
- To 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 to contribute 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.

ESEP international agreements specify that participants must have at least a bachelors degree, preferably a masters, 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.

Currently, DOD has ESEP agreements with:

Australia	Canada	Chile	Egypt	France
Germany	Israel	Italy	Japan	Norway
Poland	Portugal	Singapore	South Korea	Sweden
Spain	Netherlands	The United Kingdom		

The foreign parent organization must also agree to pay the 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 equivalent. 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.

Foreign Comparative Testing

The Foreign Comparative Testing (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. Congress authorized the FCT Program in 1989 by consolidating two earlier programs: The Foreign Weapons Evaluation Program and North Atlantic Treaty Organization (NATO) Comparative Test Program. The law states:

> It is the sense of Congress that the Secretary of Defense should test conventional defense equipment, munitions, and technologies manufactured and developed by countries to determine the ability of such equipment, munitions, and technologies to satisfy U.S. military requirements or to correct operational deficiencies; and that while the testing of non-developmental items and items in the late state of the development process are preferred, the testing of equipment, munitions, and technologies may be conducted to determine procurement alternatives.

The FCT program supports the U.S. national policy by insuring that the U.S. military has the best equipment available in the world. 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. Funding is provided through the defense-wide RDT&E.

Each year, the military services and the Special Operations Command propose projects to 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:

- Strong user advocacy for the proposed item
- Addressed valid requirements
- Completed thorough market investigations
- Developed viable, funded acquisition strategies

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 allowed to fund T&E of U.S. equipment nor purchase U.S. equipment for testing. Current FCT policy guidance, specific procedures and points of contact may be obtained from the FCT web site at: http://www.acq.osd.mil/cto/.

Cooperative Research, Development and Acquisition Programs

Cooperative research, development, and acquisition (RD&A) refers to a range of international programs in which DOD and a foreign nation jointly manage efforts to satisfy a common requirement by sharing work, technology, and costs under the provisions of an international agreement. These programs range in scope from small bilateral S&T agreements to multi-billion dollar, multi-national programs such as the 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 13-2 summarizes cooperative RD&A characteristics.

Table 13-2
Cooperative Research, Development, Test, Evaluation and Production Program Characteristics

Are	Are Not
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

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 prescribes an order of preference to be considered in acquisition. Figure 13-4 lists this hierarchy. It is important to note that potential foreign sources are to be considered within the first three alternatives. While FMS offers a method for foreign customers to purchase U.S. systems, by policy, DOD examines the potential for purchasing foreign commercial and military items or to work cooperatively with other countries to develop new systems.

Figure 13-4
Acquisition Order of Preference Department of Defense 5000.1

1. Procurement or modification of commercial products, services, and technologies or dual-use technologies from domestic or international sources.
2. Production or modification of previously-developed U.S. or allied systems.
3. Cooperative new development program with one or more allied nations.
4. New DoD joint service development program.
5. New DoD single service-unique development program.

Cooperative Production versus Coproduction

Foreign governments often seek to domestically produce part or all of a U.S. defense system in order to satisfy their own domestic defense industry development goals. There are three distinct methods of authorizing foreign production of defense articles.

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 JSF program will utilize cooperative production.

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 governed by the SAMM, Chapter 11.

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 DOD's position with regard to U.S. industry-licensed coproduction proposals.

Defense Trade

Although most DOD equipment is acquired from domestic sources, DOD makes use of a worldwide supplier base. DOD is somewhat constrained by laws and regulations that discriminate against 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*.

Foreign-developed products acquired by the DOD are often produced in the U.S. under license. Examples of such products are the Rhinemetall 120mm tank gun used on the M1A1 Main Battle Tank, the Beretta 9mm pistol, and the AV-8B Harrier aircraft.

Buy American Act

The *Buy American Act* discriminates against foreign 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 the 21 countries that the DOD has established reciprocal procurement arrangements is contained in the *Defense Federal Acquisition Regulation Supplement* (DFARS) 225.872-1.

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. geographic combatant commands (GCCs).

Acquisition-Only Cooperative Logistics

10 U.S.C. 2341 authorizes DOD to acquire logistic support, supplies, and services directly from NATO countries' governments, subsidiary NATO bodies, the United Nations (U.N.) organization or any other regional international organization of which the U. S. is a member, and other eligible countries for U.S. forces deployed in the supporting country's military region. It allows payment by either cash payment or replacement-in-kind of identical or substantially identical items. A non-NATO country must meet one or more of the following criteria:

- Have a defense alliance with the U.S.
- Permit stationing of members of the U.S. armed forces or the home porting of naval vessels of the U.S.
- Agreed to preposition U.S. materiel
- Serve as host country for U.S. armed forces during exercise
- Permit other U.S. military operations in-country

Cross-Servicing Cooperative Logistics

10 U.S.C. 2342 authorizes DOD to receive and to provide logistics support, supplies, and services to a NATO nation, a NATO subsidiary body, the U.N. organization or any other regional international organization of which the U. S. is a member 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:

- Determining such action is in the interest of U.S. national security
- Consultation with the DOS
- Expiration of a 30-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, certain peace operations under the U.N. Charter, or for unforeseen or exigent circumstances. ACSA authority is almost always exercised by the GCC. 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 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 to permit SME to be provided on a temporary basis under an ACSA to countries that are coalition partners with the U.S. in Iraq and Afghanistan operations. Compensation for transfers under ACSAs may be either on a cost reimbursement basis or by exchange of supplies or services of equal value.

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 GCCs 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 include:

Logistics lines of communication	Terminal transfer services
Collocated operating bases	Supplies
En route and transient 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

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 Stocks for Allies. The *Foreign Assistance Act of 1961* (FAA) 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 stocks; title must be 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.

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 DOD. Some key information that supports USG decisions regarding which weapon systems and what configurations to sell to FMS customers is derived from documents (COD, PPP, TA/CP, DDL, PSI) developed during the system acquisition process. Also, if an FMS customer requests and DOD approves accomplishing the development of a unique system or a major modification to an existing system under FMS, DOD's 5000 series systems acquisition process will be applied to that FMS development and acquisition project.

This chapter also provided an introduction to another form of security cooperation referred to as IAC. Like SA, IAC 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 MOU or MOA. Unlike LOAs, international agreements constitute a binding commitment subject to international law.

While FMS offers a method for foreign customers to purchase U.S. systems, IAC examines the potential for purchasing foreign commercial and military items or to work cooperatively with other countries to:

- Share information
- Exchange personnel
- Evaluate foreign systems
- Develop new systems
- Facilitate international trade
- Provide logistics support

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. DOD encourages IAC as a key aspect of the DOD acquisition process. The Under Secretary of Defense for Acquisition, Technology and Logistics is responsible for all IAC activities. This chapter provided an overview of the six primary IAC programs:

- Information Exchange Program
- Engineer and Scientist Exchange Program
- Foreign Comparative Testing
- Cooperative Research, Development and Acquisition
- Defense Trade
- Cooperative Logistics

References

DODD 5000.01, *The Defense Acquisition System*

DODI 5000.02, *Operation of the Defense Acquisition System*

Defense Acquisition Guidebook

DODD 5530.3, *International Agreements*

DODI 2010.06, *Materiel Interoperability with Allies and Coalition Partners*

DODD 5105.38-M. *Security Assistance Management Manual*

International Armaments Cooperation Programs Handbook, 5th Edition, March 2009.

DODI 2015.4, *Defense Research, Development, Test and Evaluation Information Exchange Program*

DODD 2010.9, *Acquisition and Cross-Servicing Agreements*

CJCS Instruction 2120.01A, *Acquisition and Cross-Servicing Agreements*

Chapter

14 INTERNATIONAL TRAINING

INTRODUCTION

The U.S. international military training program may be the most important security cooperation (SC) program 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:

- 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. When no other law authorizes an international military training event, then SA laws and regulations apply to that event.

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, 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 Department of Defense (DOD) 5105.38-M, *Security Assistance Management Manual* (SAMM), Chapter 10, lists four areas of emphasis for IMET-funded training:

- The proper role of the military in a civilian-led democratic government
- Effective military justice systems and an understanding of internationally recognized human rights
- Effective defense resources management
- Military professionalism

Within these areas of emphasis, the objectives of providing IMET-funded training are to:

- Develop rapport, understanding, and communication links
- Develop host country training self-sufficiency
- Improve host country 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 SA 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.

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, civilians who work in the country's non-defense ministries, legislators, and individuals who are not members of the government may be trained if doing so would contribute to E-IMET objectives.

The objectives of E-IMET are to:

- 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 system and promote an awareness and understanding of internationally recognized human rights

Additionally, training is authorized in:

- Counternarcotics-related areas for defense civilians
- Teaching, developing, or managing in-country English Language Training (ELT) programs for defense civilians
- Maritime law enforcement and other maritime skills training for agencies which are non-defense or agencies which perform a maritime law enforcement mission
- Other maritime skills training provided to a country which does not have standing armed forces

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 Center for Civil-Military Relations aggressively support the E-IMET program. Courses must be certified by the Defense Security Cooperation Agency (DSCA) for E-IMET status. For some courses, the determination of E-IMET status depends on whether the IMS is military or civilian.

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 Geographic Combatant Command (GCC) and DSCA. Waiver requests must be formatted in accordance with the SAMM, C10.F2.

Certain types of training are prohibited, and those are listed in the SAMM, C10.T8. In addition, the FAA, Section 660 prohibits 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 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 accomplished as part of a Foreign Military Sales (FMS) case, funded by either U.S. government or host nation funds.

Emergency Drawdown Authority

Training authorized by the FAA, Section 506.

Exchange Training

Exchange training authorized either by the AECA, Section 30A or the FAA, Section 544. “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 3, “U.S. Government Organizations for Security Assistance” of this text.

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 3, "U.S. Government Organizations for Security Assistance," of this text. Significant SC training consists of:

- International Narcotics Control and Law Enforcement (INCLE) training authorized by the FAA, Section 4891 to be funded by the annual foreign operations appropriations acts
- Counternarcotics training originally authorized by Public Law (P.L.) 101-510, 5 November 1990, Section 1004, to be funded by subsequent annual DOD appropriations acts
- Counternarcotics training originally authorized by P.L.105-85, 18 November 1997, Section 1033, to be funded by subsequent annual DOD appropriations acts
- Combating Terrorism Fellowship Program (CTFP) training authorized by 10 United States Code (U.S.C.) 1051b to be funded by annual DOD appropriations acts
- Aviation Leadership program 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 which are not managed by SA 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. military academy international students
- The regional centers for security studies which include:
  - The George C. Marshall European Center for Security Studies
  - The Asia-Pacific Center for Security Studies
  - The Center for Hemispheric Defense Studies
  - The Africa Center for Strategic Studies
  - The Near East-South Asia Center for Strategic Studies
- Special Operations forces training of international students, primarily Joint Combined Exchange Training
- Various U.S. government humanitarian assistance programs
- Caribbean support tender training programs conducted by the USCG

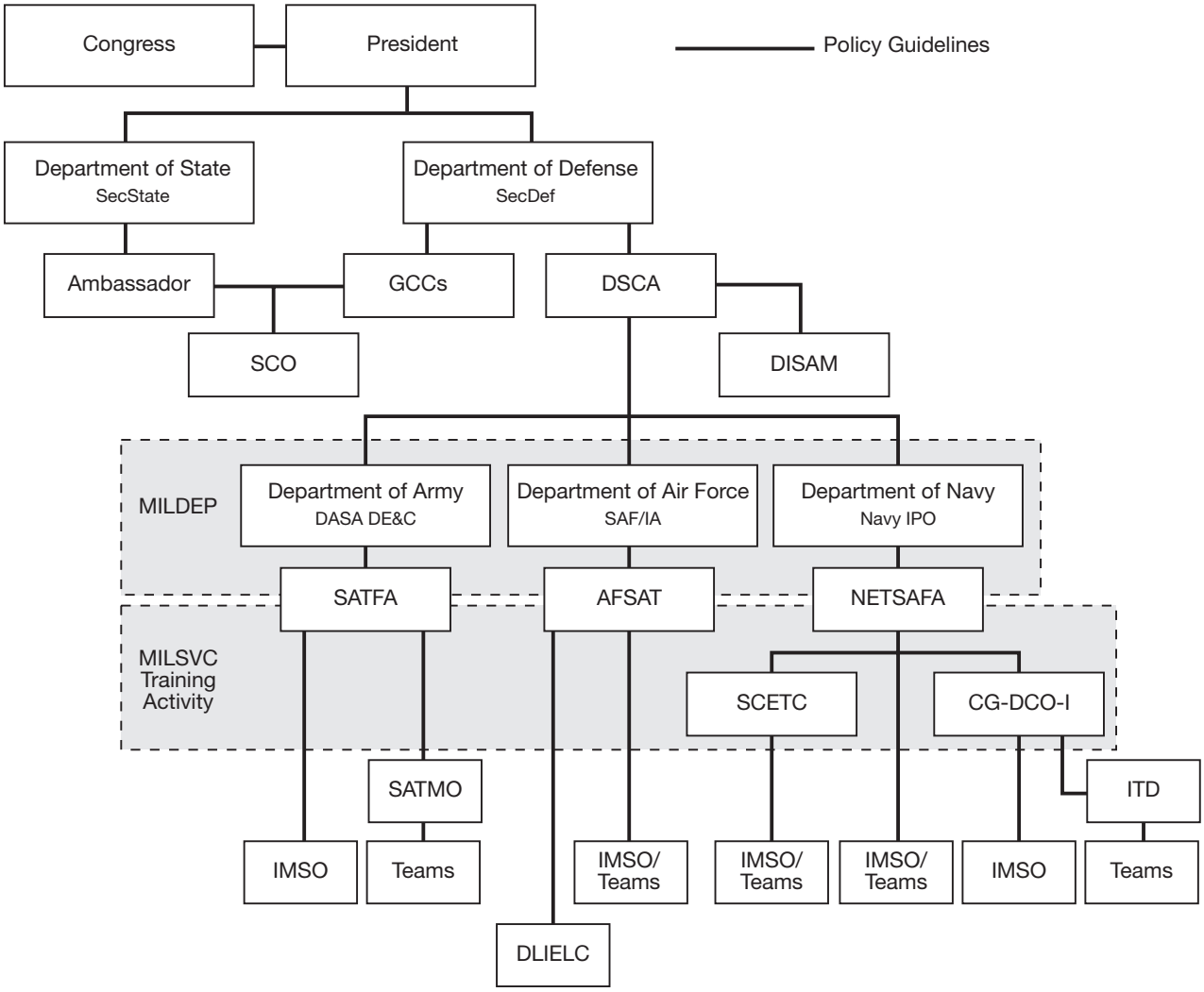
In carrying out training management, the SAMM, Chapter 10 is used for overall general guidance. The *Joint Security Assistance Training (JSAT) Regulation* (AR 12-15; SECNAVINST 4950.4A; AFJI 16-105) provides further direction. Each chapter of the JSAT begins with a DOD section followed by MILDEP-specific instructions. Because the training environment has changed significantly since 2000 when the JSAT was published, a replacement regulation, the *Joint Security Cooperation Education and*

Training (JSCET) *Regulation*, has been commissioned. The JSCET is in final review and is expected to replace the JSAT sometime in 2009.

Training Management Organizations

There are many organizations involved in management of training from Washington D.C. to U.S. Embassies around the world. Refer to Figure 14-1 as the U.S. training management organizations are described.

Figure 14-1
Training Management Organizations



Training Policy

Training policy is guided by a small group of policy makers in the Washington D.C. area.

Department of State

The role of the Department of State (DOS) in training 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 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 DOD for implementation.

Department of Defense

Defense Security Cooperation Agency. Within DOD, the principal agency for implementation of the various international training programs is DSCA, which provides direction to the GCCs and the MILDEPs. Policy coordination and support is provided by the Management Division of the Programs Directorate in DSCA. This office formulates policy for conduct of the SA Training Program (SATP), 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 individual country managers in DSCA regional operations divisions.

Military Departments

The MILDEPs have oversight of international training and fiscal management responsibilities. In some cases, the MILDEPs have delegated part of their responsibilities to the Military Service (MILSVC) Training activity.

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 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. Within the Department of the Army, the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation (DASA DE&C) provides oversight of all Army training policy. DASA DE&C discharges SA training policy responsibilities through the Director, Armaments Cooperation, to Army agencies involved in SATP.

The Security Assistance Training Division provides policy guidance for:

- International military training, continental U.S. (CONUS) and overseas
- Professional military education (PME) exchanges
- Army War College/Command and General Staff College invitations for IMS
- SA legislation and non-country specific joint actions

Department of the Navy. The Navy International Programs Office (IPO) provides centralized management for the Secretary of the Navy of technology transfer, disclosure, SA, 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 has also issued specific guidance on how contractor-provided training is to be managed.

Training Implementation

Military Services

The Military Services (MILSVCs) Training Activities are charged with planning and executing the SATP for their service. They manage all aspects of international training. Specifically, they program requested training, consolidate training requirements, and obtain and confirm course quotas. In addition, the Air Force Security Assistance Training (AFSAT) Squadron, the Security Assistance Training Field Activity (SATFA), and the Naval Education and Training Security Assistance Field Activity (NETSAFA) have been delegated MILDEP responsibilities for training functions such as funding the SATP. For NETSAFA, this extends beyond the United States Navy (USN) to all maritime services; as the USCG and the United States Marine Corps (USMC) use USN financial processes.

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 managing all CONUS SA training. AFSAT is charged with:

- Implementing all approved and funded USAF CONUS international training
- Monitoring the progress of training and the welfare of all USAF-sponsored IMS and supervising their administration and movement
- Administering and accounting for international training funds allocated for the training, administration, and support of IMS in CONUS and for Mobile Training Teams (MTTs) furnished from USAF CONUS resources
- Providing guidance for the implementation of the 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 at the U,S. Army Training and Doctrine Command (TRADOC) is responsible for planning, developing, and executing the SATP, including central financial management and distribution of FMS training funds for all operating agencies and IMET funds for TRADOC activities. SATFA's responsibilities include:

- Reviewing international training requirements and the U.S. Army's CONUS capability to provide such training
- Implementing, supervising, administering, and executing international training
- Developing support of special equipment purchases for training
- Preparing, implementing, and managing FMS cases for all USA CONUS training and for MTTs and field training services (FTS)
- Acting as point of contact for all country attachés, SCOs, and U.S. country representatives for established USA training programs

- Developing course costs for inclusion in the *Training Military Articles and Services List* (T-MASL)
- Planning and coordinating CONUS orientation tours (OTs) funded under IMET and FMS
- Ensuring that training activity commanders appoint International Military Student Officers (IMSOs) and that the FSP is implemented
- Managing all contractor-provided training

SATFA tasks other USA major commands to carry out training according to the country's specific needs. SATFA coordinates the programming, scheduling, implementation, and funding of training provided by other major commands. Responsibility for training within the USA is 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
- U.S. Forces Command: Unit training

United States Army Security Assistance Training Management Organization. The Security Assistance Training Management Organization (SATMO) is the interface between the USA 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:

- Assisting SCOs in the development of in-country training programs.
- Providing staff assistance to DASA DE&C, U.S. Army Security Assistance Command, and SATFA in developing FMS training packages.
- Coordinating the planning and deploying of SA teams to include:
  - 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 international customer needs and follows up on team visits
- Coordinating the formation of TAFTs and 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 with Navy major claimants. It establishes foreign training requirements for all USN training programs, including reviewing Navy Training Plans and maintaining an interface with the Chief of Naval Personnel (OP-01) and the Manpower and Training Divisions of the Chief of Naval Operations Warfare Sponsors to coordinate foreign requirements. It oversees the submission of Navy course classified data to Navy IPO for release authority.

Second, NETSAFA is the Chief of Naval Education and Training's agent for SA. 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:

- Training "T" case LOAs
- Acts as "T" case manager or case administering officer
- Coordinates pricing
- Computes travel and living allowance (TLA)
- Interfaces with DSCA for IMET programming
- 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.

United States Marine Corps, Security Cooperation Education and Training Center. The USMC is a major partner in the DON international training program. The Security Cooperation Education and Training Center (SCETC) of the USMC Education and Training Command is responsible for policy, administration, and implementation of USMC international training requirements.

- SCETC coordinates all training and education conducted at USMC activities
- Coordinates USMC MTTs and Extended Training Services Specialists (ETSSs)
- Controls inputs to the USMC PME courses
- Grants English comprehension level (ECL) and rank waivers for USMC training.
- Coordinates USMC matters with other USN SATP activities.

All international training issues and requirements are to be addressed directly to SCETC with Navy IPO and NETSAFA as information addressees.

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 are 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, coordinates USCG MTTs and ETSSs through its International Training Division (ITD),

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.

Geographic Combatant Commands

The GCCs 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 and FMS 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 GCC determination of priorities
- Coordinate use of GCC (component) assets in support of country training requirements
- Conduct SA briefings/orientations for SCO personnel
- Plan, coordinate, and conduct annual Security Cooperation Education and Training Working Groups (SCETWGs)
- Coordinate and approve all exceptions to policy requiring a waiver

Besides the training provided from CONUS-based resources, the service components of the GCCs 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 GCC: formal school training, on-the-job (OJT)/observer (OBS) training, and ship crew training. Country requests for MTTs are frequently filled from GCC resources. Service components may be required to provide escorts for 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 or other) is developed in-country and IMS scheduled for training come from the country, the SCO has a much greater role in managing training than it does in managing materiel acquisitions. The international training management functions are normally assigned to a training manager within the SCO. The training manager is responsible for assisting the country in identifying, planning, and programming U.S. training that will meet host country requirements and then conveying those requirements to the appropriate MILSVC Training Activities, usually via e-mail. The training manager must then accomplish all of the administrative

tasks required to send the IMS to the U.S. for training or to bring that training to the country. In short, the training manager must effectively manage a dynamic SA 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 MILSVCs 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 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) and Specialized English Training (SET) to prepare IMS for Follow-on Training (FOT). In addition, DLIELC conducts many English language instructor/management courses and fields English language teams for in-country requirements.

Defense Institute of Security Assistance Management

The Defense Institute of Security Assistance Management (DISAM) is responsible for providing international training management instruction for U.S. and international military, civilian, and U.S. industry personnel. The trained U.S. personnel fulfill international training management responsibilities in SCOs, the MILSVC training agencies, DOD agencies, and at military training facilities and schools. Internationally trained personnel are normally the country training counterparts to the SCO training manager, as well as country embassy staff members in the U.S. Requests for DISAM course quotas, METs, ECL waivers, etc, from the inter-national customer must be directed through the in-country SCO training manager to AFSAT with an information copy to DISAM.

Training Program Development and Implementation

The GCCs host a Security Cooperation Education and Training Working Group (SCETWG) annually between 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, Chapter 10. Representatives from agencies responsible for international training within DSCA and the MILSVCs Training Activities attend these meetings to review and approve country program requests and to initiate programming and allocation actions for approved training courses. Any projected FMS training is also addressed 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 GCC. The SCO-Tweb, 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.F1. DOS and appropriate DOD activities can access the CETPP to review each country's training goals and plans. This document provides vital information to ensure that MILSVC training activities have all the information needed to plan and execute country-specific training programs.

Standardized Training List

Training requests are entered into the MILSVC training computer systems by SATFA, NETSAFA, AFSAT, SCETC, and CG-DCO-I. Each training track in a particular program is identified by a

four-digit worksheet control number (WCN), assigned when the training is requested by the SCO. Sequential training programmed for the same IMS is indicated by an alphabetic suffix to the WCN and commonly referred to as a training line. Therefore, a training track can consist of one or more training lines. The consolidation of requested training is called a standardized training list (STL). There is an STL for each program (by fiscal year) and each FMS training case line a country has established with the U.S. See Attachment 14-1 for an example of an IMET STL and Attachment 14-2 for an example of an FMS Case STL.

Each MILSVC training activity then coordinates the training request to confirm quotas and schedule report/start dates. Training quotas are assumed to be accepted once they have been confirmed on the STL for 30 days. Once quotas are confirmed, the actions described in the student administration section of this chapter can commence.

International Military Education and Training

Each year's IMET program is identified by country code, implementing agency (IA) code, and fiscal year followed by the letter "I" (i.e., BN-B-09I).

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 starting training prior to the end of the calendar year. Hence, the 5th quarter is training in the 1st quarter of a fiscal year (1 October - 31 December) funded with money from the previous fiscal year's appropriation. 5th Quarter requests are discussed at the SCETWG and finalized through the end-of-year (EOY) reallocation process.

End-of-Year Reallocation

For many different reasons, a country may not be able to utilize their entire allocation. Other countries may have additional training needs that their original allocation does not cover or they may have unanticipated medical costs for an IMS that must be paid. An EOY reallocation process has been developed to address these circumstances. The timeline and steps are spelled out in the SAMM, C10.T6. SCO training managers should remember that funds are reallocated in the order of "must pays" like outstanding medical bills, E-IMET courses, and English language training materials with funds rarely available for technical training. Also, the MILSVC training activities must have an available quota in the 5th quarter, and EOY requests must be identified in the current year's STL with a priority of "B".

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 allocation is sufficient for the training. A priority code of "D" is assigned to other valid training lines in excess of the country allocation, taking place after the third quarter, for which the country could provide an IMS if funds became available. The value of priority "D" training should not exceed ten percent of the country allocation. A priority code of "B" is assigned to training lines in the current year when EOY funds are being or will be requested. At the SCETWG, any priority "D" training lines for the current year must be resolved: either changed to priority "B" for an EOY request or deleted. The MILDEPs will not obtain quotas or authorize priority "D" training.

IMET training lines are implemented once a quota is confirmed and funded by the MILDEPs. Once the MILDEP provides authorization for WCNs via message, e-mail, or training automation system. Only upon receipt of this authorization can the SCO prepare the ITO. 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 by paying IMS travel and/or living allowances. This allows IMET dollars to most efficiently be expended against training tuition costs. The cost of medical care for any 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.

Once defined, FMS-funded training requests are also entered into the MILSVC Training Activities computer system by FMS case identifier, line number (i.e. BN-P-YCY989) and WCN. The FMS implementation procedures are similar to those for IMET. FMS cases do not normally include TLA as those are the responsibility of the country and are provided to the IMS directly without U.S. involvement. FMS training cases may also include a medical services line to cover medical costs incurred by the IMS. Alternatively, the country may decide to have the bills for such services sent to the country embassy for payment or the IMS may obtain health insurance. 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 issue at the training installation.

Total Package Approach

Military training provided to other countries through U.S. DOD resources is a vital element of SA programs. Countries which 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.

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 re-evaluate 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 JSAT, Chapter 6 and this textbook, Chapter 5, "The Foreign Military Sales Process".

Figure 14-2
Total Package Approach

U.S. Army Life-Cycle Management Commands. More and more training is being included or imbedded 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 two major systems commands, NAVSEA and NAVAIR have organic training managers who are responsible for training associated with that command's system sales. Thus, they are responsible for the development of price and availability data for training lines on FMS cases and the actual implementation of that training. Navy IPO has directed that this training be coordinated with NETSAFA so the training data will be included in the STL.

U.S. Air Force Product Centers. The USAF also includes or embeds training in FMS materiel cases managed by their various product centers. 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 is some of the constraints and restrictions placed on the IMET program do not apply to FMS training. For example, there would be no requirement to obtain a waiver for an MTT. 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 U.S. government funds are paying for the training. Sometimes, DSCA will approve payment of IMS TLA from the FMF-funded case.

Combating Terrorism Fellowship Program

The CTFP is developed and implemented quite differently from other training programs. First of all, the management of the program is highly centralized, with final approval for training (and the specific IMS attending) resting with the Deputy Assistant Secretary/Special Ops/Low-Intensity Conflict/Special Ops Capabilities Office (DAS/SOLIC/SOC). Each year, this office divides the CTFP appropriation into three "virtual" funding pots of money include: individual country allocations, invitational quotas issued by DAS/SOLIC/SOC, and GCC allocations used to further GCC interests through regional seminars and other activities.

Each year's CTFP program is identified by country code, implementing agency code, and fiscal year followed by the letter "B" (i.e. BN-D-09B). SCOs are provided guidance by DAS/SOLIC/SOC as to the amount of CTFP country funding they are receiving each year and what invitations the country may receive for additional training. Similar to IMET and FMS training programs, CTFP training is programmed into the MILSVC training computer systems.

In order to proceed, the SCO must then nominate a specific candidate for the training and justify how this candidate's attendance would benefit U.S. combating terrorism efforts. The nomination is submitted to the GCC CTFP manager for approval and then forwarded on to DAS/SOLIC/SOC for final approval. The entire nomination process is done online via the SCO-Tweb, which will be discussed in the automation section of this chapter. Once approval is received, processing of the student is identical for IMET students.

Other Security Cooperation Training

The SA training community is also responsible for managing training programs based on other legal authorities previously mentioned. While these other programs may change greatly from year to year, the resulting training requirements are handled much like IMET and FMS training requirements. To date, published guidance on the conduct of these other training programs has been limited only to message traffic. The existing SA training infrastructure is used to document, fund, and implement these training requirements. A pseudo case may be established to accomplish funded training. Additional country codes may be set up for a country's specific SC program in addition to their established country code (i.e., D5 for Colombia in addition to CO). Thus, training can be identified by the SCO, formalized via the GCC SCETWG process, entered into the training computer system by the MILSVCs Training Activity, and then implemented when the training quotas become available and funding is authorized.

Sanctions and Training Program Suspensions

Chapter 2, "Security Assistance Legislation and Policy," of this text provides information on sanction authorities. 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 complete the courses authorized on their ITO but training may not be added or changed. 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% of the amount of a country's unpaid parking fines or property taxes in Washington, D.C. 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 for tuition. Thus, if they wish to purchase training using their own host nation funds for an FMS case, the price of the training will be at the FMS full rate. Cancellation penalties could be assessed against training for which the country had confirmed quotas but are now unable to utilize. A country with suspended IMET or FMF can still receive DOD program funds such as CTFP and Counternarcotics programs.

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 U.S. government; contract personnel and Foreign Service National employees are not authorized to obtain this information.

Annual International Military Training Report

The foreign military training report, commonly referred to as the *Congressional Report on Military International Training* (CRMIT), is established by Section 656, FAA, as an annual reporting requirement due by 31 January. The CRMIT 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; the operational benefits to U.S. forces; and the U.S. military units involved in the training. Through ITO issuance and MTT after action summaries in the Training Management System (TMS), SCOs provide CRMIT input. When directed by their GCC and DSCA, they also conduct a final review for completeness. DSCA provides the data to DOS who strips out IMS names, excludes North Atlantic Treaty Organization (NATO), Japan, Australia, and New Zealand data, and prepares the actual briefing for Congress. Sections 2 and 3 of the report are classified, but the rest of the report can be found at: http://www.state.gov/t/pm/rls/rpt/fmtrpt. Timelines for the report can be found in the SAMM, C10.T11.

Types and Categories of Training

Consistent with U.S. foreign policy, disclosure, technology transfer, and human rights considerations, international students are allowed to participate in a wide range of courses available through the MILSVCs Training Activities and DOD agencies.

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, IAAFA, and the Navy Small Craft Instruction and Technical School which conduct training in Spanish.

English Comprehension Level

The SCO training manager is responsible for ensuring that IMS meet all course prerequisites including the ECL. ECL minimums are established and listed in the T-MASL for each course. The school has determined that an IMS with less than the minimum ECL would have great difficulty in successfully completing the course.

Prior to attending a U.S. school, IMS must be tested both in-country by SCO personnel and at the first CONUS training location to determine their ECL rating. IMS from several 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 test scores are documented on the ITO. Each year, DLIELC (located at Lackland Air Force Base), reviews the list of countries for which testing is waived and puts out an exemption message. Individual countries may be removed from the list by mutual agreement with DLIELC during the course of the year, but no additions will be made until the new list is approved and published.

For in-country 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. Those who fail to achieve the required ECL when tested in-country may receive additional English language instruction in-country and be retested. In certain circumstances, a waiver may be granted if the prospective IMS is within a few points of the required ECL and there is sufficient justification. Requests for waivers are discouraged, since some degradation of comprehension and retention is bound to occur. These waivers are requested by the SCO from the MILSVC Training Activities which is providing the training.

Oral Proficiency Interview

An additional requirement has been established, primarily for flight training programs, for an oral proficiency interview (OPI) to be conducted by DLIELC. This interview, to determine the English speaking and comprehension ability of the prospective IMS, takes place via telephone in the SCO training office between the IMS and DLIELC. If the IMS fails the OPI, a 16-week OPI prep course is available at DLIELC. The T-MASL will indicate the minimum OPI score required. As in the case of ECL scores, OPI waivers can be requested but are rarely approved.

General English Training

In those countries where little or no ELT is available, the SCO can program the IMS for General English Training at DLIELC prior to training at CONUS formal schools. The duration of GET depends upon the current ECL score of the IMS and the minimum score required for the training, but cannot be less than 10 weeks. The primary purpose of GET is to raise the ECL of an IMS who has at least a minimum ECL of 55. For a handful of countries, DLIELC will allow IMS who have less than that minimum to receive training. These countries are also listed in the annual exemption message. Besides providing the IMS with ELT, DLIELC also has the capability to train language instructors and to assist in developing an ELT program for the country. Assistance in support of ELT in-country may be obtained by requesting a language training detachment from DLIELC to assist the country's ELT staff and faculty. A survey team from DLIELC can help the SCO determine the status of a country's ELT program and capabilities.

Specialized English Training

Although many IMS achieve the ECL specified in the T-MASL, they are unable to assimilate with sufficient speed the jargon that is so prevalent in subjects such as medical, electronics, or aviation training. To overcome this, DLIELC conducts 9-week SET courses to familiarize the IMS with key words and phrases that they will encounter during their particular FOT. DLIELC has developed SET for over 40 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 his 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 are: 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 trained instructors, a lab manager, and English language materials will not help the country reach its ECL goals. SCOs should contact DLIELC for advice when planning a language lab acquisition.

Formal Training

Simply put, formal training is standardized training. 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. Formal 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

Training for officer and enlisted technicians and supervisors makes up the largest number of SC students. 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 provided through FMS. The USAF coordinates all Euro-NATO fixed-wing flying training, and the USA is responsible for Euro-NATO rotary-wing flying training.

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 to determine whether and how the U.S. can meet those needs.

On-the-Job and Observer Training

Formal school training is frequently followed by a period of OJT, or hands-on training, to allow the IMS to gain proficiency in newly-acquired skills. 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 MILSVC uses this information to insure 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

OTs are provided under the SA training program 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 MILSVC. 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 a training program 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 GCC, DSCA, 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. The format for requesting orientation tours is found in the SAMM, C10.F1 and is a part of the CETPP. 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, section C10.8 and the JSAT, Chapter 12.

Exported Training

At times, it may be more expedient and cost effective to request that U.S. personnel conduct training in-country rather than to send a large number of IMS to the U.S. or to a U.S. military installation overseas. This is especially true when the equipment is no longer in the U.S. inventory or when limited seats are available in the schoolhouse. SC training teams may be requested for a particular training task over a specific period of time. If country and U.S. personnel in-country need help in identifying problems and developing training requirements and objectives, a survey team may be requested from the U.S. MILSVC as the preliminary step in the process. However, with or without a survey team, a request must be submitted which specifies 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. Such details, including constraints, are listed in the SAMM and the JSAT. All IMET-funded teams require a waiver approval from the GCC and DSCA prior to programming.

SCO training managers must make every effort to identify all training team requirements at the SCETWG. With the current training personnel shortfalls in the armed services, there is little chance that out-of-cycle training team requests can be fulfilled.

Mobile Training Teams and Mobile Education Teams. MTTs and METs consist of DOD military and civilian personnel on temporary duty to train international personnel. 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. An MTT that qualifies for E-IMET is normally referred to as a MET.

When the request message is received from the SCO and approved for programming, the MILSVC will verify that it has the capability to provide the training requested and "call up" the team. Verification involves identifying team members against the equipment and specialties involved, determining any pre-deployment training requirements for team members and computing the costs.

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 is the generic term for ETSSs provided from DOD resources and for contract field services provided under MILDEP contract from U.S. civilian 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 GCC for approval on a case-by-case basis.

Technical Assistance Field Teams. 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.

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. Currently, the SAMM identifies four tuition rate categories:

Foreign Military Sales 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 equal to what it costs the U.S. government to send U.S. students to the same course.

Foreign Military Sales North Atlantic Treaty Organization Rate

The tuition price charged countries that have a ratified reciprocal pricing agreement with the U.S. and that are not eligible for the FMS Incremental Rate category. The SAMM, Table C10.T4 lists the countries with agreements.

Foreign Military Sales Incremental Rate

The tuition price charged countries that are 1) currently authorized to receive IMET funds and using country funds to purchase additional training or 2) designated as a high income foreign country in accordance with the FAA (Austria, Finland, South 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, the FMS Full Rate is charged.

International Military Education and Training Rate

The tuition price charged countries when IMET program funds or other grant training programs funds (e.g. DOS's INCLE or DOD's CTFP) are used.

The separate rates for the same course differ because various cost elements have been authorized by law to be excluded from some rates and others are charged only on an incremental cost basis. Furthermore, when a case is fully funded with U.S.- appropriated funds and/or FMS Credit (non-repayable), the FMS Rate is adjusted to exclude military pay and entitlements in accordance with the FAA. DOD policy for developing the tuition price for each military course of instruction is contained in DOD 7000.14-R, *Financial Management Regulation*, Volume 15, Sections 0710 through 0712.

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 IMET-paid travel status, and 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 MILSVCs Training Activities in adjusting to quota changes, DOD has instituted a penalty charge for IMS no-shows and for late-notice cancellations. 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 scheduled 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 pro rata charge of not less than 50 percent of the tuition price is assessed for IMS who fail to complete scheduled training due to illness, academic deficiency, or for disciplinary reasons. A cancellation penalty of 100 percent of the tuition price may be assessed if the training is provided by a contractor or a dedicated MILSVC training activity that trains only international military personnel. Cancellation of 5th quarter IMET quotas also results in a 100 percent cancellation penalty fee.

Student Administration

Even before a requested course of instruction has been approved, the administration of the student must begin. 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, 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 trained for a sufficient period of time to warrant the training expense.

To broaden the training 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.

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 or if additional training must be scheduled; ensuring physical/dental examinations are completed in accordance with policy; and verifying IMS has correct documentation to enter the U.S. Of particular importance is the screening, and possible Leahy Vetting, of the candidate IMS.

International Military Student Screening

For all U.S.-sponsored training programs (regardless of funding), thorough and effective screening must be conducted on IMS candidates to ensure they have no history of involvement in human rights abuses, drug trafficking, corruption and/or other activities that are inconsistent with U.S. foreign policy goals. It is up to each embassy country team to determine how that screening process will be conducted.

Leahy Amendment and Vetting

In addition to IMS screening requirements, increased congressional interest in human rights violations worldwide has resulted in more stringent statutory guidance and limitations on training funded by U.S.-appropriated dollars. The Leahy Amendment was first enacted as part of the *1997 Foreign Operations Appropriations Act* (FOAA). The Amendment was sponsored by Senator Patrick Leahy of Vermont, and it prohibited provision of *Foreign Operations, Export Financing, and Related Programs Appropriations Act* assistance to foreign security force units implicated in gross human rights violations unless the Secretary of State determines that the host government is taking

effective measures to bring those responsible to justice. Initially the law was narrowly focused on the DOS's INCLE program but was expanded in 1998 to include all SA programs using FOAA funds. Additionally, recurring language in the annual *National Defense Appropriations Act* (NDAA) applies Leahy requirements to NDAA-funded training.

To fulfill the intent of the law, a further Leahy Vetting for FOAA- and NDAA-funded training is required. Candidates for training, individuals or members of units, must be vetted by the embassy country team to ensure the candidate has no involvement in gross human rights abuses or criminal acts. Just like IMS screening, it is up to the embassy country team to determine the embassy-level vetting process requirements. After the embassy vetting is completed and there is no derogatory information discovered, a vetting request must be submitted to DOS in Washington D.C. Only after receiving clearance back from DOS can the SCO continue processing the IMS.

DOS has implemented two policies in order to reduce the burden of work on the embassy country team and the SCO. First, for certain "fast track" countries, only embassy-level vetting is required for the SCO to continue processing the IMS. Second, the vetting 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.

Once the SCO training manager verifies that the candidate IMS meets all training requirements and receives authority from the U.S. MILDEP, travel arrangements are made, the ITO is prepared, and the IMS is briefed.

Student Pre-Departure Briefing

The JSAT 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, DISAM has prepared a pre-departure briefing that fulfills the JSAT requirement. It makes use of internet-based materials and is available in English. The IMS pre-departure briefing is available online on the International Training Management (ITM) web site and can be downloaded to CD.

Arrival Message

A timely notification to the IMSO at the first training location by the SCO of when and where the IMS will arrive is absolutely essential. The JSAT requires that the training activity receives this notification at least 15 days before IMS arrival. If the IMS is to be accompanied by dependents, the notification must be received 30 days prior to IMS arrival. DSCA policy is that arrival messages will be provided via TMS upload to the SAN. Late or non-existent arrival messages continue to be a serious problem for the IMSO. If there are last minute changes, SCOs now have accurate point-of-contact information for all training activities on the SCO-Tweb system and should notify the IMSO immediately.

Invitational Travel Order

When authorized by the MILDEP, the SCO generates an ITO using TMS. An ITO is required for all IMS who are to receive U.S. training. As it is their official proof of authorization, it is the most important document the IMS possesses. Attachment 14-3 is a sample IMET ITO, and Attachment 14-4 is a sample FMS ITO. The MILSVCs have 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 JSAT.

During Training Phase

IMS receive essentially the same training as U.S. students. 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 had 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 many unique requirements. To assist the IMS, the MILSVCs have directed that each installation or training activity involved in international military training designate an individual to serve as its 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 as an additional duty or regionalized. 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 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 MILSVC Training Activities installations are responsible for establishing, operating, and administering a FSP for international students attending SA sponsored training at their installations. The new FSP is the former "DOD Informational Program," significantly redesigned to better complement formal training. Its intent 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. Funds for conducting the FSP are generated by charges included in the training tuition price. Refer to Chapter 16 of this textbook, "Human Rights and Related Concepts," for a further discussion of human rights.

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. 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 MILSVC training activity, and then to the SCO for resolution of problems and/or clarification of the sponsoring country's desires.

Post Training Phase

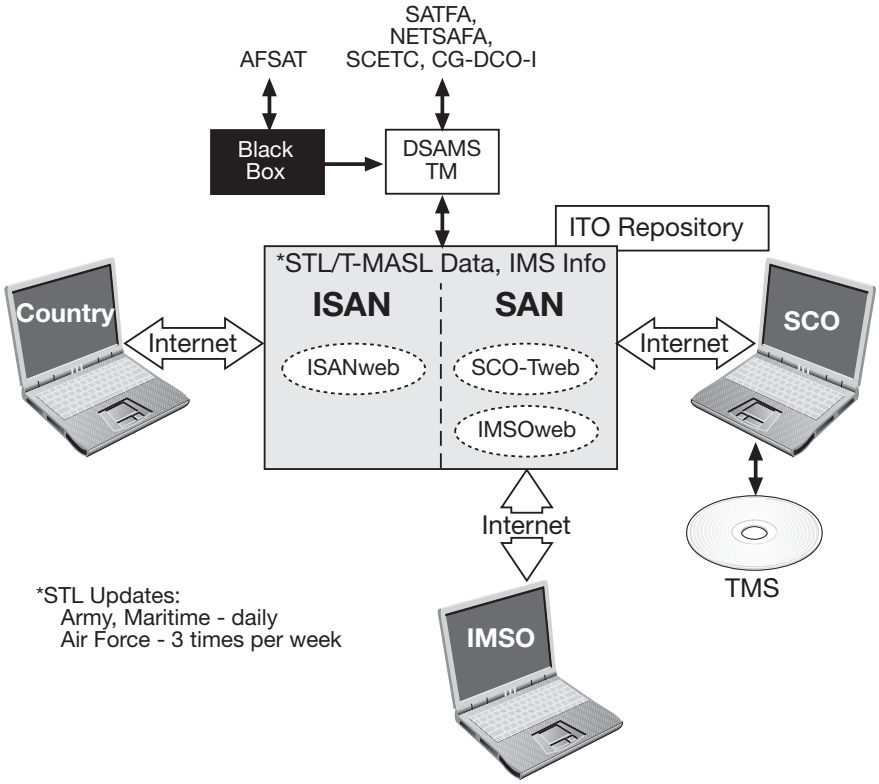
To close the loop, the SCO training manager or representative should debrief the IMS when they return from training, thus performing a quality assurance check as to the IMS's training experience.

The retainable instructional material (RIM) 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 will be sent to the SCO to be forwarded to the country and student. The SCO is responsible for monitoring the utilization of an IMS upon return to country, especially if the IMS was training under the IMET program. Additionally, at select training locations, IMS who are completing their training and returning home are requested to complete a DOS IMET survey.

Training Program Automation

SC training managers use multiple automation systems for the successful management of training programs. These tools include: the ITM web site, the SAN (with SCO-Tweb, IMSOweb, and ISANweb subsystems), TMS and the Defense Security Assistance Management System Training Module (DSAMS TM). The ITM web site can be used by training personnel worldwide and most training personnel also have access to the SAN. SCOs use the SCO-Tweb, IMSOs use the IMSOweb, and international customers use the ISANweb. MILSVC Training Activities program managers primarily use DSAMS TM. Figure 14-3 illustrates the automation tools available and who uses them.

Figure 14-3
Training Program Automation



International Training Management Web Site

The DISAM–hosted ITM web site is available at http://www.disam.dsca.mil/itm/. It is an invaluable tool for those involved in international training. It provides one-stop access to a large collection of SA/SC training materials: all current and relevant references, policies, messages, guides, or other helpful publications. The intended users are SCOs, IMSOs, DOD/MILDEP/MILSVC training managers, IMS, and international training managers.

Security Assistance Network

The SAN is an internet-based, controlled access system used by SCOs, IMSOs, international purchasers, and other members of the DOD SA community worldwide. On it resides the SA training program for each country as well as T-MASL and training location information. All SCOs and IMSOs must use the SAN and its components to perform their assigned SA training management functions. Rosters for GCC, MILSVC, DSCA, and DLIELC points-of-contact are available via the SAN training menu. Use of the SAN also provides an e-mail system for the SCO if there is no local e-mail provider. SA training personnel access the SAN via the internet. SCO support on the SAN is provided by the GCC user group administrator, but requests for assistance can also be directed to the DISAM. See Appendix 2 of this textbook, "Security Assistance Automation," for further information on the SAN.

The most recent automation innovations for the international training community are provided via three SAN subsystems: the IMSOweb, the SCO-Tweb, and the ISANweb. Access to any of these subsystems is only for registered SAN users with a validated need. Specific access is set up for each user, thus further protecting the training information.

IMSOweb

The IMSOweb provides information on the IMS population at an IMSO's assigned training activity or school. The IMSO uses the IMSOweb to:

- Review course data and course descriptions contained in the MILDEP T-MASL database
- Input specific information on individual IMS including IMS travel and training status
- Submit IMS arrival/enrollment and completion/departure reports
- Maintain point-of-contact and detailed training location information

This information is made available to the SCO training manager via the SCO-Tweb or data download from the SAN into TMS.

SCO-Tweb

The SCO-Tweb provides an online view function for SCO training managers and instant access to the data that is entered by the IMSO. The SCO uses the SCO-Tweb to:

- Access training data on-line
- View remarks entered by IMSOs and MILDEPs
- View current status of IMS
- Access IMSO point-of-contact and location information
- Submit the CTFP IMS nomination form
- Prepare the CETPP

The SCO-Tweb does not replace use of TMS and the data downloaded from the SAN for issuance of ITOs. Rather, it complements TMS by providing access to country training program data in a web-based environment.

ISANweb

The ISANweb provides training program information on the SAN to host nation training counterparts, giving them access to the very same country training data to which the SCO has access. The SCO training manager must request access from DISAM for host country counterparts via the SAN user menu and provide specific detail as to what training information should be made available.

Training Management System

DISAM-developed TMS is a database management system that operates in a stand-alone computer environment at the SCO level and is customized for SCO training management needs. Using data downloaded from the SAN, TMS generates standard and custom reports as required by the SCO. TMS is used to generate the ITO, the IMS information form, the IMS arrival information as well as the SCO training manager point-of-contact information. This information is then uploaded to the SAN for access by the IMSOs and the MILSVCs Training Activities.

Defense Security Assistance Management System Training Module

DSAMS TM is the DOD joint SA training management system for use by MILSVC organizations. It was implemented by the maritime services and the Army in October, 2006 and the Air Force is scheduled to implement it in October, 2010. T-MASL information, including that of the USAF, is loaded into DSAMS and made available on the SAN. Training requests by the SCO training manager are also programmed into DSAMS TM. Once quotas are confirmed, ITO authorizations are passed via DSAMS. The SCO training manager can then download the information for use in TMS. Until the USAF implements DSAMS TM, they will continue to pass authorizations via message or e-mail. DSAMS provides significantly enhanced functions for country training program managers and increases information flow between SCOs and MILSVCs Training Activities.

Summary

Training has been called the people side of SA. People fly airplanes, drive tanks, and conn 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 United States SA and SC efforts.

References

All references are available via the ITM web site at: http://www.disam.dsca.mil/itm/.

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United States Navy

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NETSAFA, *International Military Student Officer Guide*.

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Defense Institute of Security Assistance Management

SCO Training Management System (TMS 7) User's Manual.

BANDARIA STL Data Date *24-Mar-09*

Report Date *24-Mar-09*

TRACK	TRACK TYPE	SC	GRADE	ECL SCORE	Stu CLR	PO	SCN	STUDENT NAME																
IA	WCN	MASL	COURSE TITLE		SC	LOC	DUR	ECL	SE	CRS COST	T+LA	Other Cost	Total Cost	REPORT mm/dd/yy	START mm/dd/yy	END mm/dd/yy	Q T R	P R	AN	Trng Line	W V R
IMET: 1-Year Intl. Military Education and Training - CASE: 09I, CASE LINE: 001																					
MILDEP: Department of the Army - (SATFA)																					
0001		MED				B															
B	0001A	B365003	MEDICAL COST-CONUS-IMET			B834	0			$0	$0	$0	$315				1	A	MF	P	
B	0001B	B365003	MEDICAL COST-CONUS-IMET			B834	0			$0	$0	$0	$0				1	B	MF	P	
B	0001C	B365003	MEDICAL COST-CONUS-IMET			B834	0			$0	$0	$0	$70				1	D	MF	P	
1005		IMS	OFF 04	77	S	B	BN000506	Hadin VULKE													
B	1005A	B159000	INT'L OFF LOG PREP-CLC3		OF	907	2	75		$1,843	$4,660	$0	$6,503	02/23/09	03/03/09	03/13/09	2	A	AB	CO	
B	1005B	B171544	CAPTAIN CAREER COMMON CORE		OF	907	2	75	A	$612	$945	$0	$1,557	03/13/09	03/17/09	03/27/09	2	A	AB	EN	
B	1005C	B171545	COMBINED LOGISTICS CAPTAIN		OF	907	14.8	75	A	$5,815	$7,155	$0	$12,970	03/27/09	04/02/09	07/10/09	2	A	AB	C	
B	1005D	B171360	COMBINED LOGISTICES CAPTAIN		OF	101	5	75	A	$1,636	$2,430	$0	$4,066	07/10/09	07/14/09	08/14/09	4	A	AB	C	
B	1005E	B171546	COMBINED LOGISTICS CAPTAIN		OF	907	1	75	A	$335	$540	$0	$875	08/14/09	08/18/09	08/21/09	4	A	AB	C	
1046		IMS	OFF 03	82	S	B	BN004311	Scott SHAPIRO													
B	1046L	B177008	SPECIALIZED ENG LANG TNG		OF	DLACDLI	9			$3,056	$6,480	$0	$9,536	12/10/08	12/15/08	02/13/09	5	A	EP	CO	
B	1046A	B171772	SIGNAL CAPTAINS CAREER PRE		OF	113	2.4	80	A	$2,252	$2,076	$0	$4,328	02/19/09	02/26/09	03/13/09	5	A	AB	CO	
B	1046B	B171776	CAPTAINS CAREER COMMON COR		OF	113	2	80	A	$471	$882	$0	$1,353	03/16/09	03/16/09	03/27/09	5	A	AB	EN	
B	1046C	B171771	SIGNAL CAPTAINS CAREER		OF	113	20.4	80	A	$6,453	$9,072	$0	$15,525	03/30/09	03/30/09	08/18/09	5	A	AB	C	
6301		IMS				B															
B	6301A	B177009	ENGLISH LANGUAGE CRSE		OF	DLACDLI	9			$3,044	$6,404	$0	$9,448				4	D	EQ	P	
B	6301B	B175285	OBS MED/HEALTH/HYG-CONUS		OF	B501	12	80		$5,040	$1,351	$0	$6,391				4	D	EM	P	
						Programmed Totals for SATFA				**$30,557**	**$41,995**	**$0**	**$72,937**								
MILDEP: Department of the Air Force - (AFSAT)																					
0001		MED				D															
D	0001A	D365003	MED SVCS (PRI A-FUNDED)			D000	1			$0	$0	$0	$0				1	A	MF	P	
D	0001B	D365003	MED SVCS (PRI A-			D000	1			$0	$0	$0	$105				1	A	MF	P	
D	0001C	D365003	MED SVCS (PRI D-			D000	1			$0	$0	$0	$0				1	D	MF	P	
1002		IMS				D															
D	1002*	D177009	AMERICAN LANGUAGE COURSE		OF	DLACDLI	15			$5,090	$21,781	$0	$26,871				5	B	EQ	P	
D	1002A	D171012	SOS INT'L OFF SCH CRS		OF	DMAX	6	70	A	$6,380	$5,937	$0	$12,317				5	B	AB	P	
D	1002B	D171003	SQUADRON OFFICER SCHOOL		OF	DMAX	5	70	A	$870	$4,392	$0	$5,262				5	B	AB	P	
						Programmed Totals for AFSAT				**$12,340**	**$32,110**	**$0**	**$44,555**								
MILDEP: Department of the Navy - (NETSAFA, SCETC, USCG)																					
0001		MED				P															
P	0001A	P365003	MEDICAL SERVICES			PMD0	0	EC		$0	$0	$0	$70				1	A	MF	P	
P	0001B	P365003	MEDICAL SERVICES			PMD0	0	EC		$0	$0	$0	$0				1	B	MF	P	
P	0001C	P365003	MEDICAL SERVICES			PMD0	0	EC		$0	$0	$0	$0				1	D	MF	P	
1900		IMS				P															
P	1900A	D177008	SPECIALIZED ENG LANG TNG		ENL	DLACDLI	9			$3,050	$6,194	$0	$9,244	05/06/09	05/11/09	07/10/09	3	A	EP	C	
P	1900B	P171819	SERGEANTS COURSE (MLT III)		ENL	PMLE	6.6	70	A	$3,207	$2,205	$0	$5,412	07/11/09	07/15/09	08/28/09	4	A	AF	C	
						Programmed Totals for NETSAFA, SCETC, USCG				**$6,257**	**$8,399**	**$0**	**$14,726**								
						Overall Programmed Totals for IMET: 1-Year Intl. Military Education and Training - CASE: 09I, CASE LINE: 001				**$49,154**	**$82,504**	**$0**	**$132,218**								

Attachment 14-2
Foreign Military Sales Standard Training List

BANDARIA STL Data Date *24-Jun-08*

Report Date *24-Jun-08*

TRACK	TRACK TYPE	SC	GRADE	ECL SCORE	Stu CLR	PO	SCN	STUDENT NAME														
IA	WCN	MASL	COURSE TITLE						SC	LOC	DUR	ECL	SE	Total Cost	REPORT mm/dd/yy	START mm/dd/yy	END mm/dd/yy	QTR	PR	AN	Trng Line Stat
FMS: Foreign Military Sales - CASE: YCY, CASE LINE: 989																					
MILDEP: Department of the Air Force - (AFSAT)																					
8010		IMS				D															
D	8010	D178263	DISAM INTL-PURCHASER (IF)						OF	DWPTDISAM	2	80		$4,130	07/27/08	07/28/08	08/14/08	4	A	BK	C
8013		IMS	OFF 05	90	T	D	BN006562	Ross Lawrence SMITTY													
D	8013A	D171011	INTL OFF SCH (FOR AWC)						OF	DMAX	6	80	A	$13,990	06/02/08	06/09/08	07/18/08	3	A	AA	EN
D	8013B	D171010	AIR WAR COLLEGE						OF	DMAX	45	80	A	$74,820	07/28/08	07/28/08	05/29/09	4	A	AA	C
8015		IMS				D															
D	8015S1	D175002	AEROSPACE MED PRI						OF	DBROOTH	6	80	A	$870	02/03/08	02/04/08	03/28/08	2	A	BL	FO
8021		IMS	OFF 04	85	S	D	BN006704	Curtis BOOTH													
D	8021	D175141	CRITICAL CARE AIR TRANSP						OF	DBROOTH	2	80		$580	07/05/08	07/07/08	07/18/08	4	A	EM	C
9001		IMS	OFF 01	87	C	D	BN006604	Maria VANNDERE													
D	9001A	D177009	ENGLISH LANGUAGE CRSE						OF	DLACDLI	12			$7,560	01/07/09	01/12/09	04/03/09	2	A	EF	C
D	9001B	D121107	AOC IQT, STRAT OPS CRS						OF	DHUROTH	3	80		$11,311	04/05/09	04/06/09	04/24/09	3	A	ED	C
9006		IMS				D															
D	9006	D175160	ACFT MIS/INV/PRE N/DOD MED						OF	DBROOTH	2	80		$850				1	A	EM	P
9007		IMS				D															
D	9007	D175066	AEROSPACE PHYSIOLOGY						OF	DBROOTH	5	80	A	$3,170				1	A	BL	P
9008		IMS				D															
D	9008	D175017	FLIGHT NURSE						OF	DBROOTH	5	80	R	$2,420				2	A	BL	P
9009		IMS				D															
D	9009	D139032	SBIRS MISSION - ENLISTED C						ENL	DVDB	4	80		$8,321				4	A	EF	P
9011		IMS				D															
D	9011	D139029	SBIRS MISSION - OFFICER						OF	DVDB	4	80		$8,321				3	A	EF	P
9012		IMS				D															
D	9012	D122005	FLT SAFETY OFF (SATP/FSO)						OF	DKIR	10	80		$5,301				1	A	EA	P
9018		IMS				D															
D	9018	D121110	AOC IQT, INTERFC CTRL OFF						OF	DHUROTH	6	80		$19,620				3	A	ED	P
9019		IMS				D															
D	9019	D121098	AOC IQT DEFENSIVE CRS						OF	DHUROTH	5	80		$18,840				3	A	ED	P
9020		IMS				D															
D	9020	D121102	AOC IQT AIR SPACE CRS						OF	DHUROTH	5	80		$18,840				3	A	ED	P
9021		IMS				D															
D	9021	D121099	AOC IQT ISR OFF CRS						OF	DHUROTH	5	80		$18,840				3	A	ED	P
9022		IMS				D															
D	9022	D171043	SCHL OF ADV AIR/SPC STDIES						OF	DMAX	50	85		$92,500	06/18/09	07/06/09	06/16/10	4	A	AA	C
9036		IMS				D															
D	9036	D176005	OPNS LAW CRS						OF	DMAX	2	80		$2,351				2	A	BL	P
										Programmed Totals for AFSAT				$312,635							

Overall Programmed Totals for FMS: Foreign Military Sales - CASE: YCY, CASE LINE: 989 $312,635

Attachment 14-3
Sample Invitational Travel Order International Military Education Training

1. ITO Number: BNB09I0011005 **2. Country:** Bandaria **3. Date:** 30-Jan-09

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 Assistance Training Regulation, JSATR (SECNAVINST 4950.4A/AR 12-15/AFR16-105). This computer generated, letter format ITO is authorized in accordance with the Security Assistance Management Manual (SAMM), DoD 5105.38-M.

4. Issuing Security Assistance Organization (SAO).

a. Name of Organization: Office of Defense Cooperation (ODC) Bandaria
b. Mailing Address: Unit 4095-PSC 80
APO AE 09765-1005
c. E-mail Address: SAO@san.osd.mil

5. Program Type: IMET: 1-Year Intl. Military Education and Training BN-B-09I001

6. IMS Information.

a. Surname: VULKE
First Name: Hadin
b. Sex: Male
c. Country Service Rank: MAJ
d. U.S. Equivalent Rank/Pay Grade: 0-4
e. Country Service: Army
f. Country Service Number: OF100096
g. Date of Birth: 10-Jan-58
h. Place of Birth: HARARE, Bandaria
i. Passport Number: 382956
j. Country of Citizenship: Bandaria
k. Visa Number: A0000867
l. Visa Type: A-2

7. Invitation.

The Secretary of the Department of the Army invites the IMS listed in item 6 of this Order, to proceed on or about 23-Feb-09 from Bandaria to FT LEE VA 23801-1705 for the purpose of commencing training listed in item 8 of this Order.

8. Authorized Training: No additional training to that specified in this order will be provided.

Case: 09I001

a. WCN: 1005A 28096.1. MASL: B159000 TITLE: INT'L OFF LOG PREP-CLC3
Military Service Course No: ALMC-IL School: ARMY LOGISTICS MANAGEMENT COLLEGE
Location: FT LEE VA 23801-1705 Report Date: 23-Feb-09 End Date: 13-Mar-09

b. WCN: 1005B 28096.1. MASL: B171544 TITLE: CAPTAIN CAREER COMMON CORE
Military Service Course No: 01A-C22 (DL) School: ARMY LOGISTICS MANAGEMENT COLLEGE
Location: FT LEE VA 23801-1705 Report Date: 13-Mar-09 End Date: 27-Mar-09

c. WCN: 1005C 28096.1. MASL: B171545 TITLE: COMBINED LOGISTICS CAPTAIN
Military Service Course No: 8-10-C22 (LOG) School: ARMY LOGISTICS MANAGEMENT COLLEGE
Location: FT LEE VA 23801-1705 Report Date: 27-Mar-09 End Date: 10-Jul-09

d. WCN: 1005D 28096.1. MASL: B171360 TITLE: COMBINED LOGISTICS CAPTAIN
Military Service Course No: 8-10-C22 (LOG) School: QUARTERMASTER SCHOOL
Location: FT LEE VA 23801-1509 Report Date: 10-Jul-09 End Date: 14-Aug-09

e. WCN: 1005E 28096.1. MASL: B171546 TITLE: COMBINED LOGISTICS CAPTAIN
Military Service Course No: 8-10-C22 (LOG) School: ARMY LOGISTICS MANAGEMENT COLLEGE
Location: FT LEE VA 23801-1705 Report Date: 14-Aug-09 End Date: 21-Aug-09

*****Last line*****

9. Funding.

Fund Cite: 21-1181081.0LO1 57-1888 0N1000 TAFQ 21T1/21T2 F08LO09I1005Q 044210

10. Language Prerequisites:

a. Highest Required ECL: 75SA
b. IMS completed the in-country English language testing as follows:
ECL Exam No: 36B Date Completed: 15-Dec-08 Score: 77

11. Security and Student Screening:

a. Human Rights, Security and Medical Screening have been completed in accordance with SAMM *Paragraph C10.3.4 and JSATR Paragraph 10-41* for IMS listed in Item 6 of this Order.

c. U.S. security requirements have been complied with. The home government has granted the IMS a security clearance. This 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.
(1) The highest U.S. classification level required for scheduled training is Secret.
(2) The U.S. equivalent classification level of the security classification granted 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:

Name	Relation	DOB	Passport No.	Visa No.	Visa Type
Marta VULKE	Wife	01-Feb-60	382960	A0000870	A-2
Fatima VULKE	Daughter	14-Jan-93	382979	A0000871	A-2

b. Medical Services.
IMS:
IMS under IMET.
2. NON NATO IMS. Charges for inpatient and outpatient care, immunizations, and medical examinations are chargeable to the IMETP and will be forwarded to the appropriate MILDEP for processing.
(d) Medical Examinations.
Medical examination, to include HIV Test, was completed on 15-Jan-09.
Program requirements have been complied with.

Dependents:
Non NATO/PfP SOFA Authorized Accompanying Dependents.
1. Health Insurance. Charges for inpatient and outpatient care will be collected from dependent's health insurance. At the time the IMS ITO was annotated to authorize accompanying family members, IMS provided proof of qualifying health insurance to the training office. The IMS has been made fully aware that a "lack" of health insurance coverage for accompanying family members, revealed at any time during training, could result in the student's removal from scheduled training and return to country.
Health Insurance Information:
Company: Health Insurance International
Policy: HII-7279
Address: Insurance International Road
Harare, Bandaria
Phone: (800) 555-1111

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.

e. Leave.
Upon completion of training, IMS is authorized 15 days leave at no cost to the U.S. Government or IMETP. Upon completion of leave, IMS will proceed immediately as directed to home country.

f. Living Allowance.
Living allowance is authorized during period covered by this order, from day of departure from, to day of return arrival in home country, excluding period covered by leave, in accordance with SAMM, Table C10.T3, and is chargeable to the fund cite in Item 9 of this Order.

g. Travel.
Travel covered by this order, overseas and CONUS, is chargeable to the fund cite indicated in item 9 of this Order.

h. Travel by POV.
IMS is not authorized to travel by POV.

i. Baggage.
Note: Baggage allowances outlined below are total allowances: excess baggage being that amount between the baggage permitted by the transportation carrier and that stipulated below. Baggage sizes and dimensions will conform to carrier stipulations. These allowances apply for that portion of travel whose costs are paid from U.S. funds (see Paragraph 12.g above) and cost of authorized excess baggage is chargeable to the fund cite indicated in item 9 of this Order.

Training is 24-35 weeks in total duration: IMS authorized 4 pieces, not to exceed 50 pounds (22.7 kilograms) each. (Two pieces of excess baggage are authorized.)

Attachment 14-3 (Continued)
Sample Invitational Travel Order International Military Education Training

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 in route to, and for the first 30 days of training pending receipt of applicable pay and allowances by the IMS.

c. IMS will be responsible for custodial fees and personal debts incurred by self or family members. IMS unable to meet these financial obligations may be withdrawn from training and returned to home country.

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 Slates may cancel training and return to country IMS 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: 0116349 b. Date: 30-Nov-08

15. Special Conditions/Remarks:

a. IMS must report 3 days in advance of normal report date due to limited transportation availability.

b. IMS has been provided one way ticket to first training activity; request return transportation be provided.

c. The Defense Attaché, Embassy of Bandaria, Washington DC has administrative control over all personnel of the Armed Forces of Bandaria.

d. Upon return from training, IMS will report to ODC-Bandaria when notified, for debriefing, processing of travel voucher, and issuance of retainable instructional materials.

16. Distribution:

ARMY LOGISTICS MANAGEMENT COLLEGE
FT LEE VA 23801-1705
ARMY QUARTERMASTER SCHOOL
5 - International Student
2 - SATFA
1 - Bandarian Embassy

17. ITO Authorization:

a. Signature of U.S. Authority Authenticating Orders: //Signed// John C. Smith, Major, US Army

b. Title: Training Officer

Attachment 14-4
Sample Invitational Travel Order Foreign Military Sales

Invitational Travel Order (ITO) for International Military Student (IMS)

1. ITO Number: BNDYCY9899001 **2. Country:** Bandaria **3. Date:** 10-Dec-08

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 Assistance Training Regulation, JSATR (SECNAVINST 4950.4A/AR 12-15/AFR16-105). This computer generated, letter format ITO is authorized in accordance with the Security Assistance Management Manual (SAMM), DoD 5105.38-M.

4. Issuing Security Assistance Organization (SAO).

a. Name of Organization: Office of Defense Cooperation (ODC) Bandaria
b. Mailing Address: Unit 4095-PSC 80
APO AE 09765-1005
c. E-mail Address: SAO@san.osd.mil

5. Program Type: FMS: Foreign Military Sales BN-D-YCY989

6. IMS Information.

a. Surname: VANNDERE
First Name: Maria
b. Sex: Female
c. Country Service Rank: 1LT
d. U.S. Equivalent Rank/Pay Grade: 0-1
e. Country Service: Air Force
f. Country Service Number: OF149837
g. Date of Birth: 10-Jul-68
h. Place of Birth: HARARE, Bandaria
i. Passport Number: 482053
j. Country of Citizenship: Bandaria
k. Visa Number: A0000396
l. Visa Type: A-2

7. Invitation.

The Secretary of the Department of the Army invites the IMS listed in item 6 of this Order, to proceed on or about 07-Jan-09 from Bandaria to LACKLAND AFB, TX 78236-5514 for the purpose of commencing training listed in item 8 of this Order.

8. Authorized Training: No additional training to that specified in this order will be provided.

Case: YCY989

a. WCN: 9001A MASL: D177009 TITLE: ENGLISH LANGUAGE CRSE
Military Service Course No: ELS School: DLIELC, LACKLAND AFB TX
Location: LACKLAND AFB, TX 78236-5514 Report Date: 07-Jan-09 End Date: 03-Apr-09
b. WCN: 9001B MASL: D121107 TITLE: AOC IQT, STRAT OPS CRS
Military Service Course No: ACC AOCIQTSTR School: HURLBURT FIELD, FL
Location: HURLBURT FIELD, FL 32544-5800 Report Date: 05-Apr-09 End Date: 24-Apr-09

*****Last line*****

9. Funding.

10. Language Prerequisites:

a. Highest Required ECL: 80
b. IMS completed the in-country English language testing as follows:
ECL Exam No: 36C Date Completed: 20-Nov-08 Score: 87

11. Security and Student Screening:

a. Human Rights, Security and Medical Screening have been completed in accordance with SAMM Paragraph C10.3.4 and JSATR Paragraph 10-41 for IMS listed in Item 6 of this Order.
c. U.S. security requirements have been complied with. The home government has granted the IMS a security clearance. This 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.
(1) The highest U.S. classification level required for scheduled training is Secret.
(2) The U.S. equivalent classification level of the security classification granted by the home government is Top Secret.

12. Conditions:

a. Dependents: Dependents are not authorized by U.S. authority to accompany the IMS or join the IMS while in training.

b. Medical Services.
IMS:
IMS under FMS.
2. FMS Case for NON NATO IMS. Charges for inpatient and outpatient care, immunizations, and medical examinations are chargeable to the FMS Case and will be forwarded to the appropriate MILDEP for processing.
(d) Medical Examinations.
Medical examination, to include HIV Test, was completed on 01-Dec-08.
Program requirements have been complied with.

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.

e. Leave.
Upon completion of training, IMS is not authorized leave, and will proceed immediately as directed to home country.

f. Living Allowance.
Living allowance is responsibility of the foreign government.

g. Travel.
Travel is responsibility of the foreign government.

h. Travel by POV.
IMS is authorized to travel by POV.

i. Baggage.
No baggage will be transported at U.S. government expense.

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 in route to, and for the first 30 days of training pending receipt of applicable pay and allowances by the IMS.

c. IMS will be responsible for custodial fees and personal debts incurred by self or family members. IMS unable to meet these financial obligations may be withdrawn from training and returned to home country.

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 Slates may cancel training and return to country IMS 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: 0120451 b. Date: 26-Oct-08

Attachment 14-4 (Continued)
Sample Invitational Travel Order Foreign Military Sales

15. Special Conditions/Remarks:

a. IMS must report 3 days in advance of normal report date due to limited transportation availability.

b. The Defense Attaché, Embassy of Bandaria, Washington DC has administrative control over all personnel of the Armed Forces of Bandaria.

c. Upon return from training, IMS will report to ODC-Bandaria when notified, for debriefing, processing of travel voucher, and issuance of retainable instructional materials.

16. Distribution:

DLIELC, LACKLAND AFB TX
LACKLAND AFB, TX 78236-5514
HURLBURT FIELD, FL
HURLBURT FIELD, FL 32544-5800
5 - International Student
2 - SATFA
1 - Bandarian Embassy

17. ITO Authorization:

a. Signature of U.S. Authority Authenticating Orders: //Signed// John C. Smith, Major, US Army

b. Title: Training Officer

Chapter

15 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 to include 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.

If the customer is an ally or friend of the United States (U.S.), 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. The reason for the U.S. preference relates to the various political, military and economic advantages derived from the U.S. and its friends using the same military equipment.

Although DOD officially prefers that allies and friends select U.S. systems, the DOD is generally neutral regarding the customer's choice to purchase by means of foreign military sales (FMS) or direct commercial sales (DCS). Under law, 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 not to promote one procurement method over the other. In reality, which method is best for a particular customer depends on a number of considerations. The purpose of this chapter is to examine the various areas that should be considered in making the FMS or DCS decision. By understanding these factors and applying them to a customer's specific situation, a better decision can be made regarding which method offers the best approach for a particular acquisition.

Foreign Military Sales Only Items

Although most defense items or services 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 *Security Assistance Management Manual* (SAMM) C4.5.9 outlines the process for designating a particular sale or military item as "FMS only". Some factors that may be considered in requiring a system to be sold "FMS only" include the political and military relationship with the purchaser; the degree of difficulty to integrate the new system with existing purchaser capabilities and infrastructure; the need for interoperability; the sensitivity of the technology; and the feasibility of separating system components into a DCS portion and a FMS portion. The Defense Technology Security Administration (DTSA), through its involvement with the Department of State (DOS) in reviewing commercial export license requests, monitors this process. The DOS will not issue a commercial export license for sales restricted to "FMS only". In the absence of an export license, the

only remaining procurement method is the FMS process. Historical examples of "FMS only" items are man portable air defense missiles, certain cryptographic equipment, precise positioning service and airborne early warning and control systems.

Direct Commercial Sales Preference

In instances where the United States Government (USG) is neutral regarding purchase by FMS or DCS, policy permits U.S. defense firms to designate a preference that a sale of their products or services be on a DCS basis rather than using FMS procedures. When a company receives a request for proposal from a country and prefers a direct commercial sale, the company may request the Defense Security Cooperation Agency (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 receives a request from the purchaser for a DCS preference item, the implementing agency (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 that will be funding the purchase using Foreign Military Financing Program (FMFP) funds may be required to purchase by FMS.

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, policy 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.

Additionally, 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. Systems acquired by DCS are eligible to obtain FMS sustainment support for common support items. 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 *Arms Export Control Act* (AECA), section 30 permits the USG to sell defense articles and services to U.S. companies in connection with 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 to be sold to a friendly foreign country or international organization. Services may include transportation, installation, testing, or certification that are directly associated with the sale. To be authorized, the sales must meet the following criteria:

- Any services provided must be performed in the U.S.

- The end item must be for the armed forces of a friendly country or international organization
- The articles would be supplied to the prime contractor as government-furnished equipment (GFE) or government-furnished materiel (GFM) if the end item were being procured for the use of the DOD
- The articles and services are available only from the USG sources or are not available to the prime contractor at such times as may be required to meet the delivery schedule

A unique sales agreement is used by the USG for the sale of defense articles and/or services to U.S. companies. The SAMM Table C11.T9 outlines the information included in the sales agreement. FMS pricing applies to these sales to industry. The price will include the administrative and accessorial charges at the normal FMS rates. 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 plus applicable FMS surcharges. To allow 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. As a result, the USG normally will not provide foreign governments with a Letter of Offer and Agreement (LOA) offer to sell when it is known that a DCS contract has been requested or is already being negotiated. Any exception to this policy must be approved by DSCA.

If the purchaser obtains FMS data and later determines they should request a commercial price quote, the purchaser should cancel the Letter of Request (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.

Foreign Military Financing Progam Funding

FMFP funding is generally required to be utilized through the FMS process. The reason for this requirement is that FMFP 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, FMFP funding can, in certain circumstances, be used to fund DCS contracts. Under law, only ten countries are eligible to use FMFP funding to finance DCS contracts. The ten countries are:

Israel	Turkey
Egypt	Portugal
Jordan	Pakistan
Morocco	Yemen
Tunisia	Greece

Although ten countries are eligible to use FMFP funds in DCS contracts, all FMFP financed purchases must be approved by DSCA on a case-by-case basis using *Guidelines for Foreign Military Financing of Direct Commercial Contracts* and the contractor certification provided at http://www.dsca.mil/. Commercial contracts financed with FMFP must be valued at $100,000 or more and are intended for the procurement of non-standard items (items that do not have a national stock number and are not procured by DOD). Offset costs are prohibited from being included on a FMFP financed DCS. Additionally, the prime contractor must be incorporated or licensed to do business in the U.S. unless DSCA has approved an offshore procurement per the procedures in SAMM C9.7.2.6.3.

Comparison Considerations

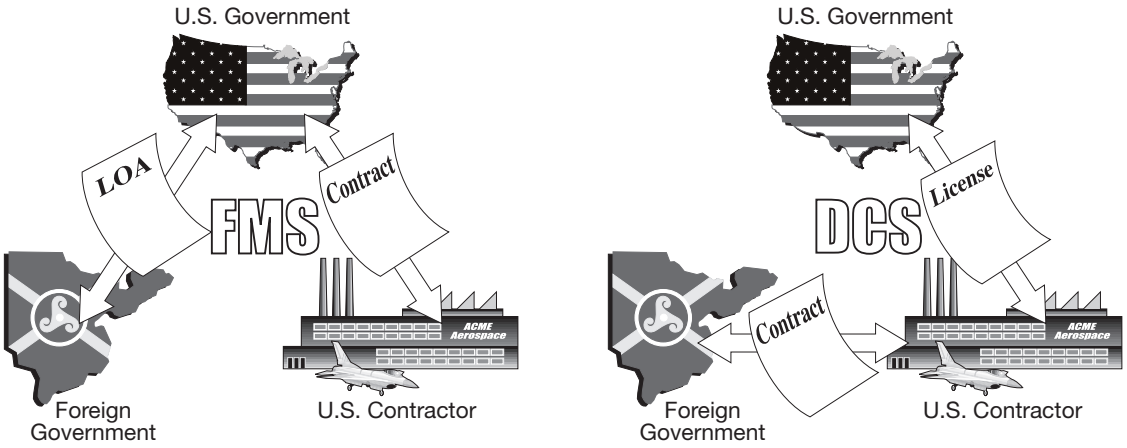
Relationship Considerations

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 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 U.S. 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 sales. 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 sales must be notified to the U.S. Congress if the proposed sale meets or exceeds the statutory dollar thresholds. The statutory notification requirements are essentially the same for both FMS and DCS and can be found in Chapter 2 of this textbook, "Security Assistance Legislation and Policy".

Figure 15-1
Foreign Military Sales and Direct Commercial Sales Relationships



It should also be noted that the USG always reserves the right to terminate a DCS munitions export license or a 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 U.S.

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 to 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 that possess extensive experience with the DOD and often include individuals with prior active duty experience in the U.S. military. In spite of this, many customers value the direct interaction with DOD civilian and active duty U.S. military personnel offered through the FMS process.

Lead Times

Generally speaking, defense articles that are in production can be procured more quickly via commercial channels than through the FMS system. 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 their 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 DOD which is bound to the structured *Federal Acquisition Regulation's* (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 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 system 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. 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 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 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

Governments with extensive business ties to the West, and which are knowledgeable of U.S. law and financing, may perceive additional flexibility in direct commercial sales. The greater degree of flexibility in contracting is possible because U.S. industry has no structured, regulatory guidance, such as the FAR, that must be followed as is the situation in FMS. Customers may wish to participate actively in tailoring the procurement process by fixing delivery schedules, negotiating fixed prices, including special warranty provisions and insuring that designated penalties are stipulated for contractor failure to comply with the contractual agreement. Other flexible arrangements that may be negotiated into a DCS sale 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 customers' 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 direct 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 assess the total resources it must maintain in order to monitor production, evaluate modifications, provide for improvements, and ensure contract compliance. A large number of highly educated personnel, well trained in international commerce, may be required to perform such functions.

For DCS, rather than placing customer personnel throughout the U.S. to perform contract administration, 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 sale under a separate FMS case with the Defense Contract Management Agency (DCMA).

Financial Considerations

The issue of the total FMS cost in comparison to DCS cost is frequently a factor considered by the purchasing government. It is difficult to predict whether it would be 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. 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 charges that are charged 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 overestimating the final cost.

DCS prices, on the other hand, typically provide a fixed price, with fixed payment schedule. Unlike FMS, under DCS, the customer can know the final price at the time of contract signature.

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 saving by offering other than DOD military standard configurations. It is important for the customer to understand any deviations from typical DOD configurations because this may limit interoperability as well as cooperative logistics follow-on support from 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 direct commercial sales 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, DOD may already have priced contracts in place for DOD that can also be used to support new FMS requirements.

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 LOA acceptance is generally somewhat lower than commercial contract down payments. For items which 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, by written agreement between the FMS customer and the USG, the customer authorizes the USG 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, whereas commercial sales offer the advantage of providing a final price at the time of contract signature.

Non-recurring Cost Application

The AECA requires a charge for a proportionate amount of any non-recurring costs (NRC) of research, development, and production of major defense equipment sold through FMS. By contrast, DCS is exempt from these NRC costs, so in this regard, it appears that DCS has an advantage. However, for customers desiring to purchase via FMS, a provision exists to potentially waive the application of NRC under FMS. The purchaser can request a NRC waiver when:

- Standardization benefits result to the U.S. from the sale
- Cost saving benefits accrue to the U.S. 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 and must be submitted prior to acceptance of the FMS LOA. More information on the NRC 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:

- Sales negotiations
- Case implementation
- Case management
- Contract negotiation
- Contract management
- Financial management
- Processing reports of discrepancy

- Case reconciliation/closure

Contractor profits are included within the final FMS price, but are limited by the provisions of the FAR.

Conversely, the profit ceiling for commercial contracts is established by the marketplace. The purchasing government will not normally have access to information which 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, "Foreign Military Sales 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 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 direct commercial sales 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 GFE or GFM. Such items are generally incorporated by the contractor into larger systems which are then delivered to either 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, 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 then 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 which 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. Under a cooperative logistics supply support arrangement, the DOD spare parts inventory can be drawn upon in support of the purchaser's requirements, and this can be accomplished by customer submission of requisitions for individual parts. In effect, the DOD logistics structure serves as a procurement staff for the purchaser by procuring required individual items from the current U.S. sources.

There are some U.S. contractors who also are capable of providing full logistics support for the items which 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, DOD's ability to support DCS items may be limited where 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:

- International Logistics Communications System (ILCS)
- Supply Tracking And Reparable Return/Personal Computer (STARR/PC)
- Air Force Security Assistance Center On-Line
- Navy eBusiness suite
- Security Cooperation Information Portal

DOD also has dedicated security assistance staffs and in-country SCOs to facilitate the administration of the FMS program. More information on FMS logistics support is contained in Chapter 10 of this text, "Logistics Support of International Military Sales".

Nonstandard Items

Historically, DOD has not performed well at providing nonstandard item support. This is because DOD does not have the logistics infrastructure in place to support items which it does not use itself, which are referred to as nonstandard items. In general, DCS has provided better support for nonstandard items. The DOD has improved in this area by implementing commercial buying service (CBS) support for nonstandard items, i.e. contracted out nonstandard support. CBS support for nonstandard systems or components is usually provided via an FMS case.

Training

Training is a key element to 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 itself acquire contractor training in certain circumstances, some types of military training are simply not available through commercial sources such as access to DOD unique training ranges.

On the other hand, the customer may require some form of tailored training that is not available from DOD. As an example, DOD training is normally conducted using only the English language. If the customer required training in its native language, contractor training could be an alternative training source.

Classified Items

The FMS process assures that all security provisions are in place for sales of classified items, and it also provides for required purchaser agreements to protect U.S. concerns and to assure the proper use of the article or service. In DCS arrangements, before an export license for classified material may be granted, security agreements establishing appropriate security measures must be executed between the purchasing government and the USG. The requirement for a security agreement is determined during the U.S. review of the license request.

Range of Choices

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 rather than just choosing between two separate options, traditional FMS or traditional DCS. In reality, there are several options available for most acquisition scenarios. The range of options focuses on the degree of foreign purchaser participation in the overall procurement activities. 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 procurement responsibility the foreign purchaser is willing to delegate to the DOD. Figure 15-2 presents the range of options, each of which will be discussed further in the sections below.

Figure 15-2
Customer Participation Options

- Traditional FMS
- Sole source with FMS
- FMS with Offsets
- Combination FMS and DCS
- DCS with FMFP for eligible countries
- DCS with DCMA contract administration
- Traditional DCS

Traditional Foreign Military Sales

Under traditional FMS, the foreign purchaser initiates the process by submitting an LOR to the USG. The implementing agency will develop the necessary pricing and availability estimates to generate a LOA. Following any necessary technology transfer reviews, releasability reviews, and Congressional notifications, the implementing agency will forward the LOA as an offer by the USG to sell the respective defense articles 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. At this point, per the SAMM C4.1, the foreign purchaser and the USG have entered a formal sales agreement for the provision of defense articles and services.

The LOA standard terms and conditions define nature of this sales relationship. Section 1.2 specifically defines the procurement responsibilities and states that the foreign purchaser has delegated the procurement process to the DOD. The DOD will conduct the procurement on behalf of the customer using the same regulations and procedures that 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 conducting the entire procurement process to include contractor source selection, 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 a 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 DOD makes to conduct FMS procurement business in essentially the same manner that it conducts procurement business for itself. In this relationship of trust, there is no need for direct participation of the foreign purchaser in the procurement. DOD will execute the procurement based on the content of the LOA.

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. This process is referred to as sole source procurement. Details on the sole source process are presented in Chapter 9 of this textbook, "Foreign Military Sales Acquisition Policy and Process".

Under FMS sole source procedures, the foreign purchaser has the ability to interface directly with the vendors in the marketplace and independently conduct a source selection. Subsequently, the foreign purchaser can submit an LOR to the USG that includes a sole source justification that identifies a specific vendor as the desired contractor. The SAMM outlines five primary justifications for requesting sole source. These five reasons include:

- Urgent need
- Nonstandard requirement
- Procurement history with that vendor
- Standardization
- Foreign purchaser's own source selection process

Sole source requests are not limited to just these five justifications but most situations will fit into one of these categories.

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 normal FMS process applies to executing the LOA. Under sole source, the foreign purchaser can be involved in source selection just as they would under DCS, while still benefiting from the FMS system's extensive expertise in contract negotiation, contract administration, quality control, inspection, acceptance, and audit functions.

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, "Foreign Military Sales Acquisition Policy and Process," of this textbook. Many of our 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 an FMS case, except for those cases financed with FMFP funds or other nonrepayable credits.

Combination of Foreign Military Sales and Direct Commercial Sales

Another procurement option is to divide an overall procurement into both a FMS portion and a DCS portion. 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.

Direct Commercial Sales with Foreign Military Financing Program

Typically, countries that receive FMFP funds must utilize those funds via the FMS process. However, under law, ten countries are authorized on a case-by-case basis to use their FMFP funds in DCS contracts. These ten countries are:

Israel	Turkey
Egypt	Portugal
Jordan	Pakistan
Morocco	Yemen
Tunisia	Greece

There are very strict procedures governing the process for funding a DCS with FMFP 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 US industry. Typically, the only USG involvement in a DCS would relate to the export license approval decision. However, foreign purchasers should recognize that they can purchase contract administration services (CAS) from the 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 and geographically dispersed locations. As such, it may be difficult and expensive for the foreign purchasers' representatives to conduct these functions throughout the U.S.

Acquiring CAS from the 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 services in support of the particular DCS. Under the LOA, DCMA utilizes its existing contract administration infrastructure to perform CAS on behalf of the foreign purchaser.

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 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 sale 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, "Technology Transfer, Export Controls and International Programs Security," of this textbook.

Following export license approval, the USG and specifically the DOD do not participate in the DCS. This exclusion includes contract negotiation, contract administration, quality control, inspection, acceptance, and audit functions. In DCS, the old saying: "you get what you negotiate" applies. In general, U.S. defense contractors will work diligently to deliver quality items and services in accordance with all 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, 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 system and DCS are simply different procurement methods which 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. 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 and the LOA.

In reviewing the pertinent factors associated with the two procurement systems, one should bear in mind that unless the USG has determined that a specific item or service will only be offered via FMS, there are few absolutes which dictate that 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 rather 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 delegate 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 encompass as many factual considerations as possible.

References

DOD 5105.38-M, *Security Assistance Management Manual* (SAMM), Chapter 4, 6, and 9.

Guidelines for Foreign Military Financing of Direct Commercial Contracts and Contractor's Certification and Agreement.

Attachment 15-1
Foreign Military Sales - Potential Advantages and Considerations

Potential Advantages	Considerations
1. Total package approach based on U.S. military experience.	1. Purchaser must decide whether the total package may exceed its needs or financial capabilities.
2. USG uses its own procurement procedures and acts as procurement agent for foreign countries.	2. Sophisticated foreign purchasing staff may (or may not) be able to achieve better overall deal by negotiating directly with the contractor.
3. Proven and established logistics support for items common to DOD.	3. Contractor may be able to offer a similar range of contractor logistics support.
4. Federal acquisition regulations, economic order quantity buys, use of GFE or GFM tends to reduce price.	4. Compliance with DOD procedures may increase lead times.
5. Facilitates establishment of design configuration and enhances potential for interoperability.	5. Purchaser must decide on the degree of standardization required for a purchase.
6. Purchaser pays only the actual cost to DOD (including management expenses), with profits controlled by the FAR.	6. While initial LOA estimates tend, in the aggregate, to be higher than final LOA costs, final costs fluctuate both up and down.
7. Cross-leveling in the FMS trust fund can maximize use of country funds.	7. Firm fixed priced contracts and fixed payment schedules can be obtained under direct commercial contracts.
8. Quality control to assure item meets MILSPECs is done by USG personnel.	8. This service can be purchased under FMS for certain commercial contracts.
9. Items may be available from DOD stocks in times of emergency.	9. Availability is significantly dependent on DOD's own priorities and inventory positions.
10. Government-to-government obligation, assuring involvement of DOD personnel in total package planning and sustainment, concepts .	10. Due to the political climate, the purchaser may prefer procuring from the U.S. contractor rather than the USG.
11. Total package includes training at U.S. military schools.	11. Purchaser can procure hardware under commercial contract, and generally obtain associated training at U.S. military schools via FMS.
12. FMS customers can use ILCS system.	12. Commercial customers must rely on the commercial telecommunications system.

Attachment 15-2
Direct Commercial Sales - Potential Advantages and Considerations

Potential Advantages	Considerations
1. Potential for fixed delivery or fixed price, with penalty if contractor fails.	1. Requires considerable experience and sophistication by country negotiators.
2. Business-to-business relationship allows country to negotiate cost and contract terms.	2. If closer military-to-military relationships are a purchaser's objective, FMS provides an avenue to achieve this objective.
3. Direct negotiations with contractor can result in a quicker response.	3. Requires considerable experience and sophistication by country negotiators.
4. Generally better support for nonstandard items.	4. Purchaser must decide upon desired degree of standardization with U.S. forces.
5. More capability to tailor package to unique country needs.	5. Tailored package may detract from standardization desires.
6. Continuity of personal contacts with contractor technical personnel.	6. Value of continuity must be compared to the value of direct military-to-military contacts.
7. New equipment directly from production line.	7. Option exists to request only new and unused items via FMS.
8. Lower prices possible under certain circumstances.	8. Final price may be dependent on experience and sophistication of country contract negotiators.
9. Generally fixed payment schedule which eases budgeting problems.	9. Payment schedules may be more front-loaded than under FMS.
10. Purchaser can include offset provisions in one contract.	10. Purchaser can negotiate offsets (directly with contractor) and still procure under FMS.
11. FMS administrative surcharge and DOD management costs can be avoided.	11. Purchaser must consider entire cost of transaction, including its contracting staff costs and possibly increased contractor administrative costs.
12. Commercial purchases of some types of items could help to create and develop a procurement capability.	12. Scarcity of resources and time may not allow for retaining procurement staff.

Attachment 15-3
Common Misperceptions of Foreign Military Sales or Commercial Sales

Misperceptions	Facts
1. FMS prices are cheaper.	1. Depends on item being purchased, negotiating skills, and many other variables.
2. Commercial prices are cheaper.	2. Depends on item being purchased, negotiating skills, and many other variables.
3. FMS offers better assurance for approval of transfer of technology.	3. Technology release considerations are identical for FMS and commercial sales.
4. Commercial sales offer a better assurance for approval of transfer of technology.	4. Technology release considerations are identical for FMS and commercial sales.
5. FMS is unreliable during hostilities involving either the user or the USG.	5. Foreign policy or DOD military priority decisions affect the flow of supplies to a country and can be expected to relate to the resource involved. FMS orders may still be filled and may receive priority support depending on the nature of the hostilities.
6. Commercial sales are unreliable during hostilities involving either the user or the USG.	6. Foreign policy or DOD military priority decisions affect the flow of supplies to a country and can be expected to relate to the resource involved. There may be a tendency to fill FMS orders first, depending on the nature of the hostilities.
7. FMS provides slow delivery with frequent slippages.	7. The numerous built-in FMS system safeguards do sometimes slow the procurement process although there seldom are slippages once delivery schedules are established. However, in a contingency a potential exist to divert items from service stocks and expedite delivery.
8. Nonrecurring cost recoupment charges for major defense equipment is always assessed on FMS sales.	8. Nonrecurring cost recoupment waivers may be authorized for FMS on a case-by-case basis. Recent history indicates a high probability of waiver approval.
9. A country cannot have an offset arrangement when they have an FMS case.	9. A country may negotiate a separate arrangement with the contractor in addition to a FMS agreement, but the USG will not be the enforcer of offset arrangements between the country and the commercial contractor.
10. No purchaser control or participation is permitted in FMS.	10. 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 assure purchaser needs are met. Under certain circumstances the purchaser may participate in selected contracting discussions.

Attachment 15-3 (continued)
Common Misperceptions of Foreign Military Sales or Commercial Sales

Misperceptions	Facts
11. FMS system is characterized by a lack of continuity of personnel contact due to military personnel rotations.	11. While this may be true for some cases, there are many DOD civilians who do not rotate. Also, military tour is normally three to four years about equal to commercial executive transfer patterns.
12. Only FMS requires USG approval and congressional notifications [Section 36(b), AECA], if necessary.	12. All items meeting AECA notification thresholds require notification under both sales systems. AECA, Section 36(c), applies to commercial sale notifications to Congress.
13. USG reserves the right to terminate only FMS in the U.S. national interest but not DCS.	13. Applies equally to both FMS and commercial sale systems.
14. Quality control is not assured for items bought commercially.	14. Contractor sales depend on product reputation. Also, USG quality control procedures may be purchased for standard items.
15. Contractor involvement stops once an end item is sold.	15. Contractor participation in follow-on support and maintenance programs is common under either commercial or FMS.
16. USG controls third country sales only for items sold under FMS.	16. Criteria and policy are the same for items purchased through either commercial or FMS.

Chapter

16 HUMAN RIGHTS AND RELATED CONCEPTS

HUMAN RIGHTS 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 often include the rights to life, liberty, 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 assistance 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 participating in security assistance programs or have their programs suspended. 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.

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

Several nations have constitutions, fundamental or organic laws that establish the framework of the government of a state, assigns the powers and duties of governmental agencies, and establishes 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* (U.N. 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 legal inception. The *Constitution of the United States* very specifically and very 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 America 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 incorporated into 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 U.N. 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 U.N. shall promote:

- 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 U.N. Charter states that all members pledge themselves to take joint and separate action in cooperation with the U.N. 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 U.N. 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*, which was adopted by the U.N. General Assembly in 1948. It is important to recognize that the Universal Declaration is not binding international law, but a U.N. 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 is, still 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 at Attachment 16-1.

Human Rights Treaties

In addition to the U.N. Charter and Universal Declaration, there are a number of international human rights conventions which often are in the form of treaties or international agreements. These conventions are compiled in an appendix to the annual *Country Reports on Human Rights Practices,* produced by the Department of State (DOS). The U.S. is shown as a party to nine agreements (having signed and ratified), seven other agreements (having signed but not ratified). In addition, any nation, which is a party or signatory to an agreement, can attach specified reservations to such an agreement.

The following international conventions and agreements were selected from the Country Reports appendix:

Geneva Conventions. These refer to agreements among nations, reached in Geneva, Switzerland, relative to wartime situations and sometimes referred to as part of international humanitarian law or the law of armed conflict. Included are the *Geneva Convention Relative to the Treatment of Prisoners of War,* and the *Geneva Convention Relative to the Protection of Civilian Persons in Time of War,* both dated August 12, 1949. The U.S. is listed as a party to both agreements. These are revisions of similar humanitarian conventions of 1906 and 1929. The rights protected by the Geneva Conventions may not be limited or abrogated. In an armed conflict situation, the Geneva Conventions and the customary law of armed conflict are the primary sources of law and human rights law is applied when it does not conflict with either of these sources.

International Covenants. The U.S. is listed as a party to the *International Covenant on Civil and Political Rights of December 16, 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 the Covenant expresses are entirely consistent with the U.S. *Bill of Rights*. The U.S. is also listed as a signatory, but not a party, to a second related covenant, the *International Covenant on Economic, Social, and Cultural Rights of*

December 16, 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 listed as a party in the appendix to the Country Reports are:

- *Convention to Suppress the Slave Trade and Slavery of September 25, 1926*, as amended by the Protocol of December 7, 1953
- *Convention on the Prevention and Punishment of the Crime of Genocide of December 9, 1948*
- *Convention on the Political Rights of Women of March 31, 1953*
- *Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery of September 7, 1956*
- *Convention Concerning the Abolition of Forced Labor of June 25, 1957*
- *International Convention on the Elimination of All Forms of Racial Discrimination of December 21, 1965*
- *Protocol Relating to the Status of Refugees of January 31, 1967*
- *Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment of December 10, 1984*

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 exists 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 law also exists when there is a general acceptance, not only of the practice, but of the belief of the practice by other states. *The U.S. Army Operational Law Handbook* (2006) lists the following government conduct as violations of customary human rights:

- Genocide
- Slavery
- Murder or causing the disappearance of individuals
- Torture or other cruel, inhuman, or degrading treatment or punishment
- All violence to life or limb
- Taking of hostages
- Punishment without fair and regular trial
- Prolonged arbitrary detention
- Failure to care for and collect the wounded and sick
- Systematic racial discrimination

Figure 16-1 provides human rights excerpts from various international sources, ranging from the U.N. Charter to regional agreements.

Figure 16-1
Illustrations of Human Rights Provisions

"We the peoples of the United Nations determined to reaffirm faith in fundamental human rights . . ."
Preamble to the *Charter of the United Nations*, composed at San Francisco, June 26, 1945.

"All human beings are born free and equal in dignity and rights . . .."
Universal Declaration of Human Rights, adopted by the U.N. General Assembly December 10, 1948.

"Everyone has the right to respect for private and family life, his home and his correspondence."
Article 8.1 *European Convention for the Protection of Human Rights and Fundamental Freedoms*, done at Rome November 4, 1950.

"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."
Article 1.1, *International Covenant on Civil and Political Rights*, composed at New York, December 16, 1966.

"Every person has the right to a hearing, with due guarantees and within a reasonable time, by a competent, independent, and impartial tribunal, previously established by law, in the substantiation of any accusation of a criminal nature made against him . . .."
Article 8, *American Convention on Human Rights*, done at San Jose, November 22, 1969.

"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."
Article 8, *African Charter on Human and Peoples' Rights*, composed at Banjul, June 26, 1981.

"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."
First Amendment to the *Constitution of the United States* ratified December 15, 1791.

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 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 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 which 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:

- 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, FAA:

> The U.S. shall, in accordance with its international obligations as set forth in the U.N. 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 also provides that any nations receiving security assistance that engage in a consistent pattern of gross violations of internationally recognized human rights risk a combination of statutory and policy-based suspensions 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 116(a), FAA, 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 policy requires a presidential certification to Congress that extraordinary circumstances warrant such assistance.

Role of the Department of State

Section 624(f), FAA, vests in the Assistant Secretary of State for Democracy, Human Rights and Labor Affairs overall policy responsibility for the creation of USG human rights policy. The assistant secretary is responsible for the following:

- Gathering 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 which 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 U.N. 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. The excerpt for each country can also be viewed on the internet at http://www.state.gov, then type in the country you wish to review. 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.

The DOS and USAID strategic plan on the DOS web site 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.

Figure 16-2
United States Department of State
Country Report on Human Rights Practices

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

e. Denial of fair public trial

f. Arbitrary interference with privacy, family, home, or correspondence

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 within the country, foreign travel, emigration, and repatriation

Section 3 Respect for political rights: the right of citizens to change their government

Section 4 Governmental attitudes regarding international and nongovernmental investigation of alleged violations of human rights

Section 5 Discrimination, societal abuses, and trafficking in persons

Section 6 Worker rights

a. The right of association

b. The right to organize and bargain collectively

c. Prohibition of forced or compulsory labor

d. Prohibition of child labor and minimum age for employment

e. Acceptable conditions of work

Attachment 16-2 provides a suggested action and reporting guideline known as the "Five Rs" for use by the security assistance officer 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 non-governmental 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, officials of foreign

governments, in the development of its annual country reports on human rights practices. Amnesty International country reports may be accessed at http://www.amnesty.org.

Expanded-International Military Education and Training

The E-IMET initiative was started in fiscal year 1990 to educate U.S. friends and allies in the proper management of their defense resources, improve their systems of military justice in accordance with internationally recognized principles of human rights and 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.

The *Expanded IMET Handbook* published annually by the Defense Security Cooperation Agency, is intended for use by security cooperation officers (SCOs) and other members of the U.S. training community to describe all courses offered by the military services and the United States Coast Guard that have been certified by DSCA as fulfilling the goals and objectives of the E-IMET program. Overseas SCOs should bring the E-IMET courses listed in this publication to the attention of appropriate host country officials and encourage participation by civilian personnel in defense-related positions in addition to military officers.

More information on E-IMET may be found at:

http://www.dsca.mil/programs/eimet/eimet_default.htm

Leahy Amendment

Increased congressional interest in human rights violations worldwide has resulted in more stringent statutory guidance and limitations on U.S.-funded training programs provided to foreign individuals and units. Specifically, candidates for training, individuals or members of units, must be screened, or vetted by the U.S. country team for involvement in gross human rights abuses or criminal acts prior to attending or participating in any Department of Defense (DOD)-sponsored training. This is often referred to as the Leahy Amendment. [Section 620J, of the FAA]

Credible information implicating units or individual members in gross human rights abuses is provided by and verified by the DOS. Under extraordinary circumstances, a waiver for the conduct of a DOD-funded combined exercise may be granted by the Secretary of Defense. If a waiver is granted, the secretary has 15 days to report the details regarding the training and justification of the waiver to Congress.

DOD-funded training includes, counter-drug training, humanitarian demining, joint combined exchange training deployments, as well as any training conducted under the Combatant Commander Initiative Fund and Cooperative Threat Reduction programs, which is often referred to as the Nunn-Lugar Program. Training does not include exercises, individual and collective interface activities, e.g. individual or subject matter expert exchanges, mil-to-mil contacts, seminars or conferences.

Training conducted under the FAA or AECA, including IMET, foreign military financing program (FMFP), and FMS-funded training, is not included within the annual defense appropriations act. Instead, this training is included in the foreign operations appropriation act. A similar review, or vetting, for human rights abuses is also required for training funded under this law. Unlike that for DOD-funded combined exercises, there is no provision for an exception waiver for training provided through security assistance programs.

Attachment 16-3 provides a suggested checklist for the vetting process to be performed by the security assistance office.

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 *U.N. 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 to not 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.

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.

Attachment 16-1 (Continued)
Universal Declaration of Human Rights

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.

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.

Attachment 16-1 (Continued)
Universal Declaration of Human Rights

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 wellbeing 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.

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.

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 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 higher authority.

Attachment 16-3
Guidance for Screening Candidates of United States-Sponsored Training Programs

The Leahy Amendment requires that candidates for training, individuals or members of units, must be vetted by the U.S. country team, for involvement in gross human rights abuses or criminal acts prior to attending or participating in any U.S.-sponsored training. Per Joint Staff document dated 01 November 1998, a gross human rights abuse is defined as torture or cruel, inhuman, or degrading treatment or punishment, prolonged detention without charges and trial, causing the 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.

The following checklist is designed to assist in the process of screening:

- SCO requests the partner nation to provide student nomination for U.S. training programs.
- SCO specifies to the partner country the type of local record and background checks to be completed.
- SCO informs host country that the provision of student names, in writing, constitutes certification that checks have been completed satisfactorily. Training-includes all DoD sponsored training IMET, FMS purchased training at DoD educational institutions, police training, counterterrorism and counternarcotics training, and personnel exchange programs.
- The partner nation conducts local record/background checks and provides, in writing, student nomination to SCO. As indicated above, provision of student nomination constitutes host country certification that requested checks have been completed satisfactorily.
- American embassy personnel, including all relevant members of the country team including human rights officers, RSO, DOD, DEA, DATT, consular section, and other offices, as appropriate, check and screen the nominees thoroughly.
- SCO interviews the nominees for suitability.
- Once the above steps are completed, the SCO generates an ITO.
- SCO maintains documentation of local record and background checks.

DoD directs that SCO commanders develop a checklist that encompasses the guidelines above. This checklist should be included with other documentation related to potential nominees and maintained for a minimum of ten years. Each SCO commander may adjust the guidelines above as necessary to accommodate the local situation.

Chapter

17 Resource Management for the Security Cooperation Organization

Introduction

The security cooperation organization (SCO) is accountable for all human, materiel, and fiscal resources that are made available to it various sources. More security cooperation (SC) personnel have been lost to fraud, waste, or abuse, due to the mismanagement of resources, than to terrorism. The majority of military and Department of Defense (DOD) civilians are familiar with annually appropriated DOD Operation and Maintenance (O&M) funds as the common source of funds for their activities; at the SCO however, there may be a variety of programs each with its own funding and requirements for implementation. All of these disparate, complex programs, combined with a certain level of autonomy at an SCO, make it relatively ease for those responsible to lose accountability of resources. Budget clerks are fired; budget officers and SCO chiefs may be relieved of duty. For the worst offenders, jail is a very real possibility. This chapter adresses the realities and requirements of resource management in the SC portion of the Senior Defense Official/Defense Attaché (SDO/DATT) position.

Human Resources

Section 515 of the *Foreign Assistance Act* (FAA) 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 an SCO for the management of the United States (U.S.) security assistance (SA) to six, unless specifically authorized by the Congress. This provision does not apply to civilian billets or to geographic combatant command (GCC) SC billets within the SCO. This limitation for SA related staffing may be waived if the president determines that U.S. national interests require more than six such personnel. The operational and overhead funds for the SA billets are funded by the Security Assistance Administrative Trust Fund. All SC billets are funded by O&M or the program that authorizes their presence.

Changes to the SCO's authorized staffing must follow the procedures outlined in Attachment 17-2, *Guidelines to Implement National Security Decision Directive* (NSDD) *Number 38*. This applies to all SC and SA staffing.

Security Cooperation Office Personnel Authorizations

SCO staffing varies according to the SA workload and the workload associated with the other SC programs. The staffing for SA is based on the above criteria and joint Defense Security Cooperation Agency (DSCA)/GCC manpower surveys. The workload of an SCO is assessed to include the volume of active foreign military sales FMS cases, number of students programmed for training, and other factors. As a general rule more than 50 percent of an individual's workload must be for performing SA functions to justify a billet to be funded from the SA Administrative Trust Fund. Once the authorized staffing is approved it is published to the GCC's Joint Manpower Program (JMP). This document is maintained by the GCC, and requires the concurrence of DSCA and the Joints Chiefs of Staff (JCS). There are a finite number of billets available world-wide and as new requirements arise for an SCO, the GCC and/or DSCA may require the billets be shifted from one SCO to another or one GCC to another.

The following categories of billets authorized for the SA workload of the SCO may be reflected on a JMP:

- **U.S. military personnel performing security assistance duties.** As indicated above these billets are reported annually to Congress and are subject to congressional limitation.
- **U.S. civilian direct hires.** These DOD civilians are hired through the civilian personnel agency associated with the GCC.
- **Locally employed resident U.S. citizen (AMCIT).** A U.S. citizen who is a legal resident of and has a work and/or residency permit in the host country, and is employed under a direct-hire appointment, a personal services contract, or a personal services agreement at a foreign service post abroad by a USG agency or establishment that is under a chief of mission (COM).
- **Locally employed staff (LES).** A general term used for foreign service nationals (FSNs) and AMCITs. LESs are employed at a foreign service post abroad by a USG agency or establishment that is under COM authority and are paid under a local compensation plan. Typical jobs for LESs within an SCO include budget analyst, SA training manager, FMS case technician, administrative assistant, translator, and vehicle driver.
- **Personal Services Agreement (PSA).** This is a DOS program whereby DOD is authorized to hire limited contract (1 year, extendable to 10 years) local national personnel, U.S. family members, or local non-official U.S. personnel, to fill bona fide requirements in an SCO. PSAs can fill positions as noted above for LES/FSN. The primary advantage in hiring a PSA is that it does not require NSDD-38 approval, whereas an LES/FSN does. It is also more cost effective. In order to hire a PSA, the SCO must justify the position, provide a job description, and request funding from the GCC. The GCC must approve the request and forward it to DSCA along with substantiation of funding for the current and out years. Once approved, DSCA will forward the request to DOD which will then give DOS the authority to proceed with hiring the PSA. Any questions concerning the PSA program should be referred to the Comptroller Office at DSCA. PSA personnel cannot be contracted to perform duties that are required to be performed by a USG employee.
- **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 country SA programs and work under the direction of the SCO. They will not be reflected on the JMP. The partner nation may also have liaison officers assigned in the SCO.
- **Case funded personnel**. In a few countries, the SCO includes personnel (U.S. and non-U.S.) whose services are purchased under an FMS case. These billets are on a relatively permanent basis, but the individuals may change based on the rules for the length of tour included in the case. These case funded personnel are not authorized on the SCO JMP.

Locally employed staff and AMCIT are compensated in accordance with the local compensation plan (LCP), a foreign service post's official system of compensation. LCPs are established 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. Military and USG personnel are compensated in accordance with relevant U.S. laws and regulations.

Security Cooperation Personnel Authorizations other than for Security Assistance

Within the SCO, there are personnel authorizations for duties other than SA. These responsibilities include combined exercises, international armament cooperation (IAC) program functions, and other

security cooperation programs not including management of SA programs. These billets are justified and funded entirely separately from SA, normally through the DOD GCC O&M program objective memorandum (POM) process. The NSDD 38 provisions apply as regards to the role of the ambassador but final approval rests with JCS.

The billet authorization provides for the assignment of personnel and directs which source of funding pays for their support and operational costs. However, at the discretion of the SCO chief, assigned personnel may perform duties in either SA related functions or non-SA related functions but any costs required for the performance of these functions must correctly be charged to the program that authorizes and funds those functions.

Changes in Security Cooperation Organization Manpower

The SCOs and GCCs should review JMPs at least annually to ensure that SCO manning conforms to established policy for effectively managing SA and security cooperation programs. When changes are required for SCO JMPs (or when JMPs are required for new SCOs), the requests, with detailed justification in accordance with DODD 2055.3, *Manning of Security Assistance Organizations and Selection and Training of Security Assistance Personnel*, must be submitted to the JCS and DSCA through the GCC.

Additionally, the ambassador must concur with any changes affecting the size, composition, or mission of the SCO. The NSDD Number 38, *Staffing at Diplomatic Missions and Their Constituent Posts*, (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 Chief of Mission (COM), in consultation with the DOS. In reviewing his JMP, the SCO chief has the ability to narrow or broaden the required or preferred background, skills, and prior training specified for any given billet. This often requires a 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 are nominated to SCO positions in accordance with DODD 2055.3. Requirements for nomination to an SCO may entail slightly different criteria from the norm with respect to:

- Civilian education
- Training
- Language qualifications
- Military schooling
- Experience
- Area familiarity
- Health
- Family considerations

However, a nomination does not assure the job, because the area GCC, the ambassador, and the SDO/DATT retain final selection rights.

Funding Resources

There are several types of funds and assets that an SCO may manage. They include:

- SA administrative funds
- FMS case funds
- Contributed currency
- Various types of operations and maintenance funds

Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law. [*31 U.S.C. 1301*]

The Provision on "Uses of Funds", Section 636 of the FAA identifies specific categories for which SA funds may be expended. AIK is not a type of fund but it is included in this chapter because a country providing AIK offsets the SCO's budget.

Security Assistance Administrative Trust Fund

The SA administrative trust funds allocated to the SCO are referred to as T-20 funds. These funds pay for the SA mission requirements of the SCO. Typical expenditures would be for:

- Operational and overhead expenses
- Utilities
- Rent
- Temporary duty (TDY)
- Office equipment
- Civilian salaries
- Selected entitlements
- Other requirements that directly support the authorized members of SCO conducting SA activities.

SA administrative trust funds allocated to the GCC headquarters to manage SA programs are referred to as HQ T-20 funds. The HQ T-20 funds pay for the SA operational requirements of these activities.

FMS administrative funds are referred to as administrative surcharge funds because they have been primarily sourced from the mandated administrative surcharge added to FMS. A portion of the SA administration fund is also sourced through congressional appropriations under the *Foreign Operations Authority U.S.C. Title 22*. The appropriated funds generally account for less than 10 percent of the total SA administrative budget. For SCO purposes the Defense Finance and Accounting Service-Indianapolis Center (DFAS-IN) consolidates these funds into a single funding source for both the SAOs and the GCC headquarters and other DOD and military department (MILDEP) activities.

Foreign Military Sales Case Funds

Some FMS cases provide funding for the administration of that case or the administration of a program for a country (or international organization) to purchase equipment, spares, support for the country, or to support specified activities of the SCO. FMS case funds are provided from the customer country or as applicable, the U.S. provided Foreign Military Financing Program (FMFP) to be held by the U.S. within the FMS trust fund account. These funds are provided on a program management line or a defined order line designed to cover the costs of specified support.

A few countries have signed cases to provide funding for support of the SCO presence in their country. FMS case funds may pay for some of the SA operational requirements of the SCO. Typical expenditures would be for utilities, rent, TDY, office equipment and other requirements that directly support the SCO. These cases are used to fund support that would normally be budgeted with T-20 funds.

Generally FMS case support funds are used to fund continental U.S. (CONUS) personnel, SCO personnel and in-country teams that are in direct support of a specific FMS case or specific program. These funds would be designated for administrative functions related to the management of end items, support equipment, spares or a program. As an example, these funds should also be used to fund TDY for SCO personnel traveling in direct support of a specific program, e.g., the FMS of F-16s to Bandaria or attendance at a program management review (PMR).

The fact that a travel line was not included for the support of a specific program is not justification to use T-20 funds for SCO travel in support of a specific program. The SCO should request the program manager amend the case if there is not a travel line included for a specific program that requires a stand-alone PMR. T-20 funds will only be considered to fund SCO TDY for a PMR when the PMR is the only FMS review for that country and the entire country plan is reviewed in its entirety, not limited to one or two specific programs. The SCO should request permission of the GCC resource manager for permission to use T-20 funds for this category of PMR.

Operation and Maintenance Funds

O&M funds are provided by the GCC for support of the DOD or GCC security cooperation programs other than SA in the country. These funds are used for salaries, exercises, training, operations, and overhead costs. They are known as:

- O&M funds in the Air Force
- O&M and armament funds (OMA) in the Army
- O&M Navy (O&MN)funds in the Navy

These are DOD funds traditionally provided for the purpose of O&M U.S. forces. Congress authorizes and appropriates O&M funds for support of the U.S. forces under *U.S.C. Title 10*. These O&M funds are to be used for the SC other than SA requirements of the SCO. These funds are managed by the GCC, MILDEPs, DOD agencies and components. O&M funds are identified with the specific programs authorizing the funds. There are many O&M funding programs that the SCO may encounter and each will have its own rules and procedures to be followed. The SCOs who have security cooperation billets on their JMP are required to maintain a separate budget(s) and budget execution procedures for each of the authorized programs.

Partnership for Peace

The partnership for peace (PfP) fund is annually appropriated for DOD by Congress, specifically in support of U.S. efforts with countries participating in the North Atlantic Treaty Organization's (NATO's) PfP program. The program is in direct support of partner countries becoming more operationally compatible with NATO forces. The funds are provided by the GCC to component commands, the DAOs and SCOs for implementation of the program.

Traditional Combatant Commander Activities

The Traditional Combatant Commander Activities (TCA) funds are 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 the proposed projects and estimated cost to the GCC. The GCC approves the projects and then when funding is available provides the funding to the SCO to execute the project.

Traditional Combatant Commander Initiative Fund

The Combatant Commander Initiative Funds (CCIF) are controlled in accordance with DODD 7280.4 by the Chairman of the JCS. A GCC may request this funding in support of a myriad of projects to include:

- Force training
- Contingencies
- Selected operations
- Command and control
- Joint and combined exercises
- Military education and training to military and related civilian personnel of foreign countries
- For personal expenses of defense personnel for bilateral and regional cooperation programs

These funds are used for a single project and not a source of funding for a continuing project. Once the funding authority is granted, the funds are managed by the GCC in the same manner as other O&M funds.

Counternarcotics

The counternarcotics (CN) funds are appropriated to DOD for the support of U.S. and partner nations in fighting the war on drugs. This funding is managed by the Assistant Secretary of Defense for Special Operations and Low Intensity Conflict (ASD/SOLIC). These funds may be allocated to use via the FMS process to fund a country's training, support, and equipment needs, or for in support of U.S. forces/activities engaged in CN operations. Normally, however, these funds are allocated to the military service and managed like O&M funds. The *International Narcotics Control Act* (INCA) provides funds managed by the DOS which are used to pay for DOD provided material, services or training via the FMS process or direct commercial sales (DCS).

International Armaments Cooperation

The IAC provides the O&M funds in support of the U.S. personnel authorized under the JMP of the GCC for IAC activities. The term Defense Cooperation in Armaments (DCA) is used in the law that originally authorized this program managed by the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)). These funds are allocated to the GCC and are managed as other O&M funds. The SCOs with IAC billets on their JMP are required to maintain a separate budget and budget execution procedures for these funds.

Demining

Demining funds may be allocated for use via the FMS process. These funds are made available to aid a country in the removal of landmines. The SCO will be involved in the management of this program and overseeing the use of these funds. The SCO does not budget for these funds; rather, yearly targets are directed from above.

Humanitarian Assistance

Humanitarian Assistance funds may be allocated for use to assist the partner nation in construction of needed infrastructure, schools, and hospitals. The SCO will be involved in the management of this program and overseeing the use of these funds. The SCO submits the proposed projects and estimated cost to the GCC. The GCC approves the projects and then when funding is available provides the funding to the SCO to execute the project.

United States Code Title 10 Programs

The GCC centrally manages a special category of funding known as the *Title 10* programs, which the SCO may be involved with. These special programs get their name from the same authorizing legislation that Congress provides for Armed Forces activities; they should not be confused with *U.S.C. Title 10* O&M funds. *Title 10* 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, their yearly targets are directed from the list above.

Assistance-in-Kind

AIK is non-monetary support of SCO operational requirements. Typical non-monetary support would be office space, transportation, utilities, and personnel. All AIK support provides for operational requirements that would generally be budgeted for using SA administration, FMS case, or O&M funds. In the event that AIK support was no longer provided, the level of required support would be reviewed and then included in the appropriate budget submission documents. What will be provided under AIK is decided by the bilateral agreement signed between the U.S. and the partner nation.

Currently, only one country provides actual funds under AIK. This is an exception to typical AIK. Typical monetary expenditures would be for utilities, rent, TDY, office equipment, and other needs that directly support the SCO. The dollar values and what the funds will be used for are decided at the Secretary of State level with a formal document signed between the U.S. and the partner nation. These funds are not a part of the SCO budget but paid by the partner nation to the U.S. Treasury and are provided indirectly to the SCO.

Antiterrorism and Force Protection Funding

Antiterrorism and force protection (ATFP) funding is an area of great concern and confusion. The DOS is responsible for funding ATFP for most of the SA authorized billets, with the GCC, by agreement being responsible for ATFP at selected SCOs and all personnel under his command, i.e., the DCA officer. DOS will, therefore, be the first place to look for funding of ATFP requirements. Many times in this austere funding environment, the DOS will not always be able to fund these requirements.

Due to the importance of ATFP, other sources of funds should then be pursued. The first thing that must be considered is when seeking other sources is who the ATFP requirement is going to support. If the requirement is to support personnel in a T-20 funded billet, the SCO should look at using their T-20 budget. The SCO's O&M budget should be used for O&M billets; if the SCO's O&M funds are insufficient a request for GCC O&M funds should be submitted. FMS funds should be used for FMS case-funded billets. The SCO can work with GCC representatives to request the use of service

executive agent funds or DOD Combating Terrorism Readiness Initiative Funds. If sufficient funds are not available in those budgets, then the SCO should submit an unfunded requirement (UFR) to the GCC to pay for the deficiency. The embassy regional security officer (RSO) should include a statement that the security requirement if valid and DOS does not have funding.

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.

MWR funds are available on a limited basis through the MILDEPs in accordance with DODI 1015.10 to support U.S. military personnel at an SCO. These funds are often used for such items as weight lifting and exercise equipment. The SCO does not budget for these funds, they request them on an as needed basis.

Housing is typically provided or funded for members of the SCO in one of four ways. The first method is a private lease obtained by the SCO member. In this case, OHA in conjunction with BAH will be used to pay for housing costs for U.S. military personnel. The second method is provided through a government lease and paid directly by the SCO. The lease can be through the embassy housing pool or handled separately by the SCO. SCO–funded leases are generally used only when housing is in limited supply or for security reasons. The third method of providing housing is DOS housing. This is a residence either purchased or on a long-term lease by DOS. This type of housing is rarely available but when it is, it is funded by DOS. The fourth method of housing, DOD military quarters, is even rarer. These are quarters on a military installation funded by the applicable installation MILDEP.

The SCO will be involved with housing if the SCO is paying for the lease but OHA and BAH are paid by the service directly to the military member. Neither the SCO, nor the member receives funding for DOS housing or DOD military quarters. Both of these are funded directly by DOS or DOD.

Military pay is not budgeted by the SCO but paid directly by each member's military service. The DSCA centrally funds for all U.S. Coast Guard (USCG) personnel.

Practical Application of Different Fund Types

The following example using the mythical country of Bandaria shows the convoluted and sometimes confusing use of various types of funds. This example only identifies a few of the funding sources that an SCO might have and should not be considered an all-inclusive list. Table 17-1 shows the make up of SCO Bandaria by position.

Table 17-1
Security Cooperation Office Bandaria
Make Up and Funding Source

JMP Position	Name	Grade	Type Funds
ODC Chief	COLONEL Dave Encharge, USA	06	T-20
Secretary (U.S. Civilian)	Ms. Mary Noit	GS	T-20
Budget Analyst (FSN)	Ms. She Counts	FSN	T-20
Training Assistant (FSN)	Mr. Kan Sendum	FMS	T-20
Armaments Cooperation	Lt Col Terry Helper, USAF	05	O&M (DCA)
Logistics-Plans Coordination	MAJ Don Supli, USA	04	O&M (GCC)

This office has six people funded by three different types of funds. The following provides the funding background for each of the office members.

Colonel Dave Encharge is married with two teenaged children for a total of three sponsored dependents. His house is rented, not provided through a government lease. He uses BAH and OHA to fund the rent on his house in Bandaria. It should be noted that the SCO does not budget for housing if the military member receives BAH and OHA. T-20 pays the cost of his children's private school; purchase of office supplies and equipment; and funds his SA-related travel. He and his dependents are also authorized funded environmental morale leave (FEML) which is paid using T-20 funds. FEML is a program that allows a person assigned to an austere location to take a paid trip to a designated location that is more similar to the U.S. Colonel Encharge can decide to go to the designated location or another location but will receive funds up to the constructed cost of traveling to the designated location. The U.S. Army pays his salary.

Ms. Mary Noit, the secretary, is single with no children. Because she was hired locally, she does not receive any housing, dependent education, or transportation entitlements. There are a few U.S. civilians that receive these entitlements but only if they have a transportation agreement. T-20 funds pay for the purchase of her office supplies and equipment and funds any SA-related travel she may have.

Ms. She Counts is a local national married with three children. As an FSN, housing and dependent education are not paid for using any type of SCO funds. T-20 funds pay her salary, for the purchase of her office supplies and equipment, and any SA-related travel.

Mr. Kan Sendum is a local national married with one child. Like Ms. She Counts, he receives no funds for housing or education. T-20 funds pay his salary, for the purchase of his office supplies and equipment and any SA-related travel.

Lieutenant Colonel Terry Helper is single with no children. She uses BAH and OHA to fund the rent on her house in Bandaria. DCA funding pays for the purchase of her office supplies and equipment and funds DCA–related travel. The U.S. Air Force pays her salary. T-20 would pay for any SA-related travel.

Major Don Supli is married with no children for a total of one sponsored dependent. He uses BAH and OHA to fund the rent on his house in Bandaria. GCC O&M funds pay for the purchase of his office supplies and equipment and funds GCC-related travel. The U.S. Army pays his salary.

The Bandarians have decided to provide vehicles for SCO use under an FMS case. A case was written to lease four Jeep Grand Cherokees, including their maintenance. The SCO pays for the fuel for these vehicles.

The SCO does not use office space in the embassy but has an office next to the MOD. Although Bandaria provides this office to the SCO as no-cost AIK, the SCO must pay for all utilities. The electric bill for the entire SCO office is for one lump sum of 2,600bd ($1,300.00), yet each funding source must pay for its own requirements. Various costs accounting methods can be employed; one method would be to take the square footage allocated to each person and use that to determine how much each owes. In this example, the four T-20 funded personnel occupy 550 square feet or 64 percent of the office, the DCA billet occupies 18 percent and the GCC-funded billet occupies the other 18 percent. The correct method of funding is for T-20 to fund $832.00, DCA to fund $234.00 and GCC funds to pay $234.00.

Now, an examination of some of the more interesting items that come up on a daily basis in the office must be conducted.

Colonel Encharge will not be able to attend the next GCC SA conference and decides to send Lieutenant Colonel Helper in his place. In this case, although Lieutenant Colonel Helper is mainly funded using DCA funds, she will be performing a SA mission and therefore is authorized to use T-20 funds to pay the cost of her TDY.

Colonel Encharge decides to print holiday cards to send to Bandarian military and civilian personnel the SCO works with. The types of funds available to fund this would normally be limited to the types of funds available to the SCO to include T-20, FMS case funds, and the various types of O&M. However, in this case none of these funding sources are appropriate because U.S. regulations do not allow the SCO to fund general holiday cards. Some of these restrictions will be covered later in the chapter in the section for representational funds. If one thinks that something is an inappropriate use of SCO funds there is a good chance that it is NOT appropriate. Any time the funding source or the legality of expending funds for an item is unclear, the SCO should check with the GCC resource manager and/or legal office.

Flow of Funding Authority for the Security Cooperation Office

The flow of funding authority to the SCO is complicated due to the number of funds, types of activities, and number of organizations involved. This process can, however, be broken down to some key basic concepts.

The SCO does not receive actual money instead, he receives an authority to create obligations against the SA Administrative Trust Fund. At the center of the management of funds is the DFAS-IN and DSCA. DSCA approves the budgets for the SCOs and the GCCs, while DFAS-IN is responsible for management and accounting of SA Administrative Trust Fund.

Funding for administration of the SA programs is provided from two sources, collection of the administrative surcharge on FMS cases and congressional appropriated funds to administer the FAA authorized grant programs such as international military education and training (IMET).

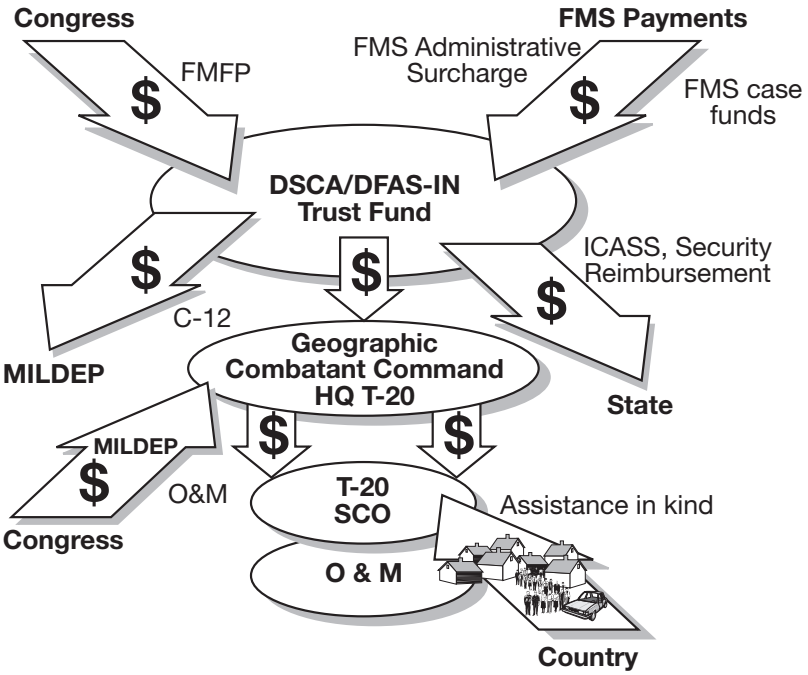
Funding for the conduct of security cooperation programs other that SA generally comes from congressional appropriations authorized for the specific programs and will be managed by DOD and MILDEP activities and can either flow through the GCC or directly to the SCO.

Figure 17-1 graphically depicts the flow of funding authority from the sources of funding to the SCO. Starting at the top, the primary fund the SCO is the SA Administrative Trust Fund. The top left shows the flow of funding authority provided by Congress for SA administration–related requirements for grant programs. The top right shows the flow of funds from the FMS administrative surcharge and FMS case funds. Both sources of the funds are accounted for in the SA Administrative Trust Fund account.

Funding authority for the SA administrative functions of the GCC is sent to the GCC and referred to as HQ T-20 funds. Funding authority for the SCO SA funding requirements is sent to the GCC for further distribution to the SCOs. From the Trust Fund, funds are sent to DOS to pay for indirect costs that are centrally-funded by DSCA such as International Cooperative Administrative Support Services (ICASS) and SCO security costs.

The bottom left of the chart shows the flow of congressionally appropriated O&M funds to the GCC and MILDEPs. The MILDEPs also distribute these O&M funds to the other SC organizations that require O&M funds. The GCCs then provide the necessary O&M funds to the SCO. The final input is the AIK provided by the partner nation.

Figure 17-1
Flow of Funds



Security Cooperation Office Budget Organizations

An understanding of various players in the budget process is required before looking at the process itself. There are eight major players involved with the SCO budget process:

- Congress
- DOS
- DSCA
- The executive agent
- GCC
- SCO
- Embassy
- Financial service center (FSC)
- DFAS-IN

Congress legislates the appropriated funds portion of the SA FMFP funding and the O&M funding to be used by the SCO. Congress separately legislates an annual dollar ceiling authority for expenditure of SA administration funds out of the trust fund at DFAS-IN.

The DOS submits the budget request to Congress for the appropriated funds portion of the SA fund requirement in the annual congressional budget justification for foreign operations.

DSCA manages and administers the administrative trust fund and provides budget policy and guidance on the use of SA funds. DSCA also provides budget target levels to the GCCs and reviews and approves their SA related budgets. The budgets are approved based on the country submissions but the funding levels are issued to the GCCs as a lump sum dollar value. This allows the GCCs to adjust the country funding levels as changes in requirements occur. DSCA works with the DOS in

preparing the budget request to Congress for the appropriated portion of the SA funds. DSCA is the SA focal point for ICASS.

DSCA pays funds to DOS for SCO security and ICASS costs. The DOS then distributes these funds to the appropriate embassy. DSCA centrally funds ICASS, local residential guards, and USCG salaries. DSCA also centrally funds and manages the C-12 aircraft program.

The executive agents provide budget policy and guidance on the use of O&M funds. They review and approve the O&M budgets for the GCCs. They also prepare the annual POM submission for DOD to obtain the funds required. Executive agents are the MILDEPs responsible for sponsorship of the GCCs:

- The Air Force for Central Command and Northern Command
- The Army for European Command, Southern Command, and Africa Command
- The Navy for the Pacific Command

The area GCCs issue policy 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. The GCC reviews and modifies the individual SCO budgets as required and then submits a consolidated budget to DSCA for SA requirements and the executive agent for the O&M requirements. The GCCs then issues and certifies the obligation authority/fund certification authorization (OA/FCA) to the SCO as the funding becomes available. This gives the SCO official authority to obligate the USG to expend dollars. At the same time the OA/FCA is issued to the SCO, the GCC notify DFAS-IN so they can record the OA/FCA values in the official accounting system. This is the formal commitment of a portion of the trust fund to pay for the obligations generated by the SCO. The GCCs are also responsible for overseeing SCO funds management and implementation.

The SCO prepares their proposed budgets and submits them to the GCC. If the budget request exceeds the target level provided by the GCC, then the SCO will submit an unfunded requirement (UFR) for each item above the target level. The SCO, upon receipt of the OA/FCAs, will execute the day-to-day budget requirements in accordance with the DFAS Memorandum, *SAO Accounting Pamphlet*, September 28, 2003. The SCO will enter all accounting records into the Security Assistance Automated Resource Management Suite (SAARMS) budget execution program for all transactions. This information is transferred to DFAS-IN and entered into the official accounting records. This information plus payment information is submitted through the DOS accounting system and received by DFAS-IN and will be used for reconciliation with records in the SAARMS system.

The embassy will provide contracting support to most SCOs. Generally, DOS has the only bonded contracting officer available in country so they provide this service to the other organizations. It is the exception for an SCOs to have their 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 FSC. Again, a few SCOs perform this service in-house but this too is the exception. Financial reports will also be provided to the SCO that show what financial functions the embassy provided for the SCO.

The FSC is the DOS regional finance center for disbursing funds for the embassies assigned to it. The FSC reports these disbursements to the embassy that requested it. The disbursements are also reported to DFAS-IN for all SA disbursements. There are currently two FSCs–located in Bangkok, Thailand; and Charleston, South Carolina.

The DFAS-IN is the financial and accounting activity for all SA funds. DFAS issues general accounting policy and procedures. At the direction of DSCA, they issue fund allotments to the GCCs for dissemination to the various SCOs. DFAS-IN maintains the official accounting records. They post all obligations provided by the SCOs and disbursements provided by DOS and others. Status reports are then supplied to each SCO. DFAS-IN, in conjunction with the SCO, reconciles the records posted from DOS with those posted from the SCO. DFAS-IN is also required to perform departmental reporting to the Office of Management and Budget (OMB).

Representation Funds

Representation funds are to maintain standing and prestige of the U.S. by extending official courtesies to authorized personnel. The SCO will receive these funds from T-20 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 GCC O&M and those for use by the defense attaché office. To assist in the funding of representational activities during VIP visits (senior flag officers, DOD civilians and others), SCOs are encouraged to request funds from the VIP coordinator to offset the costs of the activities.

Representation Fund Uses and Limitations

Representation funds can be used to cover the cost of luncheons, dinners, and receptions for authorized personnel, to include gratuities up to 15 percent of the cost of the services. Mementos can be purchased at a cost not to exceed $300.00 per person for honored guests and their spouses. These mementos can only be presented to non-USG officials. Non-personal invitations can be brought with these funds. (An example of a non-personal invitation would be an invitation from SCO Bandaria, rather than from Colonel Encharge). This is not an all inclusive list. These funds cannot be used for membership dues or fees of any kind:

- Seasonal cards
- Calling cards
- Personal items, i.e., cigarettes or shoe shines

Representation funds cannot be used to purchase linens, dishes, silverware or kitchen utensils, or to pay for conferences, seminars, or workshops. The SCO should refer to GCC regulations addressing SA representation funds for additional details.

Representation Fund Limitations

Invited guests should be limited to the minimum number required to meet the representational mission. The number of distinguished guests must be at least 20 percent of the attendees when the number of attendees is less than 30 people and at least 50 percent when the number of attendees is more than 30 people. The SCO should refer to the GCC regulations for additional limitations.

Representation Fund Records

Detailed records of all expenditures and uses must be maintained. Guest lists indicating who was invited and who attended will be recorded for each event. The distinguished guests and party will be indicated and the percentage of distinguished guests to U.S. personnel annotated. Financial records of all expenditures must be recorded as well as perpetual inventories of mementos and expendable items.

International Cooperative Administrative Support Services

The ICASS is a system for providing services to the various organizations comprising the U.S. mission in a partner nation. ICASS provides for increased responsibility and authority to manage the resources in the embassy. Customer participation is a key element in ICASS.

The customer is defined as the organizations using the various services available in the embassy. The customer is involved in the selection of service providers and can select a provider other than the one selected through ICASS. This should be done only after careful consideration on the total impact on the USG and future availability of the alternate source. Service providers can be either USG agencies or local vendors. The DOS will provide most of the services. The ICASS budget is locally generated and managed. Each embassy determines how much money will be required and how those funds will be spent. They identify what services will be provided, how they will be managed and how much will be charged for those services.

Another element of ICASS is total visibility of administrative services and cost elements. The customers help to establish performance standards for services provided. For example, it could be determined that vouchers should be processed within 15 days for example. These standards would then be used to rate the effectiveness of the service providers.

ICASS is managed as a modified working capital fund. This fund is no-year funds to allow for unobligated funds to be carried over from one year 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).

An ICASS charter is developed locally and establishes the embassy's operating guidelines. It identifies the COM as having authority of the ICASS program. It formalizes the resource commitments and legitimizes the ICASS council.

Each customer and service provider signs an ICASS memorandum of understanding (MOU). It defines the services that will be provided, identifies the customers, and service providers. The MOU spells out the objectives and service standards established by the ICASS council. The cost of services is agreed upon with program evaluation and review procedures being established. Each customer negotiates an ICASS agreement for those services to be provided by the ICASS Council for each type of fund.

The ICASS council is the formal body of each embassy that develops the charter and approves the MOUs. It is authorized to adopt by-laws suitable for local conditions. The council is composed of one senior manager from each Cabinet-level agency and each service provider. The SDO/DATT is the DOD ICASS member and will represent 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 are to be provided, which organization will provide those services, and how the services will be provided. 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 COM is an ex-officio member of the ICASS council, which means that he represents DOS's interests at the council but is not a voting member. He provides the policy perspective to resource decisions and 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 could not be resolved in the ICASS council or a dispute that was decided by the ICASS council that a participating agency does not agree with.

The ICASS executive board in Washington, D.C. provides the highest level of ICASS policy and is chaired by the Assistant Secretary of State for Administration. Participating agency representatives are at the assistant secretary level. The Executive Board meets quarterly to review and make policy. Disputes that could not be resolved to the satisfaction of the COM can be sent to the ICASS executive board for resolution. This avenue should be pursued only for major items and then only after all other avenues of grievance have been exhausted.

The Interagency ICASS Working Group provides policy on items delegated by the ICASS Executive Board. 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 and the field. It reviews and approves non-post costs and factors and resolves issues raised by embassy councils.

The ICASS service center is a full time service organization that serves as the secretariat for the ICASS executive board and the interagency ICASS 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 is designed to generate $17.5 billion over a 14 year period. It is authorized by 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). CSCS is also designed 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; its projected bill for FY 2008 is $132 million. Rightsizing is the mechanism by which DOD can minimize its footprint in the embassies and thereby reduce overall CSCS costs. For FY 2008, DOS charged its tenant agencies for office space at the following rates:

- Principal Officer (General/Flag Officer) - $149,509
- Controlled Access Area (CAA) Office - $40,509
- Non-CAA Office - $16,391
- Non-CAA Non-Office - $2,837

Based on these charges, the importance of allocating office space becomes critical. Every effort must be taken to minimize the number of offices within the CAA. Additionally, tenant agencies not collocated in the embassies, but under COM authority, are not charged for CSCS. DOS may grant a waiver for some work spaces to be located apart from the embassy if the host nation facility provides safety and security equal to or greater than that which would be 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. A copy of this report and request for verification

is sent to DSCA, and forwarded through the respective GCCs to the SCOs for action. Each SCO chief or his/her designated representative must review this document with the SCO joint manning document provided by the GCC, and verify that each entry in the DOS Personnel and Accountability System (PASS), maintained by the Administration Section or Human Resources Office, is correct – check organization title, job titles, numbers of personnel, location within the embassy (CAA, non-CAA, etc.), or outside of it. The accuracy of this review is critical since DOS bills DOD based upon what tenant agency data is in PASS. Corrections in PASS can only be made at each respective embassy; they cannot be made at the GCCs or by DSCA.

For DSCA, the purpose of the review is to ensure that DOS bills DOD for the correct number of DOD personnel assigned to the SCO, and that within the SCO, DOD is able to verify the correct numbers of personnel assigned to each represented DOD agency, GCC, or military service. Within each SCO, there are typically two types of funded positions: SA T-20, and O&M. DSCA is responsible for the SA positions; the GCCs or military services are responsible for the O&M billets. Additionally, personnel assigned to a specialized training activity may be reflected in PASS as members of an SCO. In reality, they are not SA personnel, but are funded by a military service, which would also be responsible for CSCS.

Upon completion of the review and verification by the SCO chief DSCA Comptroller is notified through the respective GCC. If any discrepancies which cannot be resolved at the embassies should arise, the SCO chief should immediately forward them through the GCC to the DSCA Comptroller for resolution.

Although this CSCS review is done annually, it is in the best interests of the SCO to periodically review the SCO staffing in PASS to ensure that all corrections are made and that any changes in personnel (increases and decreases due to NSDD-38 and Personal Services Agreement actions) are properly reflected. Any questions should be addressed to DSCA, Directorate of Business Operations, Comptroller.

Security Assistance Automated Resource Management Suite

The SAARMS is a suite of software programs that assist the SCO in managing its resources. SAARMS currently consists of three computer programs:

- The budget execution program
- The budget preparation program
- The property program

The budget preparation program automates the T-20 budget preparation for the SCOs and GCCs. It provides the capability for the SCO to develop and modify their budget. The GCC and DSCA can view the countries individually or view them rolled up into one budget. All required budget submission data is included in the program and all pertinent reports can be generated. The program is also designed so that it could be used for other than T-20 fund budget submissions, if so desired.

The budget execution program serves as the web-based SA funds management system. The program provides the SCO with the recording and reporting capability and meets generally accepted accounting standards. The program has built in controls to preclude over obligation of the OA/FCA amount and provides fund control by management categories as specified by the GCC. Obligations are created, disbursements are recorded, and required reports can be generated by the application. The program also transfers data to DFAS-IN for entry into the official accounting system. The budget execution

application is used to manage T-20 funds and expenditures, but can be used for the SCO's other types of funds as well.

The property program serves as the SA property management system. A stand-alone application, it standardized property management throughout a GCC. The program creates and stores the required information on property records and provides the requisite reports.

Security Cooperation Office Security Assistance Budget Preparation Process

The budget preparation process starts with the annual budget call. DSCA notifies the GCCs of what information is required, when it is required, and with what details. DSCA will provide a target ceiling level for each GCC. The GCCs then notify the SCOs of what to provide to the GCC and the date it is due. They will also provide a target ceiling level for each SCO. Typically, this process begins around May, with the publication of the DSCA budget call. However, many of the GCCs will start their budget preparation process by early March. The budget is created and submitted via the web-based SAARMS Budget Preparation application.

The budget consists of the SCO chief's narrative, detailed descriptions, and financial requirements summarized by object class. The chief's narrative is the single most important item in the budget and provides the overall perspective on the SCO's program and why the requested budget is needed. The SA budget submission includes nine FYs of data, to include:

- Past FY (actual costs)
- Current FY (actual costs plus estimated requirements for the remainder of the year)
- The next FY (taking last year's projected requirements and revising them)
- One out-year (projected requirements two years from now)
- Five POM years

Direct costs (FSN Pay, TDY costs, supplies, leases, etc.) are itemized in the budget and include total estimated expenses that will require distribution of funding authority to the SCO.

Indirect costs (ICASS, local USCG, and severance pay) are included in the budget, even though they are not obligated or paid by the SCO. The SCO has responsibility for budgeting for these items and monitoring them throughout the year.

For management and reimbursement purposes, there will be a special exhibit for each of the following items that apply to the SCO:

- C-12 flying hours
- Contributed currency
- Foreign currency
- Workload factors
- Quarterly funding
- AIK
- End-Use Monitoring (EUM) Requirements
- Unfunded requirements
- CSCS

The budget will be prioritized with "must pay" items first and then discretionary items. A "must pay" is an item that is required by law or regulation; e.g., entitlements, leases, or utilities. A discretionary item can be both mission-essential and non-mission-essential but does not fit the "must

pay" requirement; e.g., most TDYs, supplies, and equipment. A mission requirement that cannot be included within the budget target ceiling level will be submitted as an unfunded requirement. The GCC reviews and modifies the budgets submitted by each SCO. When the GCCs 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 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 to provide the GCCs with their approved allotment on a quarterly basis. GCCs issue OA/FCA amounts to the SCOs, authorizing them to obligate the USG to expend funds.

Security Cooperation Office Security Assistance Budget Execution Process

Receipt of the OA/FCA ends the budget preparation process and begins the budget execution process. This phase consists of the day-to-day operations:

- Obligating funds
- Recording payments
- Reconciliation of records

The SAARMS budget execution program is used to record these transactions and to aid the SCO in managing its resources wisely.

The SCOs can only procure those items that are authorized and 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 obligate funds to reserve them in the budget for the planned payment.

Once the SCO has established an obligation, the appropriate paperwork must be processed. This could be a TDY form, purchase request, miscellaneous obligation document, supply order, contract, purchase order, work order, or a requisition.

The vendor will usually be paid in one of four ways:

- The embassy budget and finance (B&F) office can pay the vendor by check or electronic funds transfer (EFT)
- The DOS financial service center can pay the vendor by check or EFT
- The embassy B&F office could provide the SCO with cash to pay the vendor
- The vendor is paid using USG purchase card

Payment will be recorded by the SCO in SAARMS, regardless of how the payment is made.At the end of each fiscal year, the SCO reconciles its records of obligations and payments to insure that forecast payments agree with actual expenditures and that the budget has sufficient funds to pay all the bills and that excess funds have been freed up for other purchases.

Security Assistance Automated Resource Management Suite Budget Execution Reports

The SAARMS Budget Execution program provides three kinds of reports:

- Budget operation reports
  - Document history
  - Open/closed documents
  - Reconciliation

    - Obligation/payment summary
    - Pseudo payment reports
- Accounting record submission reports
    - Transaction summary
    - Miscellaneous obligation document
    - Obligation document reports
- Management reports
    - OA/FCA balance sheet
    - Status of funds
    - Budget preparation data
    - Accounting classifications/codes
    - Obligation plan
    - Document ledger reports

The SCO chief is responsible for ensuring that the budget program consistently reflects assigned missions and priorities. At the beginning of each FY the SCO will submit to the GCC an annual funding plan, laying out how the SCO will fund its mission.

The status of funds report uses the annual funding plan along with actual obligations and payments to give an accurate accounting of funds. The SCO chief and GCC should review this report periodically to insure that actual expenditures are proceeding an originally planned.

The document history report, when sorted by management category, shows how funds are being obligated and expended in each category. This allows the chief to see every transaction that was made in each category, making it a good internal management control tool.

The obligation and payment summary sorted by the management category, makes it possible for the chief to quickly see how money has been obligated for each management category, how much has been paid, and how much is still unpaid. These are all available on the status of funds report but are shown in this report in greater detail.

The last digit of the expense code makes it possible for the chief to quickly see how much money has been obligated for each management category, how much has been paid (these are both available on the status of funds report), and more importantly how much is still unpaid.

Security Cooperation Office Security Assistance Budget Cautions and Problems

There are several items that have consistently caused problems for SCOs. Government leased housing is a prime example because GCC approval is required for any lease (plus annual utilities) over $25,000. The GCC can approve new and replacement leases for less than $25,000 or delegate this approval to the SCO chief. However, the SCO chief may not approve the lease for his quarters.

DSCA approves the purchase of all foreign-made vehicles to insure the *Buy-American Act* is adhered to. All other vehicles are approved by the GCCs. Vehicles may be armored only by general services administration (GSA)-approved sources.

Only the GCC can grant authority for domicile-to-duty transportation. Domicile-to-duty use of government vehicles requires all members of the SCO to be aware of the limitations of domicile-to-duty. It is based on the threat in a country and is reviewed every six months.

The SCO will be involved with supporting a host of individuals that are not assigned to the SCO. It is incumbent on the SCO to insure that funding is provided to cover the additional expenditures required for these personnel.

Internal Management Controls

The *Federal Managers' Financial Integrity Act of 1982* requires an internal management control program to prevent fraud, waste, and abuse along with mismanagement. The SCO should document the procedures of the internal control program and the chief should instruct all SCO members about the program's requirements. All SCO personnel must be personally involved.

The SCO should conduct periodic internal reviews with one organization within the SCO performing independent checks of records and procedures on another. Records should be periodically reconciled to insure accuracy. Periodic physical inventories should also be made of all SCO property. These internal reviews, along with a well-implemented internal control program, will not only help prepare for periodic external audits, such as those from the Inspector General, but also minimize loss due to fraud, waste and abuse.

Summary

The SCO is faced with a daunting task in managing its resources. Through prudent management and oversight, the SCO can avoid any possible major pitfalls. The SCO is not alone; they are supported by many different organizations. They also report to many different organizations determined by the source of funding and services provided.

The SCO will generally receive SA administrative funds for most of their SA budget requirements, but may also use FMS case funding or have support provided to them by the partner nation monetarily through contributed currency or non-monetarily through AIK. It will receive some O&M funds for their non-SA programs. The SCO has several options available to them to fund ATFP but will start by requesting funds from DOS, and then the T-20 budget or O&M budget, or finally, the GCC.

The various types of funds do not flow directly to the SCO. The SA funds will funnel through DFAS-IN and contributed currency is channeled through the U.S. Treasury. The SCO has funding authority for these funds, sent by DSCA or the MILDEPs, via the GCCs, depending on for what service or item is being budgeted.

There are many players in the SCO budget process. Congress is involved in appropriating some funds for the SCO. DOS will submit the portion of the SCO's budget to be appropriated or authorized annually to Congress. DSCA provides budget targets and fiscal oversight for SA funds. The MILDEP provides budget targets and fiscal oversight for O&M funds. The GCCs provide intermediary support and fiscal oversight for all types of funds. The embassy provides accounting and fiscal support as required to the SCO. The financial service center provides accounting support for DOS–processed transactions and DFAS-IN provides accounting support for all SA transactions. The SCO is responsible for developing its own budget based on realistic estimates of requirements and for effectively managing its funds. SAARMS has modules for budget preparation, budget execution and property accounting.

The SCO will receive representation funds to maintain standing and prestige of the U.S. by extending official courtesies to authorized personnel. There are many rules and regulations that govern the use, record keeping, and limitations of these 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. There are various levels of groups that oversee the ICASS program and provide for conflict resolution.

There are several areas that typically cause problems that the SCO must be vigilant in preventing. An internal management control program will help prevent difficulties from negatively affecting the mission of the SCO. The SCO is faced with 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 Memorandum Number 38

The White House
Washington, D.C.
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 U.S. government 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 U.S. government 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 Department of State, 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 Department of State 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 Department of State. Copies of such requests will be provided to the Department of State.

3. The Chief of Mission will convey his views on formal requests to the Department of State. The point of contact in the Department of State 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 Department of State 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.

C. Formal Acknowledgement of Changes

Changes in staffing levels at individual posts reached in accordance with the above procedures will be provided by telegram from the Department of State to the Chief of Mission, and the agencies concerned.

D. Staffing Authorization Records

The Department of State 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.

Departments and agencies will provide the current and projected overseas staffing authorization information, required by the directive, to the Department of State, 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

The sources for the policies and procedures for the end-use monitoring (EUM) and third-party transfer of U.S.-origin defense articles, technical data, services, and training are The *Arms Export Control Act* (AECA), the *Foreign Assistance Act of 1961* (FAA), as amended, various specific legislative initiatives, and the applicable regulations of the Department of State (DOS) and the Department of Defense (DOD) . Because of the nature of funding, specific legislation, and other unique aspects of the various programs, the restrictions and procedures for transfer or disposal under these individual programs vary significantly. This chapter is designed to serve as a guide to assist the defense community and the recipient foreign governments in fulfilling the obligations for EUM and third party transfer of American defense articles and services.

The U.S. policy goal for the EUM programs is preserving the technological advantages enjoyed by U.S. military forces over potential adversaries by impeding access to militarily significant items and technologies.

A country receiving weapons and weapons technology from the U.S. must agree to a variety of controls. The release of materiel or data must be properly cleared within the DOS and DOD coordination process. Delivery will be to the proper representative of the recipient country or the organization which must provide substantially the same degree of security protection the U.S. government (USG) would provide for the articles or information received. The recipient guarantees that it will use the articles or information for the intended purpose and will not transfer or change the end-use (including disposal of the articles without prior consent of the USG). In addition, the recipient must permit verification of the security and end-use by representatives of the U.S.

These requirements, which are specified in the *Security Assistance Management Manual* (SAMM). Chapters 5 and 8, will be included in any of the documents authorizing the transfer of U.S.-origin defense articles and services. For items transferred under the Foreign Military Sales (FMS) system, this normally is the letter of offer and acceptance (LOA) with specific notes related to protection and verification. For commercial sales the purchasing nation may sign either a *Nontransfer Use Certificate* (DSP-83) or a *Statement by Ultimate Consignee and Purchaser* (BIS-711 or BXA-711), and a security assurance agreement. Transfers of materiel and services through other grant programs (which are not documented on an LOA) are made only after the recipient has signed a bilateral agreement subject to the terms of the FAA, Section 505.

End-Use Monitoring

The Department of State's Blue Lantern Program

The DOS program to conduct pre-license, pre-shipment/post-license, and post-shipment checks of defense articles and services transferred through direct commercial sales (DCS) is called the Blue Lantern program. Blue Lantern end-use checks are conducted by U.S. mission personnel abroad or personnel from the DOS.

The Directorate of Defense Trade Controls (DDTC) purpose is to verify the destination and specific end-use and end-users of U.S. commercial defense exports and transfers. Blue Lantern cases are targeted based on potential risk, and are not randomly selected. These end-use checks encourage compliance with legal and regulatory requirements and have proven effective in addressing the growing problem of gray arms trade – the use of fraudulent export documentation or other techniques to acquire defense articles through legitimate channels for unauthorized end-users. The U.S. Chief of Mission can request assistance from the Security Cooperation Office (SCO) to conduct Blue Lantern checks in country. [SAMM C8.2.3. and C8.T2.] If there are expected temporary duty (TDY) costs the SCO should request funding from the Embassy.

The Department of Defense's Golden Sentry Program

The AECA requires a comprehensive end-use monitoring program for arms sales and transfers authorized by the AECA and the FAA to verify with reasonable assurance a recipient's compliance with USG export controls. The DOS actively monitors, reports, and addresses unauthorized arms transfers and diversions in accordance with Section 3 of the AECA, and some of the procedures and considerations used in the DOS Blue Lantern program are incorporated into the framework of the DOD Golden Sentry program. The Defense Security Cooperation Agency (DSCA) is responsible for administering the review of requests for government-to-government exports of defense articles, defense services, and related technical data. DSCA provides significant details for the EUM program in Chapter 8 of the SAMM.

Title to leased or loaned articles remains with the USG as detailed in the terms of the lease; however, EUM requirements still apply.

The SCO is normally assigned the responsibility for the EUM requirements of the Golden Sentry program. For example, SCO officials may be inventorying the equipment of units where they are assisting in obtaining and integrating equipment, software and training. They will be able to certify end-use of equipment from personal observation in the course of other assigned duties in addition to holding the mandated inspections.

When an indication of unauthorized end-use is found within a country and the discrepancy is not resolved locally, the country team forwards the information to DOS to determine if a report to Congress is required in accordance with Section 3 of the AECA.

Responsibilities for the Conduct of the Golden Sentry End-Use Monitoring Programs

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.

There are two levels of EUM to be conducted by the SCO and the recipient nation, routine and enhanced. The level of monitoring of various articles and services whether enhanced or routine is indicated by the case line in the LOA. Routine EUM includes those actions by both the SCO and the partner nation government as a part of the daily business of the host nation and routine visits by the SCO in its relations with partner's military activities. It is conducted on non-sensitive defense articles or services. They will be able to certify end-use of equipment from personal observation in the course of other assigned duties, rather than making a special representation to the participating nation's government.

Enhanced EUM (EEUM) are those actions required by the SAMM and other directives as specified in the appropriate transfer documents for sensitive items which require greater physical security and

accountability. EEUM articles require actual inventories by the purchasing country and the SCO, and, under certain circumstances, a compliance assessment visit by a DSCA-led team.

SAMM Section C8.3 defines the articles or services requiring additional controls on end-use and measures on end-use. The following articles or services require additional controls and measures to be used on end-use:

- Classified items
- Communication security equipment
- Arms, ammunition and explosives
- Night vision devices
- STINGER/Man Portable Air Defense System missiles and grip stocks
- JAVELIN missiles and command launch units
- Tube-launched Optically-tracked Wire-guided missiles
- Advanced Medium-Range Air-to-Air Missiles (AMRAAM) and Air-Intercept Missile
- Category III missiles (Stand-off Land Attack Missile-Expanded Response, AIM-9X and HARPOON Block II missiles)
- Precision guided missiles, e.g., cruise missiles (Tomahawk and Harpoon variants, and the family of joint munitions e.g.)
- Unmanned aerial vehicles

Additional Controls: Night Vision Devices Security Compliance Plan

Paragraph C.8.3.3 of the SAMM outlines additional monitoring duties associated with the transfer of NVDs. The implementing agency will notify the SCO and DSCA with the serial numbers of all NVDs and provide the anticipated and actual shipping date. A USG representative will communicate to the host nation the requirements for specific EUM of NVDs at the time of the initial inventory. The USG representative will conduct 100% inventory by serial number. The SCO maintains this record. The host nation will make their storage facilities and physical security and accountability plan for the NVDs to the EUM team and SCO. The NVD Security Compliance Plan template may be downloaded at the security assistance office (SAO) toolbox – EUM Support – Policy/Procedure Memos.

Tracking and Monitoring of Defense Articles Provided to Iraq

The *National Defense Authorization Act of 2008*, provides the legal basis for the requirement to implement a control system in Iraq. According to law, the president shall implement a policy to control the export and transfer of defense articles to Iraq. This includes registration and monitoring of all small arms provided to the Iraqi Government, as well as any Iraqi groups or individuals. A program of EUM and a detailed record of all defense articles transferred under any security assistance program are included in the export and transfer control policy.

Security Cooperation Office and the Partner Nation End-Use Monitoring Plan

The SCO and the partner nation should develop a combined EUM compliance plan that spells out the procedures that will be followed to ensure the requirements for both routine and enhanced EUM

as specified in the appropriate transfer documents are met. The plan should include the following provisions:

- Procedures to be followed for EUM visits
- Partner nation internal accountability procedures
- Procedures for reporting required inventories and inspections
- Procedures for record keeping on the part of the host nation and the SCO. As a minimum the records maintained by the host country should include:
  - Procedures for reporting possible violations and corrective action required
  - Procedures for use of the Security Cooperation Information Portal (SCIP)

Visits to assess EUM compliance programs are an important part of the Golden Sentry program. There are three types of visits that the SCO and host nation will be involved with. [See SAMM Chapter 8, Paragraph C8.2.4.] The purpose of the EUM familiarization visit is to assist the host nation, the SCO, and the geographical combatant command with the development of EUM compliance plans. [See checklist at SAMM C8.T3.] The EUM compliance assessment visit is to evaluate the overall EUM program of the SCO and the host nation and to assess host nation's compliance with the security and accountability provisos contained within the LOAs for EEUM items. [See checklist at SAMM C8.T4.] An EUM investigation visit must be conducted if a possible violation of the AECA, Section 3, and/or the FAA, Section 505 is suspected. Because of the unique nature and political sensitivity associated with these visits, they are handled on a case-by-case basis in concert with DOS.

The SAO tool box of the SCIP contains detailed information on items that have been transferred to a partner nation. It is to be used to report all inspections and other information concerning EUM and third party transfers. It also provides the capability to generate reports concerning the status of selected items transferred to a partner nation, as well as other information. To gain access to the SCIP, all registered users can go to https://www.scportal.us./portal. For further assistance send an e-mail to: EUMHELPDESK@dsca.mil. One can register on the web site to establish an account. To enroll for the SCIP EUM Application (SAO Toolbox/EUM) visit the Defense Institute of Security Assistance Management web site at: http://www.spotal.us/home/.

Third-party Transfers

A third-party transfer is any retransfer of title, physical possession or control of defense articles, training or technical data acquired under authorized USG transfer programs from the authorized recipient to any person or organization which is not an employee, officer or agent of that recipient country. A change in end-use is considered a third party transfer.

Examples of possible third-party transfers include:

- Retransfer of possession or title of defense articles or related technical data to any other foreign government
- Retransfer of possession or title of defense articles related technical data to any private companies
- Retransfer of possession or title of defense articles to *bona fide* museums within the original receiving country

- Retransfer of possession or title of defense articles to private education organizations within the original receiving country

Change of end-use is defined as any change in the usage of defense articles and services that deviates from the original purposes for which the items were sold.

Examples of possible changes of end-use could be:

- 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 police vehicle assigned to a police department or other law enforcement agency.
- Demilitarization and redistribution of defense articles re-cycled among host government agencies.
- Demilitarization and complete disposal of defense articles such that the materiel is no longer considered a defense article.

Requirement for Prior Approval

The DOS, on behalf of the President, must consent to the retransfer of defense articles or services originally provided under the provisions of the FAA or the AECA to anyone not an officer, employee, or agent of that recipient country.

In considering a request for approval to retransfer any implement of war to another country, DOS will not agree to the transfer unless the United States itself would transfer the defense article under consideration to that country. In addition, 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 to retransfer of the articles only after first obtaining the consent of the DOS.

The transferring government must send a written request [see Attachment 18-1, of this chapter] either directly or through the SCO by letter, fax, or e-mail to the DOS, Directorate of Regional Security and Arms Transfer if the items were originally provided through a government-to-government program. For previously exported DCS USML articles and technical data contained in Section 1123.9(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 may be retransferred within the receiving country, and in selected cases re-exported without further USG coordination.

The request for retransfer normally 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 proposed recipients are unable to, or unwilling to, identify the final end-user and end-use of the articles, the transfer will not normally 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 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.

The DOS must notify Congress of proposed transfers that meet certain thresholds, as described in Chapter 2, "Security Assistance Legislation and Policy" of this textbook.

Disposal

When the recipient government no longer requires an item and there is no other agency that wants it, disposal may be in order. Thus, disposal is the final change of end-use. Normally, title to 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 the equipment so the recipient must agree to return the equipment to the USG when it is no longer required for its intended purpose should the USG so desire.

If the Defense Reutilization and Marketing System (DRMS) determines that the materiel can neither be employed any longer nor redistributed. The recipient is obligated to take responsibility for its proper disposal and seek consent of DOS prior to doing so.

Net proceeds of any such disposal or sale of MAP and grant EDA equipment will be paid to the USG unless another cost sharing arrangement has been previously approved. For guidance on MAP equipment disposal see SAMM, Chapter 11, Section C11.12.10 and Table C11.T23.

For items acquired through FMS with a country's own funds, or through Foreign Military Financing or grant programs other than MAP or EDA, the USG has no reversionary right. 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 defense articles that are subject to export license control, i.e., those items on either the USML or the CCL. Regardless of whether or not the export application was accompanied by a duly executed from DSP83, all DCS USML exports must have retransfer authorization from the DDTC. It is the host nation, not the USG, which selects the proposed method of disposal/transfer. All proceeds of approved sales/transfers go to the host nation.

If the partner nation has been granted the right to dispose of materiel, its disposal procedures should follow in form and content those used by DRMS in disposing of U.S. excess defense articles, though local forms and channels may be used as appropriate. The following functional areas are those deemed most important in complying with security 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. Details, which must be followed in the conduct of local sales, are found in DOD 4160.21-M. *Defense Materiel Disposition Manual*, and DOD 4160.21-M-1, *Defense Demilitarization Manual*.

Summary

To preserve American technological advantage, countries receiving weapons and weapons technology must agree to provide the same level of protection for the articles and information as would the U.S. itself. This requirement applies whether a country receives material through commercial channels or through a government-to-government mechanism. The DOS's Blue Lantern program applies to technologies acquired through DCS procedures, while the DOD's Golden Sentry applies to FMS transfers.

Under Golden Sentry, two levels of monitoring are possible, depending on the sensitivity of the technology involved. The SCO and the partner nation must jointly develop an EUM plan that will ensure that proper care is taken of the material or data.

Third-party transfers always require the prior approval change in the USG. These transfers are understood to be not just transfers to another country but to any use not agreed upon in the original transfer document. Disposal of the equipment is the final stage of EUM and must conform to U.S. principles to safeguard the technology from possible misuse.

References

Arms Export Control Act of 1976 (AECA), as amended.

Foreign Assistance Act of 1961 (FAA), as amended.

Defense Property Disposal System (DPDS) bidders' master file extract (list of cleared/barred bidders).

Defense Property Disposal System Demilitarization Microfiche.

Defense Reutilization Marketing System Handbook.

DOD Directive 4100.37, *Retention and Transfer of Materiel Assets*.

DOD Directive 4160.21, *DOD Personal Property Utilization and Disposal Program*.

DOD Directive 4140.1, *Supply Chain Materiel Management Policy*, April 22, 2004.

DOD 4160.21-M, *Defense Materiel Disposition Manual*, August 18, 1997.

DOD 4160.21-M-1, *Defense Demilitarization Manual, October 2, 1991*.

DOD Directive 4165.60, *Real Property Acquisition, Management, and Disposal*.

DOD Directive 5105.38-M, *Security Assistance Management Manual* (SAMM).

DSP-83, *Nontransfer and Use Certificate* (Office of Defense Trade Control).

Export Administration Regulations (EAR)

International Traffic in Arms Regulations (ITAR) (Title 22, Parts 120-130).

GAO/NSIAD-00-208, *Changes Needed to Correct Weaknesses in End-Use-Monitoring Program*, August 2000

Burk, Fleur A. *How Little Is Enough? U.S. End-Use Monitoring and Oversight of the Weapons Trade*. Center for Defense Information January 2002.

Attachment 18-1
Department of State Third Party Transfer Request Form

What does the foreign government include in the request?

The following questions should be addressed in a written request by governments proposing to transfer of U.S.-origin defense articles/data to another country or private entity on a permanent or temporary basis prior to U.S. State Department taking action.

Standard questions for requests to U.S. for authority to retransfer government-origin defense articles:

1. Who is the divesting government?
2. What commodity/equipment/service/technical data is to be transferred? (Please provide NSNs.) What are the serial numbers? (These must be provided for significant military equipment).
3. How did the divesting country originally acquire the defense article(s)?
   - Foreign military sale? (Please provide case identifier or explanation as to why it is unavailable)
   - Military assistance program?
   - Excess defense article grant or sale?
   - Drawdown?
   - Cooperative development program?
   - Memorandum of understanding?
   - Direct commercial sale? If DCS, contact Office of Defense Trade Controls
   - Was this equipment acquired with national funds or with grant funding such as foreign military financing?
   - Other?
4. When was/were the article(s) acquired by the divesting country?
5. What was the original acquisition value (necessary for congressional approval/reporting)?
6. What is the current value, if applicable?
7. Why does that government wish to divest itself of the equipment?
8. Who is the proposed recipient?
9. Is this a temporary or permanent transfer to the proposed recipient?
10. What is the proposed recipient's planned end-use for the articles? (Please provide as much detail as possible.)
11. Does the proposed recipient currently possess this model of equipment?
12. Are there any intermediaries? If so, who? What is their role? Where are they located and what are the points of contact?
13. Will any net proceeds be realized from this sale, transfer, or disposal? If so, what are the estimated net proceeds?
14. Is there a certain date requested for approval? If so, please indicate the date and provide the relevant details.
15. Please provide point of contact details for the divesting government, the proposed recipient, and any intermediaries.

APPENDIX 1
SAMPLE CASE DOCUMENTS
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Country: Bandaria **U.S. Service**: USAF
System: HUM-120A Humdinger Missiles (MASID Missile Corporation)
Case Designator: BN-D-YCY

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ZASTAVIA
AKKADIA
Tabor Air Base
Styx River
Kavan Air Base
Ft Brandt
Elba
Blinz
Charon Navy Base
Budvar Air Base
Vezor River
Charon Bay
BANDARIA
ZARK I.
Entwash River
Samar Air Base
Anduin River
Karish
Dagan
CHELEKEN I.
Dagan Navy Base
Rubicon River
GULF OF AKKADIA
Herat
COSTA-CALIENTE
Herat Intl. Airport
Herat Navy Base
KORANG I.
GULF OF SAKHAR
AKKADIA
KINTAR I.

MEMORANDUM OF UNDERSTANDING
BETWEEN THE DEPARTMENT OF DEFENSE
OF THE UNITED STATES OF AMERICA
AND
THE MINISTRY OF DEFENSE
OF THE REPUBLIC OF BANDARIA
CONCERNING THE COPRODUCTION OF THE
LAU -129A/A MISSILE LAUNCHER
IN BANDARIA

1. Introduction

The Ministry of Defense of the Republic of Bandaria (MoD) and the Department of Defense of the United States of America (DoD), after analysis and review of the defense needs of the MoD, agree to the terms, conditions, and provisions set forth below relative to the coproduction of the LAU-129A/A Missile Launcher

2. Scope of the Program

2.1 The purpose of this program is to assist the MoD in fielding and supporting the Humdinger Missile system in response to its defense needs. The missiles, support equipment, and an initial set of launchers will be purchased by the MoD from The DoD through a foreign military sales (FMS) case.

2.2 The MoD is further authorized to coproduce up to an additional 112 Humdinger Missile Launchers for its own defense needs. Any production in excess of this quantity or sales from this production to other parties would require prior written approval of the DoD.

2.3 The program will consist of two phases. During Phase I, The DoD will deliver all relevant technical data packages (TDP), and provide technical advice to the MoD concerning coproduction. Phase II will consist of the actual production of the launchers, with continuing technical advice and program monitoring provided by The DoD as well as the concurrent delivery, initial training, and fielding of a quantity launchers purchased through FMS.

2.4 The TDPs and the assistance by The DoD personnel will be sold through FMS channels. The MoD may, if approved by the U.S. government, also acquire additional technical advice and support from U.S. defense firms.

3. Logistics Support

Logistics support will be accomplished by the MoD either through FMS channels or, subject to the U.S. government's approval, through U.S. commercial firms. No authorization to produce spares for the launcher is conveyed by this MOU.

4. Export Channels

4.1 Unclassified technical data will either be turned over directly to the MoD officials by the Humdinger Program Office (HPO) or shipped to the MoD's designated freight forwarder. The Office of the Bandarian Defense Attaché (Bandarian Embassy in Washington) will, after being informed of the impending shipment, designate which method is to be used and inform the FMS office at the HPO.

4.2 It is anticipated that this program may involve the transfer of classified military information. If it is authorized for release, such information will be delivered in person to Office of the Bandarian Defense Attaché in Washington.

4.3 Since it is anticipated that all technical data and material will be transferred through FMS channels, U. S. export licenses will not be required. Authorizations to ship material sold through FMS (Department of State Form DSP-94) will be obtained by the MoD's freight forwarders. The DoD agrees to assist and advise the MoD or its freight forwarders in obtaining these authorizations, if necessary.

4.4 The acquisition of export licenses for commercially exported material or technical information associated with this program is the responsibility of the commercial firm and the MoD.

4.5 For the transmission of technical information to The DoD from the government of Bandaria, the MoD may either deliver it to the SCO Bandaria or to the HPO.

5. Authorization for use of Technical Data

5.1 Technical data will be provided for the manufacture of 112 LAU-129A/A missile launchers in Bandaria for indigenous purposes only. Such manufacture may be accomplished either by the Government of Bandaria in its own government-owned or government-operated facilities or in designated in-country private commercial facilities.

5.2 Any manufacture in excess of this quantity for indigenous defense purposes will require separate approval of the U.S. government and the execution of a Letter of Offer and Acceptance (LOA) amendment which also provides for payment of additional charges.

5.3 The information furnished under this MOU and its associated LOA, and the product derived from the use of such information, shall not be disclosed or transferred to any third country, person, or organization without the prior written consent of the U.S. government.

5.4 The use of technical data which will be provided under this MOU and its associated LOA(s) will be limited to that required for the manufacture of the equipment specifically authorized herein and its operation and maintenance. Information which has been acquired by the U.S. government without the unencumbered right to use and convey to others will not be furnished.

5.5 It is understood that the furnishing of these technical data does not in any way constitute a license to make, use, sell, or transfer whatsoever any inventions, technical information, or know-how (hereinafter referred to as proprietary information) owned by third parties which may be described in the documentation.

5.6 The U.S. government incurs no liability for any procurement, manufacture, use, or sale by the Government of Bandaria which makes use of any of the aforementioned proprietary information, or for any results derived from the use of the technical data furnished. The Government of Bandaria agrees to indemnify the U.S. government against any liability resulting from a claim asserted by the owner of any such proprietary rights in connection with such use by the Government of Bandaria of the documentation provided hereunder.

5.7 The U.S. government will use its best efforts to furnish technical data that are accurate, adequate for the authorized purpose, current, and complete; however, the U.S. government does not guarantee the adequacy, accuracy, currency, or completeness of this data. Similarly, the U.S. government does not guarantee the accuracy, adequacy, currency, or completeness of any U.S. industry documentation.

5.8 The cost of the documentation provided hereunder does not include periodic updating (revisioning service), which may be requested under a separate LOA or amendment, if desired.

5.9 If the MoD requires the use of U.S. industry-owned proprietary information to complete this program, the rights to use such data must be obtained directly from the commercial firm.

6. Flowback of Bandarian Technical Information to the U.S.

6.1 The MoD will furnish or cause to be furnished the following technical data to the U.S. government at no cost to the U.S. government other than the cost of reproduction, preparation, and handling:

6.1.1 All technical data pertaining to changes, modifications, and improvements in the design of the launcher made in the course of development, evaluation, production, operation, and maintenance of the launcher.

6.1.2 All technical data pertaining to manufacturing processes employed in the production of the launcher.

6.1.3 Technical data pertaining to changes proposed in the design of the launcher but not adopted.

6.1.4 Notwithstanding 6.1.1, 6.1.2 and 6.1.3 above, if the MoD incorporates an existing commercial item without modification of either the item or the LAUNCHER and if: (i) the item is not based in whole or in part on U.S. technical data or on U.S. design; and (ii) the item is not in whole or in part funded or financed by the MoD directly or indirectly; and (iii) there is no development contract or subcontract between the MoD and the supplier, then the MoD will only be required, to the extent that it has the right to do so without incurring liability to others, to provide the U.S. government sufficient information for the U.S. government to evaluate the item, to procure it, to incorporate it into the system, and to operate, maintain, repair, overhaul, and modify it.

6.2 Bandaria will grant or cause to be granted to the U.S. government a non-exclusive, irrevocable, royalty-free license to use and have used for U.S. defense purposes, including security assistance, the technical data defined in 6.1.1, 6.1.2 and 6.1.3 above and any inventions (whether or not patentable) made in the course of activities covered by this MOU. Additionally, Bandaria will use its best efforts to obtain licenses on fair and reasonable terms to the U.S. government to use and have used the technical data defined in subparagraph 6.1 and patented inventions depicted in such technical data for U.S. defense purposes, including security assistance.

6.3 Bandaria will include suitable provisions in all pertinent program contracts, including a requirement to include those same provisions in all subcontracts, to meet the requirements of this section.

7. Management

7.1 The HPO, located at Wright-Patterson Air Force Base, Ohio, is designated the U.S. project office for this program. The director of the HPO will designate in writing a specific individual to manage the program. This designation will be made known to

the MoD. Costs associated with the management of this program will be paid by the MoD through the FMS case.

7.2 The MoD has designated its Military Technology Agency (Hui´pa Namdema) as its project office for this program. The overall project director will be designated in writing and made known to the DoD.

7.3 The Security Cooperation Organization (SCO), U.S. Embassy, Herat, Bandaria, is designated as the in-country project office for the U.S. government. A specific person in that organization will be designated to perform program management functions. This person will monitor the program and be the direct link between the MoD and the DoD in matters relating to this MOU.

7.4 The Assistant Air Attaché at the Embassy of Bandaria in Washington will also monitor this program and assist when necessary.

8. Standardization and configuration management

8.1 The parties intend that the launchers produced in Bandaria will be physically and functionally interchangeable and interoperable with the U.S. version. The DoD, as baseline configuration manager, has approval authority for all changes to or deviations from the configuration baseline that affects physical or functional interchangeability or quality of the launcher.

8.2 The MoD shall submit engineering changes, deviations, and critical waivers of the launcher to the HPO in writing. Such submissions will be considered based on their merit and approved, if warranted.

9. Security

9.1 The parties take note of the existence of the General Agreement on the Security of Classified Military Information Agreement 3 June 2003 between the governments of the Republic of Bandaria and the United States of America. The provisions of this agreement shall apply fully to this project.

9.2 The Government of Bandaria agrees to provide periodic reporting of quantities of defense items produced under this MOU and will permit DoD personnel access to government and contractor facilities, storage sites, and those records necessary to verify production quantities, as well as control of technical data and other implementation requirements of this MOU. Such access, if requested, will be permitted when mutually convenient, but within a reasonable period of time after the request. Visits will be accomplished under established visit procedures.

9.3 Other security provisions relating to this project are located elsewhere in this MOU and its associated LOA.

10. Customs, Duties and Taxes

10.1 The Government of Bandaria, to the extent provided by its laws, waives import duty and taxes on all goods and services imported under the terms of this MOU. U.S. contractors shipping material by commercial means should contact the Bandarian Embassy to secure a duty free import certificate.

10.2 The U.S. government, upon application for a temporary import/export license, will grant duty free importation privileges to equipment owned by the government of Bandaria, if required by this project. Import license requests should cite the appropriate FMS case.

11. Administrative Provisions

11.1 This MOU will become effective on the date of the last signature and will remain in effect for fifteen years unless terminated or extended prior to that time. It can be changed, amended, terminated or extended at any time by mutual agreement of the two parties.

11.2 The responsibilities of the participants regarding the use, safeguarding, transfer, sale or disclosure to third parties of information, articles and services developed, provided or transferred pursuant to this MOU and its associated LOA(s) will remain in effect after the MOU's expiration, withdrawal, or termination, as if there had been no expiration, withdrawal, or termination.

11.3 Benefits to the DoD pursuant to the provisions of section 6 of this MOU will continue to have their full effect after its expiration, withdraw or termination.

11.4 This MOU is official in the English language only. Parties may translate in into other languages, but resolution of conflicts shall be made on the basis of its English version only.

12. Financial Matters

12.1 The MoD will pay the DoD the full cost of defense articles and services furnished by the DoD under FMS procedures.

12.2 The MoD will fund the DoD management efforts in support of the launcher coproduction program.

For the Department of Defense for the Government of the United States of America.	For the Ministry of Defense for the Government of the Republic of Bandaria.
_____	_____
Signature	Signature
_____	_____
Title	Title
1 October 2004	6 October 2004
Date	Date

Annex to the National Disclosure Policy [Notional]					
		Bandaria	Costa Caliente	Akkadia	Zastavia
Organization, Training, and Employment of Military Forces	1	S		C	
Military Materiel and Munitions	2	C	C		
Applied Research and Development Information and Materiel	3		C		
Production Information	4				
Combined Military Operations, Planning and Readiness	5				
U.S. Order of Battle	6	S		C	
North American Defense	7				
Military Intelligence	8	X	S	S	

Legend

S = SECRET

C = CONFIDENTIAL

X = "X" is a form of limited access authority. It is exercised when it is beneficial to the U.S. government to disclose to Bandaria certain military intelligence/information, potentially up through SECRET on a country (such as Bandaria), designated with an "X" in the NDP Annex and on international terrorism activity in that country which might cause a problem in that country. A case-by-case determination must still be made for each situation and the level of disclosure may be lower than SECRET. (See unclassified definition in NDP-1.)

Ministére De La Défence
20 Boulevard John F. Kennedy
Herat, Bandaria

14 Mai 2006

Ambassade des Etats-Unis d'Amérique
Bureau d'Attaché Militaire
1492 Rue de la République
Herat, Bandaria

Dear Sirs,

As Bandaria is enjoying growing military and défence cooperation with the United States and its Western allies, one of the most challenging tasks is to improve the Bandarian military forces, equipped according to Western standards. Bandaria's recent agreement with the United States to co-produce the Humdinger Missile Launcher is an indication of our friendship and alliance with the United States, as well as a benefit to the economic and technological advances of our two countries.

We desire to upgrade our current air défence capability. We are at present time operating with air-to-air missile systems which are increasingly difficult to maintain because of their age and origin. It is with great pride that I inform you of Bandaria's intent to purchase 94 Humdinger Missiles, HUM-120A, with ten (10) associated LAU-129A/A launchers, and related equipment to make this upgrade.

We request these missiles to be manufactured by the MASID Corporation of Dayton, Ohio. As you are aware, the MASID Corporation has invested much time and money toward the construction of the Usine de Machiner, de Fabrication et d'Assemblée de Bandaria (UMFAB) outside of Herat, and much of the manufacturing and test equipment is leased to UMFAB from MASID.

We kindly request the following provisions be included in the purchase contract: that the additional missile launchers are to be coproduced at UMFAB. To this purchase we also wish to include training and two years of spare parts and accessories, as well as technical assistance. This purchase will require an offset agreement between our Ministry of Défence and the MASID Corporation. This arrangement must comply with Bandarian industrial benefit policy and laws.

We also request a waiver of all Nonrecurring Costs (NC). Our budget is such that we will not be able to purchase the missiles if the NC is not waived.

We have not requested any offsets as part of this potential sale.

The preparedness and viability of the Bandarian Air Forces is of paramount importance. We therefore request the United States government to submit to our Ministry of Défence a Letter of Offer for our acceptance before the end of the current year for delivery as soon as possible. For these purchases the Government of Bandaria has appropriated Gazoobies (GZ) 120,350,000,000 or approximately 89 Million U.S. Dollars.

Very Sincerely,

Dr. Karl Alfonsas Vanderjäger,

Ministre des Achats de la Défence

Ministére de la Défence du Bandaria

ZNR UUUUU
R 241234Z MAY 06
FM AMEMBASSY HERAT
TO RUEAHQA/SAF WASHDC//IA//
INFO RUEKJCS/SECDEF WASHDC//DSCA-OPS-A//
RUEHC/SECSTATE WASHDC//PM-RSAT//
RUSNDNA/USCINCEUR VAIHINGEN GE//ECJ4-SAA//
BT
UNCLAS SECTION 01 OF 01 HERAT

REF: A. GOVERNMENT OF BANDARIA LETTER OF REQUEST 14 MAY 2006.

B. MOD OF THE REPUBLIC OF BANDARIA AND THE US DOD MOU DATED 6 OCTOBER 2004.

SUBJECT: SME LOR SUBMISSION FOR HUMDINGER MISSILES

1. THE GOVERNMENT OF BANDARIA (GOB) HAS SUBMITTED REF A (FORWARDED TO YOU UNDER SEPARATE COVER) REQUEST FOR A SYSTEM SALE LOA FOR 94 MASID CORPORATION HUM-120A HUMDINGER MISSILES, WITH ASSOCIATED SUPPORT EQUIPMENT, TRAINING, AND INITIAL SPARE PARTS. REF B MOU FOR COPRODUCTION OF 112 MISSILE LAUNCHERS APPLIES TO THIS SYSTEM SALE. THE GOB HAS STATED THAT IT WILL REQUIRE THIS OFFSET AGREEMENT WITH THE PRIME CONTRACTOR TO COMPLY WITH BANDARIA'S INDUSTRIAL BENEFIT POLICY AND LAW FOR OFFSETS

2. AMEMBASSY HERAT SUPPORTS THIS SALE AND IN ACCORDANCE WITH SECTION C5.1.3.1 OF THE SAMM, THE FOLLOWING INFORMATION IS SUBMITTED:

A. BANDARIA REQUIRES THE MISSILES TO UPGRADE THE AIR-TO-AIR FIGHTING CAPABILITIES OF ITS JET FIGHTERS. THE MISSILES CURRENTLY DEPLOYED ON THE AIRCRAFT ARE OF FRENCH ORIGIN, TECHNICALLY OBSOLETE AND INCREASINGLY NOT LOGISTICALLY SUPPORTABLE.

B. SINCE SIMILAR ITEMS ARE ALREADY IN THE BANDARIAN INVENTORY, IT IS ANTICIPATED THAT THE INTRODUCTION OF THE HUMDINGER WILL NOT SERIOUSLY AFFECT FORCE STRUCTURE.

C. THIS SALE WILL CONTRIBUTE TO THE FOREIGN POLICY AND NATIONAL SECURITY OF THE UNITED STATES BY HELPING TO IMPROVE THE SECURITY OF A FRIENDLY COUNTRY THAT HAS BEEN AND CONTINUES TO BE AN IMPORTANT FORCE FOR POLITICAL STABILITY AND ECONOMIC PROGRESS IN THE REGION.

D. THE INCREASED CAPABILITY THAT THE MODERN MISSILES WOULD BRING WOULD GREATLY ENHANCE BANDARIA'S ABILITY TO DEFEND ITS

AIRSPACE. BANDARIA HAS BEEN RECENTLY COOPERATING CLOSELY WITH THE U.S. IN MONITORING SUSPECTED DRUG OVERFLIGHTS.

E. COMBATANT COMMANDER'S ASSESSMENT WILL BE PROVIDED SEPARATELY.

F. IT IS ANTICIPATED THAT BANDARIAS NEIGHBORS WILL HAVE NO SIGNIFICANT REACTION TO THIS PROPOSED SALE. THE PROPOSED SALE OF THIS EQUIPMENT AND SUPPORT WILL NOT ALTER THE BASIC MILITARY BALANCE IN THE REGION.

G. THE GOVERNMENT OF BANDARIA HAS SHOWN THE ABILITY TO ACCOUNT FOR, OPERATE, MAINTAIN AND SUPPORT THE MISSILES AND RELATED EQUIPMENT. WITH PROPER TRAINING, TECHNICIANS FROM THE BANDARIAN AIR FORCE SHOULD BE ABLE TO PROPERLY OPERATE AND MAINTAIN THESE MISSILES, AT LEAST UP TO AND INCLUDING THE INTERMEDIATE LEVEL.

H. THIS PROPOSED SALE WILL REQUIRE MULTIPLE TRIPS TO MOROCCO INVOLVING TEN U.S. GOVERNMENT AND CONTRACTOR REPRESENTATIVES FOR TECHNICAL REVIEWS AND SUPPORT, PROGRAM MANAGEMENT, AND TRAINING.

I. THERE WILL BE NO IMPACT OF ANY IN-COUNTRY USG PRESENCE THAT MIGHT BE REQUIRED AS A RESULT OF PROVIDING THE HUMDINGER MISSILES.

J. THIS SALE WOULD BE FINANCED WITH COUNTRY FUNDS. SINCE THE MOD HAD DESIGNATED THIS PROCUREMENT A PRIORITY, SUFFICIENT FUNDS HAVE BEEN DESIGNATED FROM DEFENSE PROCUREMENT BUDGET. THE OVERALL ECONOMIC IMPACT TO THE BANDARIAN ECONOMY IS INSIGNIFICANT.

K. HUMAN RIGHTS CONSIDERATIONS CONTINUE TO BE A PRIORITY WITH AMEMBASSY HERAT, THE GENERAL LEVEL OF HUMAN RIGHTS GUARANTEES IS EXCELLENT.

L. SCO WILL INCLUDE ENHANCED END USE MONITORING (EEUM) OF THESE ITEMS WITHIN OUR LARGER OVERALL EUM PLAN.

M. AMEMBASSY HERAT STRONGLY RECOMMENDS THE APPROVAL OF THIS PROPOSED SALE.

3. POC FOR THIS ACTION IS COL FRANK CAMPANELL, CHIEF, SCO, BANDARIA.
BT
REYNOLDS##
UUUUU

DEFENSE SECURITY COOPERATION AGENCY
WASHINGTON, DC 20341-2200

In reply refer to:
I-06/123456-P2
27 July 2006

FINDING

In accordance with Section 21(e) (2) of the *Arms Export Control Act*, as amended by Public Law 104-106, and pursuant to Determination I-06/123456-P2, I waive the $10,841,300.00 NC charges associated with the following sales:

IDENTIFIER	DESCRIPTION	NC CHARGE
BN-D-YCY	Up to 94 Missile Systems, Humdinger, (MDE: unit NC: $114,000)	$10,716,000.00
BN-D-YCY	Up to 6 Humdinger HAVI Missiles, (MDE: unit NC: $15,000)	$ 90,000.00
BN-D-YCY	Up to 10 LAU-129A/A Launchers (MDE: unit NC: 3,530)	$ 35,300.00
NC TOTAL		**$10,841,300.00**

This waiver is effective immediately

//Signed//

Director DSCA

COORDINATION:

OUSD (AT&L) (ME)

Concur: J. HAWKINS _____ Date: __1 Aug 06_____

OASD (C) (INVESTMENT)

Concur: R. HANSEMAN _____ Date: __30 Jun 06_____

DSCA GENERAL COUNSEL

Concur: F. E. SMITH _____ Date: ___18 Jun 06_____

United States of America
Letter of Offer and Acceptance (LOA)
BN-D-YCY

ROYAL HUMDINGER

Based on (DISAM) Government of Bandaria (GOB) Letter dated (continued on page 2)

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to the Embassy of Bandaria Office of the Air Attaché 1234 Massachusetts Ave, NW Washington, DC 29999, 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 94 HUM-120A Humdinger Missiles, including coproduction of the LAU-129A/A missile launchers, two years spare parts, contractor technical (continued on page 2)

Estimated Cost: $89,258,122 Initial Deposit: $1,927,379

Terms of Sale:

Cash Prior to Delivery
Dependable Undertaking

Congressional Notification: 06-46

This offer expires on 30 September 2006. 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 28

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

	21 Aug 2006		28 Sep 2006
US Signature	Date	Purchaser Signature	Date
RALPH R. PUGSLEY Director, 555th Int'l Group		GENERAL MALAISE, GOB, MoF	
Typed Name and Title		Typed Name and Title	
555th INT'L GROUP (AFSAC)			
Implementing Agency		Agency	
DSCA Reviewed/Approved	25 Aug 2006		
DSCA	Date		

Information to be provided by the Purchaser

Mark For Code_**C**_, Freight Forwarder Code_**2**_, Purchaser Procuring Agency Code_**D**,
Name and Address of the Purchaser's Paying Office: Embassy of Bandaria Office of the Air Attaché 1234 Massachusetts Ave, NW Washington, DC 29999.

Customer reference continued: 14 May 2006 and MoD of the Republic of Bandaria and the U.S. DoD MOU dated 6 October 2004.

Case description continued: services, training and related support requirements.

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	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
001 D3 47	B2Z 141000HUMMSL1 MISSILE, HUMDINGER HUM-120A (DISAM) Humdinger HUM-120A Air-to-Air Medium Range Missile (Note(s) 1, 15, 16, 19)	(Y)(M)(E) (IV)	94 EA	$730,282.00	$68,646,508	P (1-60) TA5	Z	8
002 D3 47	B2Z 1410HUM999999 MISSILE, HUMDINGER, HAVI (DISAM) Humdinger Air Vehicle Instrumented (HAVI) (Note(s) 2, 16, 19)	(Y)(N)(E) (IV)	6 EA	$841,382.00	$5,048,292	P (1-60) TA5	Z	8
003 D3 47	B2Z 1440013154103 LAUNCHER, LAU-129A/A Humdinger Missile Launcher (Note(s) 3, 16, 26)	(Y)(N)(R) (IV)	10 EA	$38,380.00	$383,800	P(1-37) TA5	Z	8
004 D3 47	B2Z 6920HUCTM120A MISSILE, HUMDINGER, TRAINING, CATM-120A (DISAM) 1410-00-301-9997HU Humdinger Training Missile (Note(s) 4, 18,19, 21)	(S)(N)(R) (IV)	22 EA	$22,220.00	$488,840	P (1-50) TA5	Z	8

(1) Itm Nbr	(2) Description/Condition		(3) Qty, Unit of Issue	(4) Costs (a) Unit	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
005 C7 47	B2Z 8140HUMD1NCTN ALLUP ROUND CONTAINER (DISAM) 8140-01-285-7178 Humdinger Missile, All up Round Container (Note(s) 5,16, 19)	(N)(N)(R) (IV)	31 EA	$101,044.00	$3,132,364	P (1-60) TA5	Z	8
006 C7 47	B2Z 9B2Z00HUMDSUP SUPPORT EQUIPMENT HUM-120A (DISAM) Humdinger HUM-120A common, peculiar and non-standard support equipment (Note(s) 6)	(N)(N)(R) (IV)	XX		$1,563,480	X (1-60) TA4	A	4
007 C3 47	B9A 9B9A00GMPARTS GUIDED MISSILE PARTS COMPONENTS & PARTS FOR GM & GM SUPPORT EQUIPMENT Includes Classified Components (Note(s) 7, 17)	(N)(N)(R) (IV)	XX		$2,121,000	X (1-60) TA4	A/Z	5/8
008 D3 47	J8A 768ZB00KSPUBS TECH, NON-TECHBOOKS, PUBLICATIONS Unclassified Publications (Note(s) 8)	(N)(N)(R) (XXI)	XX		$12,372	S (1-38) TA3	A	5
009 D3 47	M1E 0205000THERTA OTHER TECHNICAL ASSISTANCE CONTRACTOR PERSONNEL ONLY Engineering Support (Note(s) 9)	(N)(N)(R) (XXI)	XX		$657,000	P (1-60) TA5	-	-

(1) Itm Nbr	(2) Description/Condition		(3) Qty, Unit of Issue	(4) Costs (a) Unit	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
010 C3 47	M2K 02280000RRMS R-R MISSILES & SUPPORT EQUIPMENT	(N)(N)(R) (XXI)	XX		$631,250	P (1-60) TA5	Z	C
	Interim Contractor Support Repairs (Note(s) 10)							
011 B4 47	R9Z 079Z000THSERV OTHER SERVICES	(N)(N)(R) (XXI)	XX		$1,350,000	S (1-60) TA3	-	-
	AFMC Services, including travel. Period of performance is from date of implementation through 30 September 2011 (Note(s) 11)							
012 D3 47	M1F 0208000000TDM TECHNICAL DATA-ORG& INTERMEDIATE LEVEL MAINTENANCE	(N)(N)(R) (XVII)	XX		$181,800	P (1-38) TA5	A	4
	Technical Data (Note(s) 12)							
013 A5 43	R4A 074000S1TSRVY SITE SURVEYS	(N)(N)(R) (XXI)			$50,000	S (1-6) TA3	-	-
	Humdinger Missile System In Country Survey (Note(s) 13)							
989 E1 88	N0O 000000FMSTRNG TRAINING	(N)(N)(R) (IX)	XX		$160,000	X (1-24) TA4	-	-
	WCN09999/D399000/ Abbr Trng Plan (Undefined Training and Contractor Training Requirements) (Note(s) 14, 25, 36)							

Estimated Cost Summary:

(8) Net Estimated Cost	$84,426,706
(9) Packing, Crating, and Handling	434
(10) Administrative Charge	3,208,215
(11) Transportation	1,622,767
(12) Other	0
(13) Total Estimated Cost	$89,258,122

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

ESTIMATED PAYMENT SCHEDULE

Payment Date	Quarterly	Cumulative
Initial Deposit	$1,927,379	$1,927,379
15 Mar 2007	$180,612	$2,107,991
15 Jun 2007	$218,349	$2,326,340
15 Sep 2007	$272,121	$2,598,461
15 Dec 2007	$331,242	$2,929,703
15 Mar 2008	$492,229	$3,421,932
15 Jun 2008	$631,726	$4,053,658
15 Sep 2008	$1,755,970	$5,809,628
15 Dec 2008	$3,062,042	$8,871,670
15 Mar 2009	$4,521,035	$13,392,705
15 Jun 2009	$6,542,961	$19,935,666
15 Sep 2009	$8,940,893	$28,876,559
15 Dec 2009	$11,444,417	$40,320,976
15 Mar 2010	$13,000,942	$53,321,918
15 Jun 2010	$12,854,739	$66,176,657
15 Sep 2010	$10,730,246	$76,906,903
15 Dec 2010	$7,204,740	$84,111,643
15 Mar 2011	$3,858,220	$87,969,863
15 Jun 2011	$1,288,259	$89,258,122

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 "Payment from Government of Bandaria for BN-D-YCY"; or a check for the initial deposit, made payable to the US Treasury, mailed to DFAS-JAX/IN, P.O. Box 269490, Indianapolis, IN 46249, showing "Payment from Government of Bandaria for BN-D-YCY". Wire transfer is preferred.

2. One signed copy should be returned to Department of the Air Force, Air Force Security Assistance Center, 555th ISPTS/CC, 1822 Van Patton Drive, Building 210, WPAFB, OH 45433-5337.

Note 1. LINE 001 - HUMDINGER ADVANCED AIR-T0-AIR MISSILES HUM-120A.

This line provides for a total of ninety four (94) each unclassified HUM-120A missiles configured as export tactical Advanced Medium Range Air-to-Air Missile. A software modification will be made to accommodate the trajectory shaping for the ground launch mode. The price includes future HUM-120A FMS software updates. The missiles contain explosive materials and will be shipped through the Defense Transportation System (DTS). The HUM-120A is provided with a manufacturer's warranty of ten (10) years or 1,000 captive carry hours whichever comes first. The manufacturer's warranty does not cover damage caused by acts of misuse or abuse.

Note 2. LINE 002 - HUMDINGER AIR VEHICLE INSTRUMENTED.

This line provides for six (6) Humdinger Air Vehicles Instrumented (HAVI). The design will be the export version. The HAVIs will be shipped in CNU- 431/E USAF designed shipping and storage containers each capable of holding four allup rounds.

Note 3. LINE 003 - LAUNCHERS, LAU-129A/A.

This line provides for ten (10) LAU-129A/A launchers. This line also includes the cost of the Advance Missile Remote Interface Unit and the launcher adapters required for the under wing stores station. Additional requirements for Launchers for Bandaria will be produced in Bandaria in accordance with the MOU between GOB and the U.S. Government.

Note 4. LINE 004 – CAPTIVE AIR TRAINING MISSILES (CATM).

This line provides for twenty-two (22) captive air training missiles (CATM-120A). These are blunt-nose training missiles. The design will be the same as developed for the USAF/USN. The training missiles will be shipped in CNU-431/E USAF designed shipping and storage containers.

Note 5. LINE 005 - CONTAINERS, CNU-431/E.

This line provides for thirty-one (31) allup round CNU-431/E containers. The containers will be provided to the missile manufacturer prior to delivery need dates. The missiles and training missiles will be shipped from the manufacturers' plants to Bandaria in these containers. Each container is capable of holding four all up rounds.

Note 6. LINE 006 - SUPPORT EQUIPMENT.

This line provides for an initial set of missile and launcher common, peculiar and non-standard support equipment to support two operating locations, and two missile support bit test sets. It does not include any facilities or facilities type equipment. A full complement of common and non-standard munitions and handling support equipment is priced on this LOA. Actual items and quantities will be determined at the definitization conference to be held within 90 days after LOA acceptance.

Note 7. LINE 007 - SPARE PARTS.

This line provides for initial spare parts for missiles, launchers, containers, training missiles, missile bit test sets, and support equipment. Spare missile sections to provide minimal repair turn around time at the depot facility are also included. These sections will be retained at the contractor's facility or joint Humdinger repair facility and used to swap out defective sections when repairs are required on the all up round missiles. Actual items and quantities of spares will be determined at the definitization conference to be held within 90 days of LOA acceptance.

Note 8. LINE 008 - TECHNICAL PUBLICATIONS.

This line provides for an initial quantity of technical orders, drawings, and test reports required to operate and maintain missiles, launchers, and support equipment. Actual items will be determined at the definitization conference to be held within 90 days of LOA acceptance. Follow on support should be obtained through a technical order publication case established with the Air Force Security Assistance Center (AFSAC).

Note 9. LINE 009 - CONTRACTOR TECHNICAL ASSISTANCE.

This line provides for contractor engineering and technical support for unique missile configuration and assistance with post design technical services.

Note 10. LINE 010 - INTERIM CONTRACTOR SUPPORT (ICS) REPAIRS.

This line provides for two years of contractor repair services at the contractor's facility for depot level repair to the missile or missile sections. This ICS will utilize and maintain the spare missile sections purchased under Line 006 for this effort, based on predicted five missile failures annually. Subsequent depot level maintenance will be accomplished on a follow-on FMS maintenance case established with the AFSAC for continued ICS for the USAF/USN joint service depot.

Note 11. LINE 011 – OTHER SERVICES.

[Editor note: This is an example of an above the standard level of service note. It not an approved note. See the *Security Assistance Management Manual (SAMM)* for guidance]

a. This line provides for AFMC services and travel activities that are above the standard level of service due to the customer's need for an expedited acquisition in order to meet a required delivery date for the missiles in country. Due to the expedited acquisition process (including non-standard items) required for these efforts, extensive program management, engineering, logistics, and contracting activities are essential. In addition, these missiles will be a new system which, at best, will require extensive focused management for program success. As we are in accelerated case implementation and execution, program management activities such as developing acquisition support documentation and acquisition strategies, developing and directing all activities of the integrated product team to meet aggressive program schedules and milestones, processing customer-generated requirement changes, participation in weekly customer-requested telecons in order to impart project status as these programs are high priority, high visibility programs, with national and international implications.

b. Additional activities above the standard level of service include expedited contracting, such as development and processing of all required contracting documentation to support an unusual and compelling urgency and timely contract award, an extremely shortened contractor proposal process including justification and approval processing, acquisition strategy development, review and approval, release of request for proposal, evaluation of contractor proposal(s), fact-finding, and the subsequent negotiating process (for accelerated deliveries) in order to reach contract award expeditiously. Complex engineering activities will need to occur in order to meet customer requirements, such as activities to ensure a successful software modifications and extensive performance analyses in a compressed period of time.

c. Country has requested logistics activities be consolidated across multiple like platforms in theater, which requires extensive and complex coordination across multiple programs and organizations in order to achieve what the customer requires, which is above standard of level service activity. Logistics activities above standard level of service include issuance of transportation instructions, transportation documents, funding documents, notifying country of specific shipments and specialized tracking of shipments to country via non-direct routing.

d. As part of the standard level of service, one internal stand-alone review of BN-D-YCY will be done annually, and BN-D-YCY will also be addressed during the annual comprehensive country portfolio review. In addition, above standard level of service meetings/reviews are required both in CONUS and OCONUS in order to determine spare parts requirements, for face-to-face fact-finding and negotiations for accelerated contract award, support planning working group meetings, spares definitization reviews at the contractor's facility, and mini program reviews in CONUS and at the contractor's facility in order to ensure programs are on track for accelerated delivery and support in-country.

e. Personnel support cost estimates are based on estimates submitted in previous years for other programs in this organization. The costs are for the necessary and anticipated upkeep of the USAF equipment to be used by the proposed manpower on this program. These estimated costs cover the period of performance through fourth quarter FY11. Personnel support costs also provide the required resources, such as computer hardware and software, printers, computer network, computer and network technical support, supplies, assessments, communications, and other incidental expenses.

Note 12. LINE 012 - TECHNICAL DATA PACKAGE.

a. The technical data package offered herein is provided for the manufacture of up to 112 Humdinger Missile Launchers in Bandaria for indigenous purposes only. Such manufacture may be accomplished either by the Government of Bandaria in its own government-owned or government-operated facilities or in designated in-country private commercial facilities.

b. Any manufacture in excess of this quantity for indigenous defense purposes and as authorized in note (a) herein will require separate approval of the US Government and the execution of an LOA modification which also provides for payment of additional charges.

c. The information furnished under this LOA, and the product derived from the use of such information, shall not be disclosed or transferred to any third country, person, or organization other than the Government of Bandaria without the prior written consent of the US Government and, where required, the execution of an LOA Modification.

d. The use of technical data which will be provided under this LOA will be limited to that required for the manufacture of the equipment specifically authorized herein and its operation and maintenance. Information which has been acquired by the US Government without the unencumbered right to use and convey to others will not be furnished.

e. It is understood that the furnishing of these technical data does not in any way constitute a license to make, use, sell, or transfer whatsoever any inventions, technical information, or know-how (hereinafter referred to as proprietary information) owned by third parties which may be described in the documentation.

f. The US Government incurs no liability for any procurement, manufacture, use, or sale by the Government of Bandaria which makes use of any of the aforementioned proprietary information, or for any results derived from the use of the technical data furnished. The Government of Bandaria agrees to indemnify the US Government against any liability resting from a claim asserted by the owner of such proprietary rights in connection with such use by the Government of Bandaria of the documentation provided hereunder.

g. The US Government will use its best efforts to furnish technical data that are accurate, adequate for the authorized purpose, current, and complete; however, the US Government does not guarantee the adequacy, accuracy, currency, or completeness of these data. Similarly, the US Government does not guarantee the accuracy, adequacy, currency, or completeness of any US industry documentation.

h. Production Validation - The Government of Bandaria will permit US Government review the implementation of the requirements of this LOA. Such access will be (revisioning service), which may be requested under a separate LOA, if desired.

i. Flowback of Bandaria Technical Data to the US:

(1) Technical Data - Bandaria will furnish or cause to be furnished the following technical data to the US Government at no cost to the US Government other than the cost of reproduction, preparation, and handling:

(a) All technical data pertaining to changes, modifications, and improvements in the design of Humdinger Missile Launchers made in the course of development, evaluation, production, operation, and maintenance of Bandaria.

(b) All technical data pertaining to manufacturing processes employed in the production of Humdinger Missile Launchers.

(c) Technical data pertaining to changes proposed in the design of Humdinger Missile Launchers but not adopted.

(d) Notwithstanding (1), (2), and (3) above, if Bandaria incorporates an existing commercial item without modification of either the item or the Humdinger Missile Launchers and if:(i) the item is not based in whole or in part on US technical data or on US design; and (ii) the item is not in whole or in part funded or financed by Bandaria directly or indirectly; and (iii) there is no development contract or subcontract between Bandaria and the supplier, then Bandaria will only be required, to the extent that it has the right to do so without incurring liability to others, to provide the US Government sufficient information for the US Government to evaluate the item, to procure it, to incorporate it into the system, and to operate, maintain, repair, overhaul, and modify it.

(2) Right to Use - Bandaria will grant or cause to be granted to the US Government a non-exclusive, irrevocable, royalty-free license to use and have used for US defense purposes, including security assistance, the technical data defined in a(1), (2) and (3) above, and any inventions (whether or not patentable) made in the course of activities covered by this LOA. Additionally, Bandaria will use its best efforts to obtain licenses on fair and reasonable terms to the US Government to use and have used the technical data defined in subparagraph a(4) and patented inventions depicted in such technical data for US defense purposes, including security assistance.

Note 13. LINE 013 - SITE SURVEY.

a. This line provides funding for required armament teams to survey weapons maintenance, storage and other sites prior to shipment of munitions. The site survey team will be composed of weapons and security experts for the weapons systems contained in this LOA. Every effort will be made to combine the visits of the team in order to minimize expenses and number of in-country visits. All site surveys will be subject to prior notification of the country, and required country clearance procedures.

b. For planning purposes only, the survey team expects to be in-country within 60 days after LOA acceptance.

c. The Purchaser will, at its sole expense, assign one or more administrative/clerical personnel and interpreters, to work as required. The Purchaser will, at its sole expense, furnish full logistical support including, but not limited to, transportation, quarters and meals as needed, unless otherwise indicated, in writing, with acceptance of this LOA. Any exclusions of support will be additive costs to the Purchaser and be processed as a Modification. The survey team will prepare and submit a report to SAF/IA and official designated by the Purchaser. A briefing of the report will be given to the Purchaser if desired. The report will be used as a basis for amending FMS case BN-D-YCY, if necessary.

Note 14. LINE 989 - MAINTENANCE TRAINING.

This line provides for training on Humdinger organizational and intermediate level maintenance and orientation conducted at the contractor's facility. This cost is for class only and does not cover travel

or per diem. A training definitization conference will convene within 90 days after LOA acceptance to confirm the entire training requirements and establish numbers of students and milestones.

Note 15. HUMDINGER CLASSIFIED DEFENSE ARTICLES

1. The Purchaser agrees to adhere to the security requirements associated with the Advanced Medium Air-to-Air Missile (HUMDINGER) as outlined in the following paragraphs. The Purchaser agrees to perform inventory checks and allow United States Government (USG) inventory verifications.

2. The HUMDINGER shall be stored in facilities that are at least equivalent in strength to U.S. Air Force (USAF) requirements. Specific requirements for storage shall be agreed upon and met prior to delivery of the missile system. USG representatives shall be allowed to verify security measures and procedures prior to the delivery of HUMDINGERs.

a. Physical Security/Access Controls: Perimeter fencing, lighting for exterior doors and along perimeter barriers, doors, locks, keys, alarms, and surveillance will be in accordance with USG requirements. HUMDINGER missiles and components will be stored in structures in which all entrances, exits, or other openings like ventilation systems are physically guarded or alarmed. The standards will at least meet the following:

(1) Magazines. Reinforced concrete, arch type, earth covered where construction is at least equivalent in strength to the requirements of Chapter 5, DoD 6055.9-STD, "Ammunition and Explosive Safety Standards," October 2004, will be used for storage (standards of which will be provided to the purchaser).

(2) Lighting. Lighting will be provided for exterior doors and along perimeter barriers. Security lighting requirements will conform to the ammunition and safety requirements (standards will be provided to the purchaser).

(3) Doors, Locks, and Keys. Exterior doors will be class five steel vault doors secured by two key-operated high security padlocks and a high security shrouded hasp. Keys will be secured separately to ensure effective two-man control of access (i.e., two authorized persons must be present to enter). Use of a master or multiple key system is prohibited.

(4) Fencing. Fencing will be six foot (minimum) steel chain link with a one-foot overhang mounted on steel or reinforced concrete posts over firm base. Clear zones will be established 30 feet inside and 12 feet outside the perimeter.

b. Inventory and Accountability Documentation: The Purchaser agrees that all HUMDINGER will be 100% inventoried (missile to serial number) on a semi-annual basis. Purchaser will have procedures in place that provide a continuous accounting of missile receipt, transfer, storage, shipment, and/or destruction/ demilitarization. Inventory and accountability documentation maintained by the Purchaser shall be retained throughout the period of ownership and will be made available for review upon USG request.

c. Storage of Hardware and Technical Data: Storage of HUMDINGER hardware and technical data will meet U.S. standards for safeguarding the missile. The Purchaser will maintain strict accountability records on all classified information provided by the USG related to HUMDINGER missiles including extracts and copies. These records will include documentary evidence of any HUMDINGERs that are lost or destroyed. Such records shall, to the extent possible, be centralized.

3. The Purchaser will report immediately to Security Assistance Organization or other appropriate USG representative any allegations, confirmed or unconfirmed, of HUMDINGER missile hardware, technology or software released, or compromised to unauthorized nationals, third country nationals,

or a foreign Government. The Purchaser will also report any allegation, report, or evidence of unauthorized attempts to collect information on the HUMDINGER Program.

4. Military or civilian employees of the Purchaser at military establishments will accomplish operational and intermediate level maintenance. Third-country nationals, industries or their representatives will accomplish no maintenance functions unless approved in writing by the USG.

5. Prior to the delivery of the missiles, the USG will conduct an in-country site survey of all facilities of the Purchaser designated for storage of the HUMDINGER Weapon System, that includes the missile and all support equipment such as loaders, trailers, and cable harnesses. The site survey team recommendation will be reported to the appropriate organization identified by the Purchaser in accordance with DoD 5105.38-M, Security Assistance Management Manual.

6. The USG will provide to the Purchaser a security checklist and serial numbers that will be referenced during the initial site survey and throughout the life of the HUMDINGER Weapon System. The checklist is used to indicate the integrity of security measures in place for HUMDINGER storage. Deficiencies identified during the initial site survey must be corrected prior to any HUMDINGER deliveries. The Purchaser agrees to adhere to security requirements associated with the HUMDINGER system for the life cycle of the systems.

7. The scope of the review will include but not limited to, an inventory of missiles listed in this offer by serial number, a review of security controls and procedures, inventory and accountability documentation, distribution of assets (i.e. a plan for in-country movement or plan for repair and return), transportation, access controls, storage of hardware and technical data.

8. Transportation of the HUMDINGER will meet U.S. standards for safeguarding classified material in transit. The transportation plan must be coordinated and approved by Air Force Material Command Security Office prior to delivery of the HUMDINGER to Purchaser.

9. The purchaser will obtain USG disposition instructions that either direct transporting HUMDINGER missile sections back to the USG or another designated staging area, and/or comprehensive guidance on demilitarization/ disposal management for in-country incineration. The USG disposition instructions indicate parties in the USG that must be contacted prior to any demilitarization/disposal effort.

Note 16. HUMDINGER SYSTEM SALE.

a. The prices and schedules for the Humdinger Launcher, LAU-129A/A included in this LOA recognize the basic charter of the Memorandum of Understanding (MOU) between the U.S. Government and the Government of Bandaria relating to the Bandarian industrial participation in the production of the LAU-129A/A, Humdinger Launcher. Price estimates assume full performance, including timely and efficient delivery. If the scope of designated work under the LOA expands by other arrangements, the LOA will be amended accordingly.

b. The expiration date may be extended without extending the tentative delivery schedule and increasing estimates.

c. This system is planned by USAF to remain in the USAF inventory until 2030.

d. A Joint Definitization Conference is required and will be convened to determine specific configuration and/or optional items. Estimated costs will be adjusted accordingly at the completion of such a conference. This conference should commence 30 to 45 days after acceptance.

e. Follow-on support and follow-on training are not included in this offer.

f. Purchaser recognizes that the preferred technique for FMS follow-on spares support for systems standard to the USAF is through Cooperative Logistics Supply Support Arrangement (CLSSA). Purchaser recognizes that unless a CLSSA is established, the USAF is not authorized to procure and stock items before the requisition is received. Therefore, the Purchaser must be prepared to accept the lead time and costs associated with small quantity procurements. Purchaser's requirements will not be shipped from DOD stock. Purchaser recognizes that repair and overhaul of recoverable items must be included in an "M" case unless a CLSSA is established. If Purchaser agrees to establish a CLSSA, negotiations should begin as soon as possible after this LOA is signed or a minimum of 18 months prior to initial system delivery. Follow-on support is not included in this LOA and the Purchaser understands that follow-on support for systems non-standard to USAF is not included in this LOA. Follow-on support for nonstandard systems, if expected through the USAF, must be negotiated separately for inclusion in a follow-on LOA. Purchaser is encouraged to deal directly (non-FMS) with the contractor for non-standard support.

g. In conjunction with the Purchaser, the USG will develop an FMS Management Plan along the general provisions described in AFMAN 16-101.

h. Insurance, if desired, should be obtained directly from commercial sources unless a specific request has been made to the USG for the USG to obtain the insurance.

i. There are no agent's fees involved in this FMS.

j. Other Services relate to program management functions that exceed routine FMS case management.

k. The estimates for support items do not include a factor for the Purchaser's War Reserve Materiel (WRM). Factors for WRM will not be input during the Joint Provisioning Conference

Note 17. LOA/MOU PRECEDENCE.

Bandaria (GOB) and the United States Government (USG), dated October 6, 2004, is herein incorporated by reference. In the event a conflict exists between the MOU and the LOA, the terms of the LOA take precedence.

Note 18. SOLE SOURCE PROCUREMENT.

Paragraph 1.2 of the Letter of Offer and Acceptance Standard Terms and Conditions states in part: "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 solely the responsibility of the USG." By letter dated May 14, 2006, the Purchaser has requested that MASID Corporation of Dayton, Ohio be designated as prime contractor for the Humdinger HUM-120A missiles and the LAU-128A/A missile launchers, Line items 001-004 of this Letter of Offer and Acceptance. This note is evidence that DoD has accepted such request of the Purchaser and that such designation is required at the written direction of the Purchaser.

Note 19. PROJECTED DELIVERY SCHEDULE.

The projected delivery schedules of end items identified in lines 001 through 005 are listed below:

DELIVERY MONTH	MISSILE HUM-120A	HAVI	LAUNCHER LAU-129/A	TRAINING MISSILE	CONTAINER CNU-431/E
25	3	1	1		2
26	3		1		2
27	3		1		
28	3		1		
29	3		1		
30	3		1		2
31	3				2
32	3				
33	3		1		
34	3	1	1		
35	3				2
36	3		1		2
37	3		1		
38	3			2	
39	3			3	2
40	3	1		2	2
41	3			1	
42	3			2	
43	3			1	
44	3			2	2
45	3			1	2
46	3	1		2	
47	2			1	
48	2			2	2
49	2			1	
50	2			2	
51	2				2
52	2	1			2
53	2				
54	2				
55	2				
56	2				2
57	2				2
58	2				
59	2				
60	2	1			1
TOTAL	94	6	10	22	31

Note 20. CONTRACT ADMINISTRATIVE SURCHARGE.

For any lines on this LOA document with a Source of Supply of "X" or "P", the Contract Administrative Surcharge (CAS) rates apply: for contract administration, .65%; for quality assurance and inspection, 0%; and for contract audit, .20%.

Note 21. NONRECURRING COSTS.

Nonrecurring Costs (NC) apply to line item(s) 001-003 of this LOA. The purchaser's request to waive these charges has been approved by DSCA Memorandum I-06/123456-P2. Therefore, these costs have not been included in this case.

Note 22. ACCESSORIAL CHARGES.

a. A PC+H charge has been applied to Line 008.

b. A Transportation charge has been applied to Line(s) 001-005, 007, 008, and 010.

Note 23. AMMUNITION AND OTHER EXPLOSIVES.

The US Government is a self-insurer, and in this connection, your attention is invited to Standard Terms and Conditions 1.2 and 3.1. The Department of Defense shall employ the same inspection procedures for ammunition and other explosives as would be used in the procurement of these types of items for itself. Lot production of ammunition and other explosives, however, carries risks associated with the items' resultant performance. This risk is assumed by the USG in procurement for its own use, and this risk is also assumed by the Purchaser in procurement for its own use under this Offer. Accordingly, financial restitution will not be made for claims made on SF 364 Supply Discrepancy Report (SDR (see Standard Condition 5.4) for deficiencies pertaining to these items unless such claims involve damage due to USG actions with respect to compliance with applicable inspection criteria and procedures, or USG actions with respect to packing, crating, handling, or transportation, or unless the USG can obtain equal restitution from its contractor.

Note 24. ANTI-TAMPER (AT) MEASURES.

The United States Government (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.

Note 25. CONTRACTOR (TYPE 1) TRAINING.

a. Cost of contractor training indicated herein is a best estimate based on information available at time of offer. Actual costs will depend on factors such as the terms of the contract resulting from this LOA.

b. Cancellation of training, or parts thereof, will be governed by paragraph 2.1 of the Letter of Offer and Acceptance Standard Terms and Conditions.

c. Purchaser's students must meet the prerequisites for training specified by the contract implementing this LOA.

d. Purchaser will be responsible for all student pay and allowances, and all student housing, meals, and other support. No government quarters will be made available at contractor locations, even when in the vicinity. The contractor will make arrangements for housing unaccompanied students. Officers and enlisted personnel will occupy separate quarters. Costs of contractor furnished housing and support will be charged to the training contract, and will be paid by Purchaser under this LOA. Dependent housing will not be provided.

e. Purchaser will be responsible for student transportation costs from country to CONUS contractor location and return. The contractor will provide any transportation between that location and other

training locations. The contractor will provide local ground transportation for the students between their quarters and the training location. Such transportation will be provided only during the scheduled training days. Transportation costs incurred by the contractor will be charged to the training contract, and will be paid by the Purchaser under this LOA.

f. Medical charges indicated on the Letter of Offer are for medical services at DoD facilities for students under this case. Final billing for services at DoD facilities will be based on actual services rendered, at the rates determined by the Assistant Secretary of Defense Comptroller. Treatment at private facilities may be required when students are undergoing training at a contractor location and no DoD facilities are available or on an emergency, as needed, basis. Such treatment will be charged to this LOA based on actual costs incurred. All medical bills should be sent to AFSAT/FM, 315 J Street, W., Randolph AFB, TX 78150-4354.

g. Purchaser will designate Country Liaison Officers (CLO) for all contractor training. The function of a CLO, as defined in AFJI 16-105, is to assist with administrative details for foreign students in CONUS training from his or her country.

h. In cases where production aircraft acquired by Purchaser under this case are used in a CONUS training program, title to aircraft will pass to Purchaser upon signature of the DD Form 250 as provided in this case. The aircraft will then be provided by the Purchaser to the contractor for use in the training program. Purchaser will grant authorization to the contractor to use these aircraft for the purpose of furnishing training pursuant to this LOA. Aircraft will carry Purchaser markings during training. Ater training is completed and temporary USG markings are applied, custody of the aircraft will be given to the USG for ferrying. Purchaser will be liable for any loss, damage or injury to the aircraft and any other property or personnel of the Purchaser, USG, contractor and third parties occurring during the training and ferrying periods, regardless of aircraft custody or markings.

Note 26. COPRODUCTION REPORTING/VALIDATION.

The Government of Bandaria agrees to provide periodic reporting of quantities of defense items produced under this Agreement and will permit U.S. Department of Defense personnel access to government and contractor facilities, storage sites, and those records necessary to verify production quantities, as well as control of technical data and other implementation requirements of this Agreement. Such access, if requested, will be permitted when mutually convenient, but within a reasonable period of time after the request. Visits will be accomplished under established visit procedures.

Note 27. DEFENSE ARTICLES.

a. Packing, Crating and Handling (PC+H) will be charged, as appropriate, for items shipped from DoD facilities. PC+H costs will generally not be added for items shipped from contractor's facilities. When the source of supply changes, the purchaser agrees to an automatic adjustment of accessorial charges.

b. When shipments are made by small parcel service, the purchaser agrees that the accessorial charge specified in the current DoD directive will be additive.

c. When the point of delivery changes and/or the transportation responsibility changes, the purchaser agrees to an automatic adjustment of accessorial charges and a change in place of title passage, if appropriate. When the parties agree to a Delivery Term Code (DTC) change, such change will be confirmed by issuance of an Amendment or a Modification as appropriate.

d. When staging is established for the benefit of the purchaser (not already included in the offer), the SAG (RSAF) agrees to automatic application of an accessorial charge.

Note 28. ESTIMATED CASE CLOSURE DATE.

The programmed case closure date is 24 months after the date of projected final delivery.

Note 29. MISSILE TECHNOLOGY CONTROL REGIME (MTCR).

Paragraph 2.3 of the Standard Terms and Conditions of this LOA discusses use and transfer restrictions on articles and services provided under this LOA and emphasizes that the purchaser "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 agrees not to divert articles and services received under this LOA for purposes or uses other than those for which furnished to include, 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 AECA (22 U.S.C.2797c). The items will be used only for the purpose 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 also reserves 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.

Note 30. OFFSET COSTS.

The Department of Defense is not a party to any offset agreements/arrangements that may be required by the Purchaser in relation to the sales made in this LOA and assumes no obligation to administer or satisfy any offset requirements or bear any of the associated costs. To the extent that the Purchaser requires offsets in conjunction with this sale, offset costs may be included in the price of contracts negotiated under this LOA. If the Purchaser desires visibility into these costs, the Purchaser should raise this with the contractor during negotiation of offset arrangements.

Note 31. PERSONNEL RELATED COSTS.

a. Passports, Visas, Licenses, and Permits.

(1) Cost and delivery estimates herein anticipate the Government of Bandaria (GOB) will, within the framework of the laws of GOB, ensure the timely issuance of work, entry, or exit visas; work, vehicle operator, residence, or in-country travel permits; and any other appropriate licenses or permits required of the personnel, including dependents, to carry out this effort.

(2) The US contractor shall be responsible for timely and complete submittal of the necessary information and forms directly to the appropriate GOB agency for the required passports, visas, licenses, or permits. The contractor shall be responsible for the sponsorship of its employees and their dependents and shall process said permits directly with the appropriate GOB agency.

b. Access.

Cost and delivery schedules herein anticipate that US personnel in Bandaria will be authorized, at no cost, reasonable access to all data, plans, reports or other information and all existing and proposed offices, sites, and areas within Bandaria as required to accomplish this effort.

c. Export of Data.

US personnel shall not be required or expected to deliver to the Government of Bandaria, nor to any person or entity not a citizen of the United States of America, any technical data produced or utilized under this LOA until the Government of Bandaria has been furnished with clear evidence

that such delivery of the data is (1) approved by the US State Department pursuant to the International Traffic in Arms Regulation, or (2) approval is not required.

d. Taxes, Duties, and Charges for Doing Business.

The contract(s) implementing this LOA will include the clause entitled "Taxes-Foreign Fixed-Price Contracts (June 2003)" set forth in Federal Acquisition Section 52.229-6; therefore, price and delivery estimates within this LOA anticipate the following:

(1) Property, materiel, equipment, household furniture, appliances, and supplies imported into Bandaria by contractor exclusively for use in support of the contractor and its personnel and consigned and marked as required or approved by the USG will be exempt from import and export duties, taxes, licenses, excises, imports, and any other identifiable charges. The contractor will maintain any inventory control and accounting system adequate to reflect the usage and disposition of all contractor-owned property which has entered Bandaria duty-free under this LOA.

(2) The GOB, its agencies, and political subdivisions will levy no taxes or fees (including taxes on individual or corporate income or property, customs and import duties, or other taxes on employee personal household goods, supplies and personal effects imported into Bandaria for personal use) on the contractor, its employees, or the dependents of such employees.

(3) If any charges under d(1) or d(2) are imposed by the GOB, costs thereby incurred by the contractor will be reimbursed to the contractor at cost, including applicable overhead and General and Administrative, but excluding profit, out of national funds to be provided by the GOB under this LOA.

e. Security.

Price and delivery estimates anticipate that the Purchaser will provide adequate security to protect personnel and property associated with this LOA and located on Purchaser military bases, installations, or other designated work sites.

Note 32. SALES COMMISSIONS AND FEES.

All US Government contracts resulting from this Offer and Acceptance shall contain one of the following provisions, unless the sales commission and fee have been identified and payment thereof approved in writing by the Government of Bandaria before contract award:

(a) For firm fixed price contracts or fixed price contracts with economic price adjustment. The contractor certifies that the contract price (including any subcontracts awarded hereunder) does not include any direct or indirect costs of sales commissions or fees for contractor sales representatives for the solicitation or promotion or otherwise to secure the conclusion of the sale of any of the supplies or services called for by this contract to the Government of Bandaria.

(b) For all other types of contracts. Notwithstanding any other provision of this contract, any direct or indirect costs of sales commissions or fees for contractor (or subcontractor) sales representatives for the solicitation or promotion or otherwise to secure the conclusion of the sale of any of the supplies or services called for by this contract to the Government of Bandaria shall be considered as an unallowable item of cost under this contract.

Note 33. SHORT EXPIRATION DATE.

A shorter than normal expiration date has been assigned to take advantage of contract opportunities.

Note 34. STATUS OF FORCES AGREEMENT.

USG military and civilian personnel present in the territory of the Purchaser for the purpose of implementing this LOA shall be entitled to all of the rights, privileges, and immunities accorded in the Agreement Concerning the Status of U.S. Military Personnel and Civilian Employees of the U.S. Department of Defense, dated 11 April 1996, and any related implementing agreements**.**

Note 35. SUPPLY DISCREPANCY REPORTS.

Supply Discrepancy Reports (SDRs) and requests for supply adjustments should be submitted to AFSAC 555th ILS/SDR Flight, 5490 Pearson Road, Wright Patterson AFB OH 45433-5332.

Note 36. TRAINING.

a. Tuition rates indicated herein are best estimates only. Initial billing will be at the tuition rate which is current at the time the student enters training. Tuition costs for flying courses are estimates based on a syllabus designed to meet entry level skill of the average student. Tuition rates will be adjusted, when required, based on student proficiency advancement or student non-progression. All prices are subject to adjustment during the final cost reconciliation of the case.

b. If clothing and equipment required for training are issued to students, the full replacement price of such issue will be charged to the Purchaser under this case. The Purchaser understands that such costs of issue will increase the "Estimated Costs" and be documented on a Modification. No clothing or equipment will be issued to students if it is needed for USAF Peacetime Operating Stocks or War Reserve Material requirements.

c. The following cancellation requirements are effective 1 August 1998.

(1) Training Contracted/Dedicated for International Customers - Once a contract is let or a quota is confirmed, a 100% penalty fee will apply if Purchaser fails to send a student to the training, unless the quota is filled by another international student. Dedicated/contract training includes courses which rely on contract support and courses that are designated for international students only. AFSAT will identify those courses which are dedicated/contract training by message to the in-country U.S. Security Assistance Organization on an annual basis.

(2) Training Contracted for a Single International Customer - Under USG direct contract, all costs incurred up to the point of contract cancellation shall be paid. This could include total cancellation charges or partial cancellation charges. Each element of cost will be reviewed and negotiated for a final settlement cost by appropriate USG contracts personnel and the contractor.

(3) All Other Training - There will be a 50% charge for all confirmed training canceled or rescheduled with less than 60 days notification unless the quota is filled by another international student. The penalty will be applied to all confirmed training within the 60-day window. Additionally, the penalty will be applied to all training that falls within and outside the 60-day window if the training is part of a sequential pipeline that a student would attend as part of a complete curriculum. AFSAT will identify training which is part of a sequential pipeline by message to the in-country U.S. Security Assistance Organization on an annual basis. Any cancellation or reschedule of training that was scheduled at the request of the Purchaser, without the required lead time to cancel/reschedule similarly will incur a cancellation charge.

d. Student(s) must adhere to DoD regulations and publications concerning the administration of international students, including compliance with procedures for safeguarding information and prerequisites for training. Students not adhering to regulations or publications may be eliminated from training.

e. The Purchaser will be responsible for any loss or damage of USG aircraft or other property resulting from training and related activities, and will indemnify the USG against any such loss or damage.

f. Purchaser will be responsible for all student transportation, pay and allowances. On-base quarters will be provided at Purchaser's expense to unaccompanied students attending DoD courses to the extent feasible. Maid fees and services charges, as appropriate, will be billed directly to the student. No on base dependent housing will be provided.

g. Medical charges indicated on the Letter of Offer are for medical services at DoD facilities for students under this case. Final billing for services at DoD facilities will be based on actual services rendered, at the rates determined by the Assistant Secretary of Defense Comptroller. Treatment at private facilities may be required when students are undergoing training at a contractor location and no DoD facilities are available, or on an emergency, as needed, basis. Such bills should be sent to AFSAT/FM, 315 J Street, W., Randolph AFB, TX 78150-4354.

Note 37. TRANSPORTATION AND SERVICES.

a. USG agrees to provide transportation services for the items identified in this LOA to the Point of Delivery (POD). Purchaser's property will be transported at the purchaser's risk.

b. Purchaser will accept USG delivery listings as the basis for billing and proof of shipment.

c. Purchaser will accept responsibility for clearance of materiel through its customs at the POD and for movement of the materiel from its POD to the ultimate in-country destination.

d. Purchaser will appoint a duly authorized official to accept and sign for materiel at the POD, and submit outturn message and report.

e. Purchaser will absorb losses of materiel that the USG does not, in fact, recover from an independent carrier or handler, including where the USG is self-insured.

f. Purchaser will self-insure such shipments, or obtain commercial insurance without any right of subrogation of any claim against the United States.

g. The USG will assist the purchaser in processing any claims that may arise for materiel. Collection of revenue, if any, resulting from approved claims will be credited to the purchaser's account.

h. If the purchaser proposes to take delivery and custody of the classified material in the U.S. and use its own facilities and transportation for onward shipment to its territory, a Transportation Plan is required. The Transportation Plan is developed by the DoD Component that prepares the LOA in coordination with the purchasing Government as outlined in the Security Assistance Management Manual, Chapter 3. Purchasers may obtain assistance in the development of the Transportation Plan with their cleared freight forwarder. Further, the purchaser will notify the Implementing Agency of any changes as they occur to the Transportation Plan. The Implementing Agency that initiates the FMS transaction shall designate the security officials who are authorized to evaluate the Transportation Plan to determine whether the plan adequately ensures protection of the highest level of classified material involved. The purchaser will be notified of the approval or disapproval of the plan and any changes. If disapproved, the purchaser will be notified of the reason for disapproval and, when possible, changes that would be acceptable to the USG. As an alternative, the USG will ship the classified material by the Defense Transportation System.

Note 38. UNAUTHORIZED USE OF DEFENSE ARTICLES.

Defense articles furnished under this LOA may be used only for those authorized purposes set forth in section 2.2 of the Standard Terms and Conditions, unless the written consent of the USG has been

obtained for a different use. The USG retains the right to verify reports that such defense articles have been used for purposes not authorized or for uses not consented to by the USG.

Note 39. WARRANTIES RELATIVE TO DEFECTS IN WORKMANSHIP.

a. The U.S. DoD is required to obtain certain warranty provisions relative to defects in workmanship and materiel at the time of delivery and performance after delivery in specific procurement contracts when qualifying weapon systems and components are purchased for U.S. DoD requirements. Consistent with Section 6.1 of the Letter of Offer and Acceptance Standard Terms and Conditions, such warranties do not automatically apply to procurements for purchases under the Foreign Military Sales (FMS) program.

b. The U.S. DoD may obtain three distinct types of warranties. The first is a warranty against defects in workmanship and materiel at the time of delivery. Warranties in workmanship and materiel apply to all production units (both DoD and FMS) of the applicable item. FMS purchasers will receive, subject to specific terms, conditions, and limitations, the same warranty against defects in workmanship and materiel at the time of delivery as is provided to the U.S. DoD for procurements for its own use. The U.S.G will exercise for the Purchaser any rights under procurement contracts arising from any warranties against defects in workmanship and materiel at the time of delivery. The applicability of any such warranty and the detailed scope thereof may not be determined as of the date of the Letter of Offer and Acceptance is issued. Purchaser inquiries on this subject should be addressed to the Military Department or Defense Agency that has issued the Letter of Offer and Acceptance.

c. The second type of warranty is that at the time of acceptance, the items conform to the design and manufacturing requirements of the procurement contract.

d. The third type of warranty, which the U.S. DoD may purchase for its own requirement, is a performance warranty. Performance warranties apply to FMS procurements only if the warranty is specifically requested by the purchaser, agreed to by the contractor, specified in appropriate provisions of the LOA, and the applicable costs are included in the LOA.

Note 40. END USE MONITORING (EUM).

Pursuant to section 505 of the Foreign Assistance Act of 1961, as amended (FAA), and section 40A of the Arms Export Control Act (AECA), 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. Enhanced EUM physical security and accountability requirements are annotated in Note 15.

Note 41. ADMINISTRATIVE SURCHARGE.

An Administrative surcharge of 3.8% has been applied to Line(s) 001-013 and 989.

LETTER OF OFFER AND ACCEPTANCE STANDARD TERMS AND CONDITIONS

Section
1 Conditions - United States Government (USG) Obligations
2 Conditions - General Purchaser Agreements
3 Indemnification and Assumption of Risks
4 Financial Terms and Conditions
5 Transportation and Discrepancy Provisions
6 Warranties
7 Dispute Resolution

1 Conditions - United States Government (USG) Obligations

1.1 Unless otherwise specified, items will be those which are standard to the US 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 US DoD is solely responsible for negotiating the terms and conditions of contracts necessary to fulfill the requirements in this LOA.

1.3 The USG will use its best efforts to provide the items for the dollar amount and within the availability cited.

1.4 Under unusual and compelling circumstances, when the national interest of the US 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.

1.5 US 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 US personnel in combat activities outside the US, in connection with the performance of these defense services.

1.6 The assignment or employment of US personnel for the performance of this LOA by the USG will not take into account race, religion, national origin, or sex.

1.7 Unless otherwise specified, this LOA may be made available for public inspection consistent with the national security of the United States.

2 Conditions - General Purchaser Agreements

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 agrees, except as may otherwise be mutually agreed in writing, to use the defense articles sold hereunder only:
2.2.1 For purposes specified in any Mutual Defense Assistance Agreement between the USG and the Purchaser;
2.2.2 For purposes specified in any bilateral or regional defense treaty to which the USG and the Purchaser are both parties, if section 2.2.1 is inapplicable; or,
2.2.3 For internal security, individual self-defense, or civic action, if sections 2.2.1 and 2.2.2 are inapplicable.

2.3 The Purchaser will not transfer title to, or possession of, the defense articles, components and associated support material, 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), 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 US Congress is required to be notified of any substantial evidence that the defense articles sold in this LOA have been used in a manner which is inconsistent with this provision.

2.4. 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 US classified material or information furnished pursuant to this LOA. The Purchaser further certifies that if a US classified item is to be furnished to its contractor pursuant to this LOA: (a) items will be exchanged through official government channels, (b) the specified contractor has been granted a facility security clearance by the Purchaser at a level at least equal to the classification level of the US information involved, (c) all contractor personnel requiring access to such items have been cleared to the appropriate level by the Purchaser, and (d) the Purchaser will assume responsibility for administering security measures while 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.

3 Indemnification and Assumption of Risks

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, or

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.

4 Financial Terms and Conditions

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 Purchaser 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:
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 US 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 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.
4.4.7 That requests for funds or billings 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.
4.4.8 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.
4.4.9 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.

5 Transportation and Discrepancy Provisions

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 US 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 US 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 US 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 US 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 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 and will be submitted promptly by the Purchaser. DoD will not accept claims related to items of $200 or less for overages, shortages, damages, non-shipment, or non-performance. Any claim, including a claim for shortage (but excluding a claim for nonshipment/nonreceipt of an entire lot), received after one year from passage of title to the article or from scheduled performance of the service will be disallowed by the USG unless the USG determines that unusual and compelling circumstances involving latent defects justify consideration of the claim. Claims, received after one year from date of passage of title or initial billing, whichever is later, for nonshipment/nonreceipt of an entire lot will be disallowed by the USG. The

Purchaser agrees to return discrepant articles to USG custody within 180 days from the date of USG approval of such return.

6 Warranties

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 US 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 material 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.

7 Dispute Resolution

7.1 This LOA is subject to US Federal 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.

LETTER OF OFFER AND ACCEPTANCE INFORMATION

1. GENERAL. This provides basic information pertaining to the LOA for US and Purchaser use. Additional information may be obtained from the Security Assistance Management Manual, DoD 5105.38-M, the in-country Security Assistance Office, the DSCA Country Director, or from the implementing agency.

2. INFORMATION ENTERED BY THE USG.

a. Terms of Sale, and Purchaser responsibilities under those Terms, are described on the LOA. A list of all Terms of Sale, with explanations for each, are shown in DoD 5105.38-M.

b. Description/Condition. The item description consists of coding for use in US management of the LOA (starting with Generic/MASL and MDE "(Y)" or non-MDE "(N)" data such as that in DoD 5105.38-M, Appendix D) plus a short description of what is to be provided. When items are serviceable, Code "A" (new, repaired, or reconditioned material which meets US Armed Forces standards of serviceability) may be used; otherwise, Code "B" (unserviceable or mixed condition without repair, restoration, or rehabilitation which may be required) may be used. In some instances, reference to a note in the Terms and Conditions may complement or replace these codes.

c. The Unit of Issue is normally "EA" (each, or one; for example, 40 EA) or blank (unit of issue not applicable; for example, services or several less significant items consolidated under one LOA Item Number). When blank, a quantity or Unit Cost is not shown.

d. The Source Code (SC) in the Articles or Services to be Supplied Section is one or more of the following:

S - Shipment from DoD stocks or performance by DoD personnel
P - From new procurement
R - From rebuild, repair, or modification by the USG
X - Mixed source, such as stock and procurement, or undetermined
E - Excess items, as-is
F - Special Defense Acquisition Fund (SDAF) items

e. Availability leadtime cited is the number of months (MOS) estimated for complete delivery of defense articles or performance of defense services. The leadtime starts with Acceptance of this Offer, including the conclusion of appropriate financial arrangements, and ends when items are made available to transportation.

f. Type of Assistance (TA) Codes are as follows:
3 - Source Code S, R, or E; based on Arms Export Control Act (AECA) Section 21(b).
4 - Source Code X; AECA Sections 21(b), 22(a), 29, or source undetermined.
5 - Source Code P; AECA Section 22(a).
6 - Source Code S, R, or E, payment on delivery; AECA Section 21(d).
7 - Source Code P, dependable undertaking with 120 days payment after delivery; AECA Section 22(b).
8 - Source Code S, R, or E, stock sales with 120 days payment after delivery; AECA Section 21(d).
M - MAP Merger; Foreign Assistance Act (FAA) Section 503(a)(3).
N - FMS Credit (Nonrepayable); AECA Sections 23 or 24.
U - Source Code P; Cooperative Logistics Supply Support Arrangement (CLSSA) Foreign Military Sales Order (FMSO) I.
V - Source Code S; CLSSA FMSO II stocks acquired under FMSO I.
Z - FMS Credit; AECA Sections 23 or 24.

g. Training notes: AP - Annual training program; SP - Special training designed to support purchases of US equipment; NC - This offer does not constitute a commitment to provide US training; SC - US training concurrently being addressed in separate LOA; NR - No US training is required in support of this purchase.

h. Offer Release Codes (Ofr Rel Cde) and Delivery Term Codes (Del Trm Cde) below may also be found in DoD 4500.9-R. The following Offer Release Codes also pertain to release of items for shipment back to Purchaser on repair LOAs:

A - Freight and parcel post shipments will be released automatically by the shipping activity without advance notice of availability.
Y - Advance notice is required before release of shipment, but shipment can be released automatically if release instructions are not received by shipping activity within 15 calendar days. Parcel post shipments will be automatically released.
Z - Advance notice is required, before release of shipment. Shipping activity will follow-up on the notice of availability until release instructions are furnished. Parcel post shipments will be automatically released.
X - The Implementing Agency (IA) and country representative have agreed that the:

-- IA will sponsor the shipment to a country address. Under this agreement, the Freight Forwarder Code must also contain X and a Customer-within-Country (CC) Code must be entered in the Mark For Code on the front page of the LOA. The MAPAD must contain the CC Code and addresses for each type of shipment (parcel post or freight).

-- Shipments are to be made to an assembly point or staging area as indicated by clear instructions on exception requisitions. Under this agreement, the Freight Forwarder Code must contain W. A Mark For Code may be entered in the Mark For Code space on the front page of the LOA and the MAPAD must contain the Mark For Code if the Mark For Address is to be used on the shipment to the assembly point or staging area.

i. For the following Delivery Term Codes, DoD delivers:
2 - To a CONUS inland point (or overseas inland point when the origin and destination are both in the same geographic area)
3 - At the CONUS POE alongside the vessel or aircraft
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
6 - At the overseas POD on board the vessel or aircraft
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 customer 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
B - From overseas POE through CONUS destination to CONUS POE on board the vessel or aircraft
C - From CONUS POD on board the vessel or aircraft through CONUS destination to CONUS POE on board the vessel or aircraft
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.)
F - From overseas inland point through CONUS destination to overseas inland destination
G - From overseas POE through CONUS destination to overseas POD alongside vessel or aircraft
H - (For classified items) From CONUS inland point to CONUS POE alongside vessel or aircraft

J - (For classified cryptographic items) From CONUS inland point to overseas inland destination

3. INFORMATION TO BE ENTERED BY THE PURCHASER. Mark For and Freight Forwarder Codes are maintained in the Military Assistance Program Address Directory (MAPAD), DoD 4000.25-8. The Purchaser Procuring Agency should show the code for the Purchaser's Army, Navy, Air Force, or other agency which is purchasing the item(s). The Name and Address of the Purchaser's Paying Office is also required.

a. Mark For Code. This Code should be entered for use in identifying the address of the organization in the Purchaser country which is to receive the items. This includes return of items repaired under an LOA.

(1) This address will be added by the US DoD to the Ship To address on all freight containers. It will also appear on items forwarded by small parcel delivery service, including parcel post. The address should include the port of discharge name and designator (water or air); country name, country service name, street, city, state or province, and (if applicable) in-country zip or similar address code.

(2) Shippers are not authorized to apply shipment markings. If codes and addresses are not published, containers will be received at the freight forwarder or US military representative in-country unmarked for onward shipment with resultant losses, delays, and added costs. The USG will sponsor shipment of this materiel to FOB US point of origin.

b. Freight Forwarder Code. When Offer Release Code X applies, Code X or W, discussed under Offer Release Code X above, must be entered.

4. FINANCIAL.

a. The method of financing is shown in the LOA, Amendment, or Modification. The initial deposit required with Purchaser signature of the LOA is an integral part of the acceptance.

b. LOA payment schedules are estimates, for planning purposes. DFAS-JAX-IN will request payment in accordance with the payment schedule unless DoD costs, including 90-day forecasted requirements, exceed amounts required by the payment schedule. When this occurs, the US will use its best efforts to provide a new schedule via LOA Modification at least 45 days prior to the next payment due date. The Purchaser is required to make payments in accordance with quarterly DD Forms 645 issued by DFAS-JAX/IN regardless of the existing payment schedule.

c. The DD Form 645 serves as the bill and statement of account. An FMS Delivery Listing, identifying items physically or constructively delivered and services performed during the billing period, will be attached to the DD Form 645. DFAS-JAX/IN forwards these forms to the Purchaser within 45 days before payments are due and Purchasers must forward payments in US dollars to the USG in time to meet prescribed due dates. Costs in excess of amounts funded by FMF agreements must be paid by the Purchaser. Questions concerning the content of DD Forms 645 and requests for billing adjustments should be submitted to the Defense Finance and Accounting Service, 3801 Center Collections, DFAS-JAX/IN, P.O. Box 269490, Indianapolis, IN 46226-9490.

d. The preferred method for forwarding cash payments is by bank wire transfer to the Department of the Treasury account at the Federal Reserve Bank of New York using the standard federal reserve funds transfer format. Wire transfers will be accepted by the Federal Reserve System (FRS) only from banks that are members of the FRS, therefore, non-US banks must go through a US correspondent FRS member bank. The following information is applicable to cash payments:

Wire transfer-

ABA#021030004
U.S. Treasury NYC
Agency Location Code 00003801
Beneficiary: DFAS-JAX/IN Agency
Payment from (country or international organization) for Letter of Offer and Acceptance (Identifier at the top of the first page of the LOA)

Check mailing address-
DFAS-JAX/IN
3801 Center Collections
P.O. Box 269490
Indianapolis, IN 46226-9490

e. To authorize payments from funds available under FMF loan or grant agreements, the Purchaser may be required to submit a letter of request to the Defense Finance and Accounting Service, ATTN: DFAS-JAX/IN, 3801 Center Collections, DFAS-JAX/IN, P.O. Box 269490, Indianapolis, IN 46226-9490. Purchasers should consult applicable FMF agreements for explicit instructions. Questions pertaining to the status of FMF financing and balances should be directed to DSCA/COMPT-FM.

f. Payments not received by DFAS-JAX/IN by the due date may be subject to interest charges as outlined in paragraph 4.4.8 of the LOA Standard Terms and Conditions.

g. The values on the LOA are estimates. The final amount will be equal to the cost to the USG. When deliveries are made and known costs are billed and collected, DFAS-JAX/IN will provide a "Final Statement of Account" which will summarize final costs. Excess funds will be available to pay unpaid billings on other statements or distributed as agreed upon between the Purchaser and the Comptroller, DSCA.

h. The Purchaser may cancel this LOA upon request to the implementing agency. An administrative charge that equals one-half of the applicable administrative charge rate times the ordered LOA value, which is earned on LOA acceptance, or the applicable administrative charge rate times the actual LOA value at closure, whichever is higher, may be assessed if this LOA is canceled after implementation.

5. CHANGES TO THE LOA. Changes may be initiated by the USG or by requests from the Purchaser. After acceptance of the basic LOA, these changes will take the form of Amendments or Modifications.

a. Amendments encompass changes in scope, such as those which affect the type or number of significant items to be provided. Amendments require acceptance by the USG and the Purchaser in the same manner as the original LOA.

b. Modifications include changes which do not constitute a change in scope, such as increases or decreases in estimated costs or delivery schedule changes. Modifications require signature only to acknowledge receipt by the Purchaser.

c. When signed, and unless alternate instructions are provided, copies of Amendments and Modifications should be given the same US distribution as the basic LOA.

d. Requests for changes required prior to acceptance by the Purchaser should be submitted to the implementing agency for consideration. See DoD 5105.38-M.

6. CORRESPONDENCE. Questions or comments regarding this LOA should identify the Purchaser request reference and the identification assigned by the implementing agency within DoD.

TERMINATION LIABILITY WORKSHEET

LOA Identification: BN-D-YCY **Type: LOA** **Nbr: 13-Aug-06**

Amount Received from Purchaser $0

Payment Date	Total Payment Quarterly	Total Payment Cumulative	Estimated Disbursements Quarterly	Estimated Disbursements Cumulative	Termination Liability/ Contractor Holdback Quarterly	Termination Liability/ Contractor Holdback Cumulative
Due with LOA Acceptance	$1,924,672	$1,924,672		$1,907,767		$16,905
15 Mar 2007	$180,612	$2,107,991	$143,586	$2,053,041	$37,026	$54,950
15 Jun 2007	$218,349	$2,326,340	$162,778	$2,215,819	$55,571	$110,521 15
15 Sep 2007	$272,121	$2,598,461	$231,012	$2,446,831	$41,109	$151,630
15 Dec 2007	$331,242	$2,929,703	$261,454	$2,708,285	$69,788	$221,418
15 Mar 2008	$492,229	$3,421,932	$420,086	$3,128,371	$72,143	$293,561
15 Jun 2008	$631,726	$4,053,658	$566,877	$3,695,248	$64,849	$358,410
15 Sep 2008	$1,755,970	$5,809,628	$1,511,865	$5,207,113	$244,105	$602,515
15 Dec 2008	$3,062,042	$8,871,670	$1,696,971	$6,904,084	$1,365,071	$1,967,586
15 Mar 2009	$4,521,035	$13,392,705	$3,359,424	$10,263,508	$1,161,611	$3,129,197
15 Jun 2009	$6,542,961	$19,935,666	$4,436,825	$14,700,333	$2,106,136	$5,235,333
15 Sep 2009	$8,940,893	$28,876,559	$6,398,271	$21,098,604	$2,542,622	$7,777,955
15 Dec 2009	$11,444,417	$40,320,976	$9,313,999	$30,412,603	$2,130,418	$9,908,373
15 Mar 2010	$13,000,942	$53,321,918	$11,821,593	$42,234,196	$1,179,349	$11,087,722
15 Jun 2010	$12,854,739	$66,176,657	$16,111,212	$58,345,408	-$3,256,473	$7,831,249
15 Sep 2010	$10,730,246	$76,906,903	$15,253,769	$73,599,177	-$4,523,523	$3,307,726
15 Dec 2010	$7,204,740	$84,111,643	$9,791,437	$83,390,614	-$2,586,697	$721,029
15 Mar 2011	$3,858,220	$87,969,863	$4,579,249	$87,969,863	-$721,029	$
15 Jun 2011	$1,288,259	$89,258,122	$1,288,259	$89,258,122	$0	$0

Sample Case Documents

LOA Manpower and Travel Data Sheet [Notional]

Case Identifier: BN-D-YCY-Basic Case Title: Humdinger Missile System

A: Personnel

Position/ Function	Grade/Rank/ Contractor	Organization	Line Item on LOA	Work Years of Effort	Duration (From/ To)	Total Costs	Corres-ponding Table C5.T6 Row #
Technical Analyst	Contactor 657	AAC EGLIN AFB	009	5	Oct 2006 through Sep 2011	$657,000	13
Program Support Manager	YA-2 1101,063AA3, 657 MPCN 11111111M	AFSAC WPAFB	011	5	Oct 2006 through Sep 2011	$606,565	13
Engineer Support Specialist	YA-2 1101,063AA3, 657 MPCN 22222222M	AAC EGLIN AFB	011	5	Oct 2006 through Sep 2011	$347,535	13
Supply Specialist	YA-2 1101,063AA3, 657 MPCN 33333333M	AAC EGLIN AFB	011	5	Oct 2006 through Sep 2011	$312,315	13
Site Survey	1 Officer, 1 Enlisted	OCONUS	013	.167	Aug 2011-Sep 2011	35,000	2

B: Travel

Purpose of Trip	CONUS or In-Country	Line Item on LOA	Number of Trips	Duration of Each Trip	Number of People Each Trip	Total Cost	Corres-ponding Table C5.T6 Row #
Site Survey	In-Country	013	1	4	2	$15,000	23
LMR FY 05/Qtr 1	CONUS	011	2	3	1	$2,200	19
PMR FY 05/Qtr 2	In-Country	011	1	7	2	$10,000	20
LMR FY 06/Qtr 2	CONUS	011	2	3	1	$2,300	19
PMR FY 06/Qtr 3	In-Country	011	1	7	2	$10,800	20
LMR FY 07/Qtr 1	CONUS	011	2	3	1	$2,400	19

PMR FY 07/Qtr 3	In-Country	011	1	7	2	$11,400	20
LMR FY 08/Qtr 1	CONUS	011	2	3	1	$2,500	19
PMR FY 08/Qtr 3	In-Country	011	1	7	2	$11,800	20
LMR FY 09/Qtr 1	CONUS	011	2	3	1	$2,600	19
PMR FY 09/Qtr 3	In-Country	011	1	7	2	$12,000	20

C: Personnel Support Costs

Type of Support	**Total Cost**	**Corresponding Table C5.T6 Row #**
Office Equipment (Copier, Communications), Postage and Supplies	$2,000	33
Computer Software, Equipment and Supplies/Small Computer Items	$8,000	31
Contract Administrative Charge (CAS Lines 009) = 0.85%	$5,585	13
TOTAL:	$2,057,000	

D: Narrative Description: This case provides for the purchase of Humdinger Missiles, Support Equipment, and Training. The Other Services provides Air Force Materiel Command (AFMC) services including travel to support the Bandaria Air Force (BAF) humdinger missile program.

E: Additional Comments:
Overall methodology in deriving Personnel Support Costs was estimated value of equipment and services from vendors.

Total New Requirement for Parts A, B and C: Case Duration: (10/2006-09/2011)
LOA Line 009 $662,585
LOA Line 011 $1,344,415
LOA Line 013 $50,000

F: Point of Contact for further information regarding manpower on this Case: Bill Rimpo, SAF/IAPX, DSN 999-2121, FAX: 999-2222, E-mail: brimpo999@pentagon-bldg50.mil
G: SAF/IAPX Review Date/Approval Number: Review Date: 07/10/2006 Approval Number: 2109.

RP034 **MILITARY ARTICLES SERVICE LIST (EXTRACT)**

Generic Code: B2Z **(Generic Code)**

Ft Cd	RIC	MASL Cd	Gen Cd	Cls Id	UI Cd	MASL Description	Article Description	MDE Cd	MTCR	EUM	ITAR
YY	FA0	1410013013317	B2Z	U	EA	AMRAAM MSL, AIM-120A	AMRAAM MISSILE, AIM-120A	Y	M	E	IV
	FA0	1410014540351		U	EA	AMRAAM MSL, AIM-120	AMRAAM MISSILE, AIM-120B	Y	M	E	IV
	FA0	1410AMA1M120C		C	EA	AMRAAM MISSILE, AIM-120C	AMRAAM MISSILE, AIM-120C	Y	M	E	IV
YY	FA0	1410HUM999999		U	EA	MSL, HUMDINGER, HAVI	MISSILE, HUMDINGER, HAVI (DISAM)	Y	M	E	IV
	FA0	1410NCC514042		U	EA	AMRAAM MSL, AIM-120B	AMRAAM MISSILE, AIM-120B	Y	M	E	IV
	FA0	1410NCC618581		U	EA	AMRAAM MSL, AIM-120B	AMRAAM MISSILE, AIM-120B	Y	M	E	IV
	FA0	HUMD1NGERMSL1		U	EA	MSL, HUMDINGER, HUM-120A	MISSILE, HUMDINGER, HUM-120A (DISAM)	Y	M	E	IV
YY	FA0	144000120LCHR		U	EA	AMRAAM MISSLE LAUNCHER	AMRAAM MISSILE LAUNCHER	N	M	E	IV
	N21	144000127LCHR		U	EA	LAUNCHER, LAU-127A/A	LAUNCHER, LAU-127A/A	Y	M	R	IV
	FA0	1440013154103		U	EA	LAUNCHER, LAU-129A/A	LAUNCHER, LAU-129A/A	Y	N	R	IV
	FA0	1440013161238		U	EA	LAUNCHER, LAU-128A/A	LAUNCHER, LAU-128A/A	Y	M	R	IV
YY	FA0	6920013014619		U	EA	TRAINING MSL, CATM-120A	TRAINING MISSILE, CATM-120A	N		**R**	IV
	FA0	692001CTM120B		U	EA	TRAINING MSL CATM-120B	TRAINING MISSILE CATM-120B	N	N	R	IV
	FA0	692001CTM120C		U	EA	TRAINING MSL CATM-120C	TRAINING MSL CATM-120C	N		R	IV
	FA0	6920HUCTM120A		U	EA	TRAINING MSL, CATM-120A	MISSILE, HUMDINGER, TRAINING, CATM-120A (DISAM)	S	N	R	IV
YY	FA0	8140012857178		U	EA	ALLUP RND CONTR, CNU 431/E	ALLUP RND CONTR, CNU 431/E	N	N	R	IV
	FA0	8140ALLUP413E		U	EA	ALLUP RND CTNTR, CNU 431/E	ALLUP ROUND CONTAINER (DISAM)	N	N	R	IV
	FA0	9B2Z00AMMAJMD		U	XX	AMRAAM MAJOR (CL V) MODS	AMRAAM MAJOR (CL V) MODS	N		R	IV
	FA0	9B2Z00AMRASUP		U	XX	AMRAAM SUPPORT EQUIP	AMRAAM SUPPORT EQUIPMENT	N	N	R	IV
	FA0	9B2Z00HUMDSUP		U	XX	SUPPORT EQUIPMENT, HUM 120A	SUPPORT EQUIPMENT HUM-120A (DISAM)	N	N	R	IV
	N21	9B2Z00LCHRM0D		U	XX	OTHER LAUNCHERS/MOD KITS	OTHER LAUNCHERS/MOD KITS	N	N	R	IV
	FA0	9B2Z1N1TALSPT		U	XX	CONTRACTOR AMRAAM INITIAL SUPT	CONTRACTOR AMRAAM INITIAL SUPPORT	N	M	R	IV

Sample Case Documents

United States of America
Modification 1 to Letter of Offer and Acceptance (LOA)
BN-D-YCY

ROYAL HUMDINGER

Based on (DISAM) Definitization Conference Minutes, dated 22 November 2006.

Mail To: Embassy of Bandaria Office of the Air Attaché 1234 Massachusetts Ave, NW Washington, DC 29999

Pursuant to the Arms Export and Control Act, the Government of the United States (USG) hereby notifies the purchaser of Modification to the Letter of Offer and Acceptance (LOA) identified above. All other terms and conditions of the LOA remain unchanged.

This Modification is for cost adjustments to the basic LOA for Line Items 007 and 989 based on agreements made at the Logistics and Training Definitization Conferences.

Basic LOA accepted: 28 Sep 2006.

Estimated Cost: $89,249,590

Terms of Sale:
Cash Prior to Delivery
Dependable Undertaking

Congressional Notification: 06-46

This Modification consists of page 1 through page 4.

The undersigned are authorized representatives of their Governments and hereby respectively furnish and acknowledge receipt of this Modification:

	6 Dec 2006		
US Signature	Date	Purchaser Signature	Date
RALPH R. PUGSLEY Director, 555th Int'l Group			
Typed Name and Title		Typed Name and Title	
555th INT'L GROUP (AFSAC)			
Implementing Agency		Agency	
Not Required per SAMM	6 Dec 2006		
DSCA	Date		

Customer description continued: November 2006, Action Item 018.

This Modification provides notification of changes as follows:

(1) Itm Nbr	(2) Description/Condition		(3) Qty Unit of Issue	(4) Costs (a) Unit	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
	PREVIOUS							
007 C3 47	B9A 9B9A00GMPARTS GUIDED MISSILE PARTS COMPONENTS & PARTS FOR GM & GM SUPPORT EQUIPMENT	(N)(N)(R) (IV)	XX		$2,121,000	X (1-60) TA4	A/Z	5/8
	Includes Classified Components (Note(s) 7, 17)							
	REVISED							
007 C3 47	B9A 9B9A00GMPARTS GUIDED MISSILE PARTS COMPONENTS & PARTS FOR GM & GM SUPPORT EQUIPMENT	(N)(N)(R) (IV)	XX		$1,971,000	X (1-60) TA4	A/Z	5/8
	Includes Classified Components (Note(s) 7, 17)							
	PREVIOUS							
989 E1 88	N0O 000000FMSTRNG TRAINING	(N)(N)(R) (IX)	XX		$160,000	X (1-24) TA4	-	-
	WCN09999/D399000/ Abbr Trng Plan (Undefined Training and Contractor Training Requirements) (Note(s) 14)							

(1) Itm Nbr	(2) Description/Condition	Unit of Issue	(3) Qty	(4) Costs (a) Unit	(b) Total	(5) SC/MOS / TA	(6) Ofr Rel Cde	(7) Del Trm Cde
	REVISED							
989 E1 88	N0O 000000FMSTRNG TRAINING	(N)(N)(R) (IX)	XX		$310,000	X (1-24) TA4	-	-
	WCN09999/D399000/ Abbr Trng Plan (Undefined Training and Contractor Training Requirements) (Note(s) 14)							

Estimated Cost Summary:	**Previous (B)**	**Revised**
(8) Net Estimated Cost	$84,426,706	$84,426,706
(9) Packing, Crating, and Handling	434	434
(10) Administrative Charge	3,208,215	3,208,215
(11) Transportation	1,622,767	1,614,235
(12) Other	0	0
(13) Total Estimated Cost	$89,258,122	$89,249,590

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:
ESTIMATED PAYMENT SCHEDULE

Payment Date	Quarterly	Cumulative
Previous Payment Scheduled Date (15 Mar 2007)		$180,612
Current USG Financial Requirements		$2,107,991
Amount Received From Purchaser	$2,107,991	

Payment Date	Quarterly	Cumulative
15 Jun 2007	$218,349	$2,326,340
15 Sep 2007	$272,121	$2,598,461
15 Dec 2007	$331,242	$2,929,703
15 Mar 2008	$492,229	$3,421,932
15 Jun 2008	$631,726	$4,053,658
15 Sep 2008	$1,755,970	$5,809,628
15 Dec 2008	$3,062,042	$8,871,670
15 Mar 2009	$4,521,035	$13,392,705
15 Jun 2009	$6,542,961	$19,935,666
15 Sep 2009	$8,940,893	$28,876,559
15 Dec 2009	$11,444,417	$40,320,976
15 Mar 2010	$13,000,942	$53,321,918
15 Jun 2010	$12,854,739	$66,176,657
15 Sep 2010	$10,730,246	$76,906,903

15 Dec 2010	$7,204,740	$84,111,643
15 Mar 2011	$3,858,220	$87,969,863
15 Jun 2011	$1,279,727	$89,249,590

Signed Copy Distribution:

1. Upon acknowledgement of receipt, the Purchaser should return one signed copy of this Modification to Defense Finance and Accounting Service - Indianapolis, ATTN: Security Assistance Accounting, DFAS-JAX/IN, 8899 E. 56th Street, Indianapolis, IN 46249-0230.

2. One signed copy should be returned to Department of the Air Force, Air Force Security Assistance Center, 555th ISPTS/CC, 1822 Van Patton Drive, Building 210, WPAFB, OH 45433-5337.

Note 41. ADMINISTRATIVE SURCHARGE (RESTATED).

An Administrative surcharge of 3.8% has been applied to Line(s) 001-013 and 989.

United States of America
Amendment 1 to Letter of Offer and Acceptance (LOA)
BN-D-YCY

ROYAL HUMDINGER

Based on (DISAM) Government of Bandaria, Air Force Letter dated December 5, 2006.

Mail To: Embassy of Bandaria Office of the Air Attaché 1234 Massachusetts Ave, NW Washington, DC 29999.

Pursuant to the Arms Export and Control Act, the Government of the United States (USG) offers to amend the Letter of Offer and Acceptance (LOA) identified above for the purchase of defense articles, defense services, or both. Other provisions, terms and conditions of the original LOA remain unchanged.

This Amendment adds a Quality Assurance Team (QAT), restates Note 39 (Administrative Surcharges), adds new Line Item Note 41 (Quality Assurance Team).

Basic LOA accepted: 28 Sep 2006.

Estimated Cost: $89,429,590 Due with Amendment Acceptance: $3,295

Terms of Sale:
Cash Prior to Delivery
Dependable Undertaking

Congressional Notification: 06-46

This offer expires on 25 March 2007. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This Amendment consists of page 1 through page 3.

The undersigned are duly authorized representatives of their Governments and hereby respectively offer and accept this Amendment.

	5 Jan 2007		25 Mar 2007
US Signature	Date	Purchaser Signature	Date

RALPH R. PUGSLEY
Director, 555th Int'l Group
Typed Name and Title

GENERAL MALAISE, GOB, MoF
Typed Name and Title

555th INT'L GROUP(AFSAC)
Implementing Agency

Agency

Not Required per SAMM 5 Jan 2007
DSCA Date

This Amendment consists of changes as follows:

(1) Itm Nbr	(2) Description/Condition		(3) Qty Unit of Issue	(4) Costs (a) Unit	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
	ADDED							
014 D3 47	R4C 074200QUALSER QUALITY ASSURANCE SERVICES	(N)(N)(R) (XXI)	XX		$173,411	S (58-60) TA3	-	-
	USAF Quality Assurance Team (Note(s) 41)							

Estimated Cost Summary:	**Previous (M1)**	**Revised**
(8) Net Estimated Cost	$84,426,706	$84,600,117
(9) Packing, Crating, and Handling	434	434
(10) Administrative Charge	3,208,215	3,214,804
(11) Transportation	1,614,235	1,614,235
(12) Other	0	0
(13) Total Estimated Cost	$89,249,590	$89,429,590

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

ESTIMATED PAYMENT SCHEDULE

Payment Date		Quarterly	Cumulative
Previous Payment Scheduled Date (15 Jun 2007)			$218,349
Current USG Financial Requirements			$2,329,635
Amount Received From Purchaser	$2,326,340		
Due with Amendment Acceptance		$3,295	$2,329,635
15 Sep 2007		$272,121	$2,601,756
15 Dec 2007		$331,242	$2,932,998
15 Mar 2008		$492,229	$3,425,227
15 Jun 2008		$631,726	$4,056,953
15 Sep 2008		$1,755,970	$5,812,923
15 Dec 2008		$3,062,042	$8,874,965
15 Mar 2009		$4,521,035	$13,396,000
15 Jun 2009		$6,542,961	$19,938,961
15 Sep 2009		$8,940,893	$28,879,854
15 Dec 2009		$11,444,417	$40,324,271
15 Mar 2010		$13,000,942	$53,325,213
15 Jun 2010		$12,854,739	$66,179,952

15 Sep 2010	$10,730,246	$76,910,198
15 Dec 2010	$7,204,740	$84,114,938
15 Mar 2011	$3,858,221	$87,973,159
15 Jun 2011	$1,456,431	$89,429,590

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 "Payment from Government of Bandaria for BN-D-YCY"; or a check for the initial deposit, made payable to the US Treasury, mailed to DFAS-JAX/IN, P.O. Box 269490, Indianapolis, IN 46249, showing "Payment from Government of Bandaria for BN-D-YCY". Wire transfer is preferred.

2. One signed copy should be returned to Department of the Air Force, Air Force Security Assistance Center, 555th ISPTS/CC, 1822 Van Patton Drive, Building 210, WPAFB, OH 45433-5337.

Note 40. ADMINISTRATIVE SURCHARGE (RESTATED).

An Administrative surcharge of 3.8% has been applied to Line(s) 001-014 and 989.

Note 41. LINE ITEM NOTE 014 QUALITY ASSURANCE TEAM (QAT) (ADDED).

This line provides for a team to be in-country when the final missiles are delivered. The team members will do quality checks, assist with necessary preoperational tests and checks, and help resolve problems. The team will consist of technically qualified specialists to assess physical and operational aspects of the materiel to demonstrate that it is according to terms of the LOA. The team is not required to conduct operator or maintenance training. The estimated costs cover travel, salary and related costs, and per diem cost of the team. The purchaser will be billed only for the costs incurred by the USG.

TRANSPORTATION PLAN [Notional]
FOREIGN MILITARY SALES (FMS)
CASE BN-D-YCY, LINE ITEM 007

1. DESCRIPTION OF THE MATERIAL

In accordance with DoD 5105.38-M, Security Assistance Management Manual (SAMM), DoD 5200.1-R, Information Security Program Regulation, DoD 5220.22-M, National Industrial Security Program Operating Manual (NISPOM) and AFMAN 16-101, International Affairs and Security Assistance Management, this plan provides procedures for the movement of classified (CONFIDENTIAL and SECRET) materiel identified on United States Letter of Offer and Acceptance (LOA) for FMS case BN-D-YCY.

The following line is for CONFIDENTIAL and SECRET Supply:
Line Item 007 Classified and Unclassified spare parts in support of the HUMDINGER MISSILE.

2. IDENTIFICATION OF FREIGHT FORWARDER FACILITIES, PARTICIPATING GOVERNMENT AND COMPANY REPRESENTATIVES

a. All shipments to, from, or between the United States and the Government of Bandaria against this FMS case will be received/processed by the following Defense Security Service (DSS) approved freight forwarding facilities:

Bandarian Freight Forwarding Corp USA (BFFC)
Warehouse Docks
2486 West 53rd Street
Baltimore MD 21224-0319

COMMERCIAL PHONE: (410) 324-5555
COMMERCIAL FAX: (410) 324-0001

Cage Code: F0SC87
Facility security clearance level: SECRET- Hardware Only
Level of safeguarding: SECRET

b. The following freight forwarder representatives at Bandarian Freight Forwarding Corp USA are DSS-cleared and authorized to arrange the transfer of, sign receipts, and assume security responsibility for the classified freight:

Ms. Camilla Johnson/Facility Security Officer (FSO)
Security clearance level: SECRET

Mr. John Hermanez, Warehouse Worker
Security clearance level: SECRET

c. Defense Security Service (DSS) Field Office with Geographic Responsibility for the Freight Forwarder:

DSS Captial Region Field Office
14428 Albemarle Point Place, Suite 140

Chantilly VA 20141

POC: Jane Doe
E-Mail: jane.doe@mail.dss.mil
Ph: (410) 888-6666 Fax: (410) 555-9999

d. Air Force Security Assistance Center Command Country Manager:

P. Lockhart
555 IMATS/Z Flight
Air Force Security Assistance Center (AFSAC)
1822 Van Patton Drive
Wright Patterson AFB OH 45433-5337
E-mail: lockhartp@wp-afb.af.mil
PH: (937) 555-5555, ext 8888 FAX: (937) 555-9999

3. DESCRIPTION OF SHIPPING METHODS FROM THE SOURCE OF SUPPLY TO THE FREIGHT FORWARDER

a. When the classified materiel has been properly packaged, labeled, marked, and made available for shipment from the source of supply, origin shipping personnel will prepare and dispatch a formal Notice of Availability (NOA). Per policy contained in DoD Manual 4000.25-8-M, Military Assistance Program Address Directory (MAPAD), the NOA will be directed to the Bandarian country representative listed below:

BANDARIA EMBASSY
ASST. DIRECTOR SHIPPING, BPO
1234 MASSACHUSETTS AVE NW
WASHINGTON DC 20001-3899

COMMERCIAL PHONE: (210) 111-5555
COMMERCIAL FAX: (210) 111-5551

b. The Government of Bandaria representative will formally respond to the NOA. The response will identify the Bandarian Freight Forwarding Corp USA as the agent for Bandaria to take delivery and safeguard the classified shipment. If any other shipping location is identified, approval by AFSAC 555th International Logistics (ILS) Squadron/Distribution Flight, Transportation Branch (PH: (937)555-6666, FAX: (937) 555-7777) is required prior to releasing the shipment.

c. Based on the formal response to the NOA, the origin shipping officials will obtain a carrier qualified by the Surface Deployment and Distribution Command (SDDC) to transport the classified materiel from the supply facility to the Bandarian Freight Forwarding Corp USA. All safeguards for transporting classified material will be followed including Constant Surveillance (CS) service or Protective Security (PS) service as necessary. CONFIDENTIAL material, as a minimum, must be transported by a commercial carrier qualified by SDDC to transport CONFIDENTIAL and provide CS service. If the shipment includes SECRET material, the carrier must be cleared by DSS and qualified by SDDC to provide PS service. Within CONUS, SECRET and CONFIDENTIAL material may also be transported to the designated freight forwarder by U.S. Postal Service registered or express mail, as appropriate. Signature security

service will be initiated at the shipping point and continue until delivery to the ultimate consignee in Bandaria, thus providing a continuous chain of receipt. After selection of the approved shipping method and release of custody of the classified materiel via execution of the Signature and Tally Record (DD Form 1907 or equivalent), a Report of Shipment (REPSHIP) will immediately be dispatched by FAX to receiving personnel at Bandaria Freight Forwarding Corp USA and the in-country Mark-For address.

d. Bandaria Freight Forwarding Corp USA is required to advise the shipping office on any shipment not received within 24 hours after the estimated time of arrival specified in the REPSHIP. Upon receipt of such notice, the shipping office will immediately initiate tracer action. When the shipment is located, if it is suspected that the assets were subject to compromise (i.e., pack damaged, seals broken, etc.), the local security authorities will be notified (depot shipments). If the assets were shipped from a contractor's facility, the local DSS Industrial Security Field Office Representative will be contacted immediately.

e. Upon receipt of the classified assets at Bandaria Freight Forwarding Corp USA, the above named Facility Security Officer (FSO), or properly cleared representative, will receive the cargo. The FSO/Rep will receipt for the materiel, take custody of the materiel, and sign and retain copies of the Signature and Tally Record (DD Form 1907 or equivalent). The FSO/Rep will inspect all marks, numbers, seals, and serial numbers against the shipping documents. In the case of a sealed truck, the FSO/Rep shall verify that the seal has not been tampered with and that its identification marks are the same as indicated on the bill of lading from the origin facility. The classified materiel will immediately be stored in an area or container approved by DSS for storing classified material with original documentation attached until transportation arrangements are made to transfer the shipment to the consignee in Bandaria. If for any reason, Bandaria Freight Forwarding Corp USA personnel suspect the shipment was compromised during shipment (i.e., packing damaged, seals broken, unauthorized carrier, etc.), they will immediately contact the security office identified in paragraph 2. The DSS Industrial Security Field Office will also be contacted if the shipment was made by a commercial carrier.

f. The classified materiel, while in the custody of Bandaria Freight Forwarding Corp USA will not be opened, left unsecured, or handled by unauthorized or uncleared personnel.

4. MOVEMENT OF THE CLASSIFIED MATERIEL FROM THE FREIGHT FORWARDER TO THE CUSTOMER COUNTRY

a. Bandaria Freight Forwarding Corp USA will arrange for the movement of the classified materiel from their facility to the port of embarkation at Dulles International Airport. This movement will be with own organic resources with a properly cleared person providing escort for the classified material. If organic resources are not available, then Bandaria Freight Forwarding Corp USA will obtain a qualified SDDC carrier to perform this movement. All safeguards for transporting classified will be followed to include Constant Surveillance (CS) service or Protective Security (PS) service, as necessary. CONFIDENTIAL material, as a minimum, must be transported by a commercial carrier qualified by SDDC to transport CONFIDENTIAL and provide CS service. If the shipment includes SECRET material, the carrier must be cleared by DSS and qualified by SDDC to provide PS service. Bandaria Freight Forwarding Corp USA will ensure that all required documentation is logged with the U.S. Customs Port Director and the DSS Industrial Security Field Office representative will be notified by the freight forwarder prior to the outbound shipment of the classified materiel.

b. Security responsibilities transfer from Bandaria Freight Forwarding Corp USA to a designated representative when the Signature and Tally record is signed. Delivery will be made to the Bandarian International Airlines at Dulles International Airport. No other carriers are authorized for this movement. The individual signing for the carrier or escorting the classified materiel must have a U.S. clearance of the appropriate level or be a Bandarian national cleared to the level of classified involved in the specific shipment. CONFIDENTIAL material may also be transmitted in the custody of commanders of U.S. registry who are U.S. citizens, or commanders of Bandarian registry who are Bandarian nationals. The responsible commander will deny access to the materiel by unauthorized persons, including customs inspectors. CONFIDENTIAL materiel may not pass out of the responsible U.S. government or Bandarian Government control. The responsible individual must oversee the loading and unloading of the classified materiel at the shipping and receiving ports and ensure it is safeguarded in an appropriate manner until transferred by signature to the designated Bandarian government representative.

c. In addition to the above requirements, Bandarian Freight Forwarder Corp USA will be responsible for notifying the customer on the intended mode of shipment. This notification will include the carrier's name, estimated departure date and time, as well as the estimated time of arrival in country.

5. TRANSFER OF CUSTODY

Shipments will arrive by commercial airlines, Bandarian International Airlines on a direct commercial flight into Pomodorra International Airport, Blizry Bandaria. Bandarian Air Force officials will meet the aircraft and sign for the custody of the classified material. Bandarian Air Force officials will maintain security of the material while being processed through Customs. Once processed, they will make secure transportation arrangements for the movement of classified material to the ultimate destination in-country.

6. RETURN OF CLASSIFIED MATERIEL FROM THE PURCHASER

a. Bandaria will use their own transportation and CONUS freight forwarder, Bandarian Freight Forwarding Corp USA, to return assets to the repair facility. Movement of the classified materiel from Bandaria to the CONUS port of debarkation will be by the freight forwarder's own transportation or by cleared commercial carriers. Prior to the flight (vessel) arriving in the U.S., the Bandarian Freight Forwarding Corp USA will be notified in advance by the Bandarian Air Force. This notice will include the aircraft (or vessel) number, date/time of departure and arrival, document number(s), case, value and level of classification. Bandarian Freight Forwarding Corp USA will hand over shipping documents for the inbound shipment to their customs broker to prepare applicable import documentation. A cleared freight forwarder representative will accompany the materiel at all times when it is not in an area approved by DSS for storing classified materiel.

b. Upon notification of arrival, a cleared representative of Bandarian Freight Forwarding Corp USA will pick up the materiel and return it to their warehouse where they will receipt for the classified materiel. Bandarian Freight Forwarding Corp USA will examine all shipping documents to determine if the materiel has been transferred to any unauthorized carrier during shipment. If so, they will immediately notify DSS. The classified materiel will be placed in the facility's DSS-approved secure storage area and paperwork prepared for onward movement.

c. Bandarian Freight Forwarding Corp USA will inform the repair facility by FAX of the nature of each classified shipment, the anticipated time, and date of arrival at least 24 hours in advance, (or immediately on dispatch if transit time is less than 24 hours) of the arrival of the shipment.

d. Bandarian Freight Forwarding Corp USA shall annotate the bills of lading as follows:

"Carrier to notify the consignor and consignee (telephone numbers) immediately if shipment is delayed because of an accident or incident. If neither can be reached, contact SDDC HOTLINE NUMBER 1-800-524-0331). Use the HOTLINE number to obtain safe haven or refuge instructions in the event of a civil disorder, natural disaster, carrier strike, or other emergency."

e. The carrier shall also be required to notify Bandarian Freight Forwarding Corp USA immediately by the fastest means if the shipment is unduly delayed enroute. Such annotations shall not disclose the classified nature of the materiel.

f. Bandarian Freight Forwarding Corp USA is responsible for arranging the onward movement of the classified materiel to the designated repair facility. Bandarian Freight Forwarding Corp USA will obtain a carrier qualified by SDDC to transport the classified materiel. All safeguards for transporting classified will be followed to include Constant Surveillance (CS) service or Protective Security (PS) service, as necessary. CONFIDENTIAL material, as a minimum, must be transported by a commercial carrier qualified by SDDC to transport CONFIDENTIAL and provide CS service. If the shipment includes SECRET material, the carrier must be cleared by DSS and qualified by SDDC to provide PS service. Bandarian Freight Forwarding Corp USA is responsible for obtaining a carrier representative's signature on the Signature and Tally Record, thereby continuing the accountability and transfer of custody during the transportation cycle.

g. Bandarian Freight Forwarding Corp USA will instruct the repair facility to notify them if the assets are not received within 48 hours from the estimated time of arrival. Bandarian Freight Forwarding Corp USA will check with the carrier to trace the shipment and immediately notify the DSS Industrial Security Field Office of the delay and circumstances as known.

h. Upon arrival at the designated repair facility, a clear individual in the receiving section will receipt for the classified materiel. A copy of the Signature and Tally Record (DD Form 1907 or equivalent) will be faxed back to Bandaria Freight Forwarding Corp USA as proof of delivery to the repair facility. If it is suspected that the material was subject to compromise (i.e., packing damaged, seals broken, etc.), the local security authorities will be notified. If the repair facility is a cleared contractor facility, the receiving section will notify their facility security officer who will notify DSS. Receiving section personnel will examine all shipping documents to determine if the materiel had been transferred to any unauthorized carriers during shipment. They will specifically verify that the classified materiel was transported via an authorized qualified SDDC carrier. Receiving personnel at government depot repair facilities will report any use of an unauthorized carrier during any segment of the transportation cycle to local DoD security authorities. Receiving personnel at contractor facilities will report any use of an unauthorized carrier to the local DSS Industrial Security Field Office.

i. Upon completion of repairs, an NOA will be dispatched to the designated country representative and the shipping and handling procedures will be the same as those utilized for the description of shipping methods identified in paragraphs 3 and 4.

7. RECIPIENT GOVERNMENT RESPONSIBILITIES

Upon receipt of the classified materiel at the Pomodorra International Airport, Blizry Bandaria, Bandarian military officials will examine all shipping documents to determine if the materiel has been transferred to any unauthorized carrier during shipment. If so, they will immediately notify the security officer identified in paragraph 2e.

8. TRANSPORTATION PLAN CHANGES OR DEVIATIONS

It is the responsibility of the Government of Bandaria and their designated government representatives to ensure the accuracy of this transportation plan. Any proposed changes or deviations to this plan must be sent in writing to the Command Country Manager at AFSAC and the Distribution Flight/Transportation Branch, for approval prior to implementation. This transportation plan is inclusive of all attachments.

REGULATORY REFERENCE LISTING

DoD 4000.25-8-M	Military Assistance Program Address Directory (MAPAD)
DoD 5105.38-M	Security Assistance Management Manual (SAMM)
DoD 5200.1-R	Information Security Program
AFI 31-401	Managing the Information Security Program
DoD 5220.22-M	National Industrial Security Program Operating Manual (NISPOM)
MIL-STD 129	Standard Practice for Military Marking
AFI 24-401	Transportation (Cargo Movement)
AFJM 24-204	Preparing Hazardous Materials for Military Air Shipment
DoD 4500.9-R	Defense Transportation Regulation, Part II, Cargo Movement
AFMAN 16-101	International Affairs and Security Assistance Management
DoD 5100.76-M	Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives

SELECTED FMS ACQUISITION CONTRACT CLAUSES
HUMDINGER MISSILES
MASID MISSILE CORPORATION

BACKGROUND:

System: HUM-120 A Humdinger Missiles (MASID Missile Corporation)

Kind and Type of Acquisition Contract: A systems acquisition involving different types of contracts within the main contract. Included are:

Fixed Price - (Major items)	Humdinger vehicles; Sections and warhead replacement instrumentation; Integrated Logistics Support.
Cost Reimbursement	Ammonium perchlorate,
Time and Materials	Pre-operational support labor and materials; Technical Review and Coordination of Co-Producer's Class I and II changes and major requests for deviations and waivers.

CONTRACT CLAUSES:

A. INSPECTION AND ACCEPTANCE. In section E. Inspection and Acceptance.

1. NOTICE: The following solicitation provisions and/or contract clauses pertinent to this section are hereby incorporated by reference:

FEDERAL ACQUISITION REGULATION (48 CFR CHAPTER 1) CLAUSES

FAR Paragraph	Clause Title/Date
52.246-2	Inspection of Supplies - Fixed Price (Aug 1996)
52.246-3	Inspection of Supplies - Cost-Reimbursement (Apr 1984)
52.246-6	Inspection - Time and Material and Labor-Hour (Jan 1986)
52.246-11	Higher-Level Contract Quality Requirement (Government Specification) (Feb 1999) ((b) Title and Number of Specification: Quality Program Requirements MIL-Q-9858A).
52.246-16	Responsibility for Supplies (Apr 1984)

2. PROCUREMENT QUALITY ASSURANCE (PQA)/INSPECTION AND ACCEPTANCE

a. The places for performance of PQA/Inspection and Acceptance are stated in alpha codes in "Site Codes" of Section B for each contract line or subline item. When DD form 1423 is used, PQA/Inspection and Acceptance will be specified in Block 7, and FOB point for Data shall be specified in Section B descriptive data for each Info CLIN/SubCLIN. The following instructions are provided to assist in interpretation of these codes: When PQA is coded "S" (Source), final inspection shall be accomplished by the DoD Contract Management Area Component listed in DLA handbook 4105.4 as cognizant of the contractor's facilities at which the contract administration functions are required. When PQA is coded "D" (Destination), then final inspection shall be accomplished at destination. When acceptance is coded "S" acceptance shall be accomplished by the cognizant Contract Administration Office (CAO). When acceptance is coded "D" acceptance shall be accomplished at destination.

b. Missiles Subject to PRAT. PQA Inspection and conditional acceptance (for billing purposes only) shall be accomplished at source by the cognizant DoD Contract Administration Office (CAO) IAW applicable drawing/specifications and successful Final Assembly System Test (FAST). Final acceptance of these missiles shall occur upon successful completion of each PRAT sublot (i.e., those missiles delivered in the period prior to successful completion of PRAT sublot will receive final acceptance upon successful completion of PRAT sublot). The same sequence of events would then apply for subsequent PRAT sublots. In the case of rejection of any sublot, the acceptance shall be withheld pending a procuring activity decision in accordance with the requirements of SD-5011, Revision G, incorporated in the contract at Attachment 5. PRAT sublot testing shall be complete within 90 days of delivery of the last sublot missile sample to the PRAT testing location. SubCLINs subject to this provision are as identified in the contract.

c. HUMDINGER Air Vehicle Instrument (HAVI). PQA Inspection and Final Acceptance shall be accomplished at the source by the cognizant CAO IAW applicable drawings and specifications and successful FAST. Subject CLINs/SubCLINs are as specified in the contract.

At the SubCLIN prices specified herein, the Contractor warrants, for a period of 48 months from the date of acceptance, that the supplies delivered under SubCLINs specified in the contract, will successfully pass all tests necessary to complete missile integration under SubCLINs specified in the contract, and if an item fails to pass any given test, the Contractor will repair or replace such supplies in order to successfully complete missile integration. In the course of any necessary repair or replacement, the Contractor will treat the unit as work in process, and insure that the "As Built" records correctly identify the final missile configuration.

d. Captive Carry Reliability Vehicles (CCRV)/ Reconfigurations. PQA Inspection and Final Acceptance shall be accomplished by the cognizant CAO at the source IAW applicable drawings and specifications and successful FAST. Subject SubCLINs are specified in the contract.

e. Hardware/Repair/Spares. PQA Inspection and Final Acceptance shall be accomplished by the cognizant COA at the source IAW drawings/specifications and successful completion of acceptance testing at the highest level performed on the item. Subject CLINs/SubCLINs are as specified in the contract.

f. CLINs Accepted by Certification. PQA shall be accomplished by a letter of certification by the Contractor. Final acceptance of these items shall be accomplished by the PCO upon receipt of the Contractor's letter of completion and PCO verification of satisfactory completion of the work called for under each CLIN/SubCLIN. Subject CLINs/SubCLINs are as specified in the contract.

PQA and Final Acceptance of certain CLINs/SubCLINs specified in the contract, shall be accomplished by the ACO.

g. Time & Material SubCLINs. Hardware repaired under Time & Material subCLINs shall have PQA Inspection and Final Acceptance by the cognizant CAO at the source IAW drawings/specifications and successful completion of acceptance testing at the highest level performed on the item. Subject SubCLINs are as identified in the contract. Certain other SubCLINs shall have PQA and Final Acceptance by the PCO upon verification of the Contractor's letter certifying successful completion of the work.

h. Warranty/Inventory Product Assurance Surveillance Program (SubCLINs for U.S. Air Force and FMS-Bandaria Missile Warranties.) Missiles rebuilt as a result of disassembly/re-assembly efforts called out in the Inventory Product Assurance Surveillance Program and Warranty shall be inspected/accepted IAW Paragraph 2.d of this section.

i. For billing purposes only, PQA/Inspection and Acceptance of SubCLINs identified in the contract shall occur by the local DoD cognizant contract administration office upon the acceptance of each missile delivered under certain SubCLINs identified in the contract.

j. Upon the Contractor's acceptance of missiles to be reconfigured, the Contractor assumes total responsibility of the missiles until they are reaccepted by the government in accordance with the provisions of the contract.

3. REQUIREMENTS FOR DATA ACCEPTANCE

The Contractor shall prepare and submit a periodic DD Form 250 on a quarterly basis collectively accounting for all completed Exhibit Line/SubCLIN Items which called for submission of the data by letter of transmittal. Each periodic DD Form 250 shall include a list and an account of all data submitted by letter of transmittal and approval by the Government during the reporting period.

B. WARRANTIES

Under Section D - Packaging and Marking.

1. ASSIGNMENT OF SERIAL NUMBERS FOR CONFIGURATION CONTROL AND ADMINISTRATION OF WARRANTIES.

The contractor shall assign serial numbers to the items as specified in the contract specification or statement of work (where applicable) or as otherwise indicated herein. The serial numbers assigned shall have a 10 digit field, with the first five digits containing the Federal Supply Code for Manufacturers and the last five digits assigned in sequence. Records of serial numbers assigned shall be maintained by the contractor and the contractor shall annotate the applicable serial numbers on the Material Inspection and Receiving Report (DD Form 250) submitted for Government inspection and acceptance of the delivered items.

2. MARKING REQUIREMENTS FOR WARRANTED ITEMS.

In addition to the requirements of MIL-STD-129, items covered by warranty shall be marked as follows or the following notice shall be provided on the DD Form 250:

a. A brief statement that a warranty exists;

b. The substance of the warranty;

c. Warranty duration;

d. Who to notify if the supplies are found to be defective; and

e. Time period in which notice of a defect must be provided to the Contractor.

Under Section H - Special Contract Requirements:

HUMDINGER WEAPON SYSTEM WARRANTY UNDER 10 U.S.C. 2403. (Abridged and Modified)

This warranty applies to supplies delivered under the CLINs and SubCLINs of this contract as identified in paragraph (A)(3) below. The matrix below shows which paragraphs and subparagraphs in the Warranty apply to each SubCLIN identified in paragraph (A)(3).

Paragraph		**A**	**B**	**C**	**D**	**E**
SubClin	All other SubCLINs listed in para A.(3) below.	ALL	B(1)-B(3)	C(1)-C(3)	ALL	ALL
	Missile Reconfiguration – Reliability Test Vehicle to HUM-120A Air Vehicle	ALL	B(1)-B(2)	C(1)-C(2)	ALL	ALL

A. DEFINITIONS

(1) Acceptance. "Acceptance" means acceptance by the Government as manifested by execution of the "Acceptance" block and signing of the initial requisite DD Form 250 by an authorized Government representative. For the purposes of this provision, acceptance does not include conditional acceptance.

(2) Date of Return to the Contractor. As used herein, this term means the date shown on the applicable form maintained by the contractor to indicate logging in or receipt of supplies to be repaired by the contractor.

(3) Supplies. The term "supplies" or "item of supply" as used herein, means each HUM-120A missile as well as each level of assembly and component thereof, delivered under line items as follows:

CLIN/SubCLIN	DESCRIPTION	LOT
As stated in Contract	Assembled Humdinger Air Vehicles (AF)	1
	Assembled Humdinger Air Vehicles (Navy)	1
	Preoperational Support Spares (AF)	1
	Preoperational Support Spares (Navy)	1
	Initial Expense Spares	1
	Initial Investment Spares	1
	Reconfigurations (CCRV-HAVI)	1
	Reconfigurations (RTF-HAVI)	1
	Guidance Sections (AF)	2
	Control Sections (AF)	2
	Guidance Sections (Navy)	2
	Control Sections (Navy)	2
	Assembled Humdinger Air Vehicles (Bandaria)	2

(4) Price. The term "price" as used herein, means the firm fixed price for this contract which includes the firm fixed price of the warranty.

(5) Government Mishandling. The phrase "Government Mishandling" refers to Government shipping, handling, use or repair of supplies in conflict with approved Government Technical Orders.

(6) Repair. As used within this warranty, "repair" is defined as work and material necessary to cause any failed supplies to meet the requirements of this contract. Repair, as

such, includes replacement of failed supplies with supplies conforming to the requirements of this contract.

(7) Defect/Failure. This is a deficiency identified in any one item of supply specified in A.(3) above which is observed, detected, or otherwise identified as not compliant with the requirements of this contract including the specifications.

(8) Design and Manufacturing Requirements. The phrase "design and manufacturing requirements" refers to structural and engineering plans, manufacturing particulars, including precise measurements, tolerances, materials, and finished product tests as required to manufacture and accept warranted supplies in accordance with the production baseline in effect at the time of acceptance of such warranted supplies.

(9) Correction. The term "correction" is defined as the successful redesign/repair of an item of supply containing a defect/failure.

(10) Materials and Workmanship. The phrase "materials and workmanship" refers to the conformance of production workmanship and materials to the requirements of this contract.

(11) Trend. As used within this warranty, a tread is defined as two or more occurrences of the same failure in the same section, assembly, subassembly, component, or piece part and at the same level of indenture in the missile.

(12) Warranty Review Board. As used within this warranty, the term "Warranty Review Board" (WRB) means a quarterly meeting of functional personnel from the Air Force, Navy and Contractor convened to discuss and assess results of storage and captive flight assessments of the Essential Performance Warranty paragraph B.(3) and claims under paragraphs B.(1) and B.(2). The WRB will make recommendations to the contracting officer as to claims and invocations of remedies. ASC or the designated representative will chair the WRB.

B. SPECIFIC WARRANTIES

(1) Design and Manufacturing Conformance (DMC) Warranty. The contractor hereby warrants that, at the time of acceptance, the supplies conform to the design and manufacturing requirements of this contract. Defects discovered within a period of 48 months from the date of initial acceptance of each deliverable item of supply may be submitted to the contractor in accordance with the remedies section of this warranty.

(2) Defects in Workmanship and Materials (DWM) Warranty. The contractor hereby warrants that, at the time of acceptance, the supplies are free of defects in workmanship and materials. Defects discovered within a period of 48 months from the date of initial acceptance of each deliverable item of supply may be submitted to the contractor in accordance with the remedies section of this warranty.

(3) Essential Performance Warranty. The contractor hereby warrants that the missiles delivered under the SubCLINs of paragraph A.(3) will conform to the essential performance described below. Supplies which are not Humdinger Air Vehicles are only subject to the assessments described in B.(3)(a) and B.(3)(b) when incorporated in an HAV. Each of the two assessments will be conducted once using Lot 1 missiles and using Lot 2 missiles. NOTE: RTVs reconfigured to HAVs under SubCLINs for missile reconfiguration and for option missile reconfiguration shall not be used for essential performance assessments.

(a) Long Term Storage (LTS). The contractor warrants that missiles placed in storage will not degrade at a rate exceeding 4 percent per year. . . .

3. Failure assessment will be based on the first FAST a missile receives after being withdrawn from storage. Contractor performance will be assessed quarterly at Warranty Review Board meetings, beginning 6 months after delivery of the last item of supply delivered

under SubCLIN (Lot 1) and for Option for Assembled Humdinger Air Vehicle (Lot 2) and continuing for 24 additional months.

4. A missile, once removed from storage and tested, may not be replaced in storage, removed and tested again for purposes of the storage portion of this performance warranty.

5. Six (6) storage missiles, identified by the Government, shall be disassembled by the Contractor within 30 days of receipt to allow Government testing of the following one shot devices: propulsion unit (including the arm/fire device), warhead (including safe and arm and boosters), batteries (each type), Thermally Initiated Venting System (TIVS) or equivalent, and fin squibs...

6. Upon removal of the one-shot device described in 5. above, the contractor shall reassemble the missiles using contractor furnished replacement parts, then retest the assembled missiles with 45 days after receipt of the contractor furnished parts on the FACO test station prior to return to inventory. Acceptance by the Government of reassembled missiles described in this paragraph shall be IAW with Section E of the production contract.

7. The Government testing of the one-shot devices may be witnessed by the contractor, and results of the testing will be provided to the contractor upon request. A failure of any on-shot device to perform in accordance with this contract, including the specifications, is subject to this warranty. Each failure of a one-shot device will be counted and accumulated as a defect/failure under the storage assessment portion of this essential performance warranty and will be used during determination of a trend.

(b) Captive Carry Mean Time Between Maintenance (MTBM Verification: The Contractor hereby warrants that the supplies will meet the requirements defined below. Only supplies delivered under certain CLINs identified in the contract will be used for this test; however, the results of this test and any remedies the Government may invoke, shall apply to all items delivered under the CLINs and subCLINs identified in Paragraph A.(3).

1. A quantity of missiles will be committed to a carrier deployment. A limited number of missiles will be designated as captive carry missiles and the remainder will be placed in storage aboard the ship . . . The maximum number of missile flight hours incurred for test purposes will be 4500. . ..

2. The cumulative MTBM shall not be less than 450 hours at completion of the deployment. A failure is defined, in this paragraph, as an on-aircraft Built-in-Test (BiT) failure verified by a second on-aircraft BiT failure on a different station of the same aircraft or a different aircraft and subsequently verified by failure of the FAST at a Naval Weapons Station or factory facility.

3. Computation of the cumulative MTBM shall include all failures incurred during the deployment including pre- and post-flight testing; but, shall not include failures found in pre-cruise test/inspection. The MTBM shall be computed using the following formula:

$$\text{MTBM} = \frac{\text{Total Missiles Flight Hours (all missiles)}}{\text{Total Failures (all missiles)}}$$

4.The required MTBM is 750 hours, which will be used to compute a number of failures allowed during this text. The formula to be used is:

$$\text{Allowed Failures} = \frac{\text{Total Missile Flight Hours (all missiles)}}{750}$$

The allowed failures shall be computed after the cruise and shall be used to determine the contractor's repair requirements under paragraph c.(3)(b) below. This figure shall be rounded to the next higher integer.

C. REMEDIES

(1) General

(a) The remedies described in paragraph C.(2) and C.(3) below apply to all supplies (AF, Navy and Bandaria) delivered under the CLINs and SubCLINS identified in paragraph A.(3) regardless of the CLIN or SubCLIN under which test missiles were delivered.

(b) The rights and remedies of the government provided in this warranty shall survive final payment.

(c) In no event shall the Government be responsible for any extension or delays in the scheduled deliveries or period of performance under this contract as a result of the contractor's obligation to correct defects/failures, nor shall there be any adjustment of the delivery schedule or period of performance as a result of the correction of failures/defects unless provided by a supplemental agreement with adequate consideration.

(d) The rights and remedies of the Government provided in this clause are in addition to, and do not limit, any rights the Government may have under any other clause of this contract and any other contract. Disputes arising under this clause will be resolved in accordance with the clause of this contract entitled "Disputes."

(e) The rights and remedies of the Government provided in this warranty shall not be affected in any way by any terms or conditions of this contract concerning the conclusiveness of inspection and acceptance.

(f) Corrections by the contractor shall be demonstrated by the corrected item of supply passing all required acceptance test procedures prior to being returned to the Government.

(2) DMC (Design and Manufacturing Conformance) and DWM (Defects in Workmanship and Materials) Remedies

(a) The Contracting Officer shall notify the contractor of defects/failures the Government intends to claim under B.(1) for DMC and B.(2) for DWM of this clause. The contractor shall promptly correct the defects/failures not withstanding any disagreement as to whether or not the defects/failures are covered under this warranty. The contractor shall notify the Contracting Officer within 15 days after date of return to the contractor of any instance in which the contractor considers that the repair to the contractor of any instance in which the contractor considers that the repair is not required to be performed pursuant to this warranty. The Contracting Officer will evaluate circumstances and/or data regarding the contractor request, will request additional information be supplied if required, and will concur or nonconcur. If the Contracting Officer concurs that the defect/failure was not subject to warranty as set forth in this clause, the contractor shall be entitled to equitable adjustment in the contract price for the work performed, including all transportation costs.

(b) If the contractor provides a notice of refusal or the contractor and Government fail to agree upon a corrective action plan and/or contractual consideration, the Contracting Officer may by contract or otherwise:

1. Correct the supplies or services, or
2. Replace the supplies or services, and/or
3. Obtain applicable data or reports, and
4. Charge the contractor for all costs reasonably incurred by the Government in taking necessary corrective action which resulted from the contractor's breach or failure to comply with this warranty.

(3) Essential Performance Remedies

(a) If the number of defects/failures for the storage or captive carry assessments exceeds the total allowable failures for that assessment, the contractor shall repair all missiles which have failed over and above the allowed failures at no increase in contract price. This remedy shall be invoked at a quarterly WRB meeting but in no event later than 180 days after the assessment is complete. The contractor shall not be charged more than once for each excess failure.

(b) If the supplies fail to pass the storage and/or captive carry performance assessments and a trend exists in the failure data of the failed assessment, the Contracting Officer has the right to direct and require the contractor to initiate and/or accomplish ECPs or other actions which result in a modification of design, test procedures, or other change to this contract which will result in an acceptable, compliant reduction in defects/failures relative to this warranty. This directed action, which may include redesign, repair, replacement, retrofit, revision of data/software, and associated labor, materials and overhead for implementation in all Lot 1 or optional Lot 2 missiles will be accomplished by the contractor at no increase in contract price. This no-cost ECP will be directed if, and only if, a trend can be identified in Lot 1 or Lot 2 missiles based on failure data collected during storage or Captive Carry tests assessments as described in para B.(3). A no-cost ECP will not be directed based on a single failure. The government may not invoke this remedy later than 180 days after the assessments have been completed. A no-cost ECP will not be directed at MASID with respect to missile operational flight program software redesign, coding, checkout and testing.

(c)In addition to (b) above, the contractor may desire, or the Government may otherwise require, the submission and approval of an Engineering Change Proposal or other action at Government expense which results in a modification of the design, test procedures or other change to this contract which is expected to reduce the number of defects/failures relative to this warranty (i.e., improve the reliability over that required by this contract). In this event, the proposal and negotiation of this ECP or other contract modification shall include consideration to the Government for the contractor's reduced repair costs which otherwise be expected pursuant to this warranty.

D. CONTRACTOR OBLIGATIONS

(1) The contractor shall correct all defects/failures in items of supply which are warranted by the Materials and Workmanship Warranty, the Design and Manufacturing Warranty, or the Essential Performance Requirements Warranty subject to the Exclusions and Limitations of this Warranty. The items of supply shall be corrected at no increase in contract price.

(2) Any supplies or parts thereof corrected or furnished in replacement and any services re-performed shall also be subject to the conditions of this clause to the same extent as supplies or services initially accepted. Replacement supplies and services assume the remainder of the original warranty duration set forth in paragraph B of this clause and shall begin on the date the replacement supplies or services are received by the Government as evidenced by shipping documentation.

(3) The contractor shall prepare and furnish to the government data and reports applicable to any corrective action required (including revision and update of all affected data called for under this contract) at no increase in the contract price. (UDI-T-21244A, DI-MISC-80733)

(4) For items of supply repaired pursuant to this warranty, the contractor shall, within 90 days after the date of return to the contractor, return the repaired item(s) to the Government. The date of return to the Government is the date the item is ready for shipment, validated by appropriate shipping documentation.

(5) Except for items which cannot be effectively marked, all warranted items to be delivered shall be marked IAW MIL-STD-129, Marking for Shipments and Storage, and MIL-STD-130, Identification Marking of U.S. Military Property. Markings shall be located in a

manner so as to be conspicuous to the person removing the item from service. The period of the warranty and disposition instructions shall be specifically stated.

(6) The contractor shall package and handle warranted items according to the levels of protection specified in MIL-STD-2073-1, Standard Practice For Military Packaging or as specified in Government approved special packaging instruction.

(7) As specified in DFAR Supplement 246.702, the contractor's actual incurred costs relative to this warranty shall be reported either as part of a periodically required cost report or as a separate cost report data item in the contractor's format. (DI-MISC-80733). Costs associated with this clause shall be segregated from any and all other costs associated with this contract.

(8) The contractor shall provide failure analysis reports for all items of supply for which correction is required pursuant to this warranty.

(9) The contractor shall identify and quantify all impacts to warranty coverage related to proposed waivers, deviations and engineering change proposals for all supplies to be delivered under this contract. The contractor shall provide such impacts to accompany each request for waiver, deviation and engineering change proposal submitted for Government approval.

E. EXCLUSION AND LIMITATIONS

(1) With respect to Government Furnished Property (GFP), the contractor warranty shall extend only to proper installation. If the contractor performs modification or other work on GFP provided, the warranty shall extend to the modification or other work.

(2) When items covered under this warranty are returned to the contractor, pursuant to this clause, the Government will bear only transportation costs from the place the defect/failure was discovered to the contractor's plant and return. Assets are to be shipped on Second Destination Transportation (SDT) funds via a mode that will ensure delivery to the final destination within the time frames of the Uniform Material Movement and Issue Priority Systems (UMMIPS). Requests by the Government to amend the original disposition instructions or to expedite movement of assets will be processed in writing through the Administrative Contracting Officer.

(3) The contractor shall not be obligated to correct or replace any supply item under the provisions of this warranty if the Contracting Officer determines that the failure/defect, loss, or damage occurred due to (1) operation, maintenance, repair or modification not in accordance with Technical orders; (2) misuse; (3) abuse; (4) use of spare parts not manufactured to Government specifications; (5) combat damage; (6) acts of God; or (7) damage by fire or explosion unless the contractor's negligence contributed thereto. The Government's rights and remedies under this clause shall not by voided or otherwise altered by any Government installation, operation or maintenance accomplished in accordance with Government approved procedures.

(4) The warranty provisions of this clause do not cover liability for loss, damage, or injury to third parties or consequential claims.

(5) For purposes of counting and accumulating defects/failures in the Long Term Storage (LTS) verification, a count of one defect shall be assigned for each missile and to each one-shot device even if more than one defect/failure is observed, detected or otherwise identified on any one item of supply as a specific time. However, each defect/failure discovered may be use in determining whether a trend exists.

(6) The contractor's warranties under this clause shall apply only to those defects discovered either by the Government or contractor during the time periods specified in paragraphs B.(1) and B.(2) and/or within 12 months following completion of the assessments specified in paragraph B.(3).

[END OF CLAUSE]

[NEW CLAUSE EXTRACT]

C. INSURANCE REQUIREMENTS

The contractor and any subcontractor doing work under this contract will be required to submit a certificate of insurance or written statement attesting to the existence of Workmen's Compensation and Employer's Liability Insurance with a minimum amount of $100,000; Comprehensive General Liability Insurance with a comprehensive form of coverage for at least $500,000 per occurrence; Comprehensive Automobile Liability Insurance with a minimum amount of $200,000/person, $500,000/accident for bodily injury and $20,000/accident for property damage.

D. TECHNICAL DIRECTION

a. Technical direction under this contract will be given to the Contractor by the Contracting Officer, ASC/YMK Eglin AFB. Technical direction is defined as that process by which the Contractor receives guidance and approvals in his technical effort as it relates to an element of work or task solely within the existing requirements of the contract as a result of technical review of the Contractor's work by Humdinger Program Office (HPO) personnel.

b. Notwithstanding any of the terms contained herein or elsewhere in this contract, HPO personnel are not authorized to direct the Contractor in any manner to change the requirements of the contract. The Contracting Officer shall be the only individual authorized to redirect the effort or in any way amend any of the terms of this contract. Such redirection or amendment of contract terms shall be accomplished by issuance of change orders or supplemental agreements to this contract signed by the Contracting Officer. In any event, if the Contractor believes technical direction given involves change in contractual requirements, he will immediately notify the Contracting Officer pursuant to FAR 52.243-7, "Notification of Changes", incorporated by reference in Section I of this contract.

c. All references in SOW and CDRL to "Sponsor Approval", "Sponsor Direction", etc., are deemed to be "Technical Direction" as stated in a. and b. above.

E. FOREIGN SOURCES

In the event that the Contractor anticipates soliciting foreign sources for any work under this contract, the Contractor shall notify the Contracting Officer (CO) 10 working days before either applying for an export license under *International Traffic in Arms Regulation* (ITAR), 22 CFR Sections 120-130, or before solicitation of the foreign sources, whichever shall occur first. This notification shall include detailed description of the Government data/equipment to be exported and a copy of the application for an export license, if such application has been made. This notification to the CO shall not be construed as an application for an export license, nor shall it in any way be interpreted to impede the Contractor's right to apply for an export license. However, if the CO disagrees with the application, the Contractor will be so notified.

F. FOREIGN NATIONALS

(a). For purposes of this clause, foreign nationals are all persons not citizens of, or immigrant aliens to, the United States. Nothing in this clause is intended to waive any requirement imposed by any other U.S. government agency with respect to employment of foreign nationals or export control.

(b). The Contractor acknowledges that equipment/technical data generated or delivered in performance of this contract is controlled by the *International Traffic in Arms Regulation* (ITAR) 22 CFR Sections 120-130, and may require an export license before assigning any foreign national to perform work under this contract or before granting access to foreign national to any equipment/technical data generated or delivered in performance of this contract (See 22 CFR Section 125.03 in this regard). The Contractor agrees to notify the

Contracting Officer (CO) 10 working days prior to assigning or granting access to any work, equipment or technical data generated or delivered in performance of this contract. This notification will include the name and country of origin of the foreign national, the specific work, equipment or data to which the person will have access, and whether the foreign national is cleared to have access to technical data (Reference: DoD 5220.22-M, *National Industrial Security Program Operating Manual*.

G. CONTRACT ADMINISTRATION

Overall contract administration of this contract shall be performed by the primary contract administration office (FAR 42.202 and 42.302) designated on the face of this contract. However, the portions of this contract performed at a different location, geographical area or military installation will be administered by the cognizant contract administration activity listed in DLA Handbook 4105.4 having cognizance over the facility or installation at which the work will be performed. The primary contract administration office will request supporting contract administration as contemplated by FAR 42.202(a) for required functions to assure continuity of the contract administration functions.

H. TIME AND MATERIAL AND LABOR-HOUR REQUIREMENTS

(CLINs/SubCLINs as stated in the contract.) (Example of the control and verification conditions imposed on contractors by U.S. Government that financially benefit FMS customers.)

(a) Ceiling

The contractor shall provide no more labor hours for each SubCLIN that the ceiling price for that SubCLIN permits using the specified price/hourly rate (which includes indirect costs, general and administrative expenses, and profit) and the necessary materials at no more than the estimated cost exclusive of profit or fee. The engineering labor hours provided shall be exclusive of vacation, sick leave, holiday hours, and travel.

(b) Verification of Labor Hours, Considerations and Payment

(1) The contractor shall provide to the PCO and ACO spending projections based on period of performance, incremented in months, by CLIN/SubCLIN one month prior to the first missile delivery and monthly updates thereafter. This shall reflect spending projections (labor hours, material), actuals (labor hours, material dollars) and remarks as to significant deviations from the plan versus actuals.

(2).To support payment for work performed under Section B above, the invoice(s) submitted therefore shall include a certification by the Contractor stating that the number of labor hours set forth therein was the actual number of labor hours by labor code by SubCLIN expended during the period for which the invoices were submitted. The invoice(s) will be submitted to the Administrative Contracting officer (ACO) in accordance with FAR 52.232-7(a). The documentation required to support requests for reimbursement . . .

(3). Upon completion of the performance of the work called for in Section B above, the Contracting Officer shall have the right to examine the contractor's records for the purpose of verifying the number of labor hours and materials used in the performance of the work.

(c). Recoupment of Unexpended Hours/Dollars ...

(d). Labor Hour Defined ...

(e). Materials ...

(f). Excess hours ...

[No payment of more than 40 hours per week for a single employee without the advance written consent of the Contracting Officer.]

I. INTELLECTUAL – PROPRIETARY RIGHTS

1. Royalties or Other Licensing Fees

The Government recognizes that it has received a proposal transmitted by Hughes Letter 91(5A)000535/G9570 separate from the Lot 1/2 proposal requesting that the price for FMS missiles include a premium for intellectual property allegedly not acquired by the Government. In the event that this position or a claim based on substantially the same entitlement results in the award of such a premium or any licensing fees to the Contractor, this contract shall be modified to include it. As of 14 Dec 97, a determination of entitlement has not been made, nor has a determination been made regarding the form of compensation, if due. Any payment or risk of payment of compensation to Hughes based upon said claim of entitlement will not be considered by the Government in the competitive evaluation of Lot 1/2 prices for Lot 1 award. This clause has no bearing on any subcontractor claims for royalties or license fees.

2. Rights in Technical Data and Computer Software

As prescribed in DFARS 52.227-14, Identification of Rights in Technical Data, the Contractor has provided a list of limited/restricted rights and data (documentation) delivering exceptions (Attachment 6). This listing is intended to facilitate acceptance of the technical data and computer software by the Government and does not change, waive, or otherwise modify the rights or obligations of the parties under the clause .

3. Use of Transferred Proprietary Data

a. MASID Company and its subcontractor of any tier may use such Hughes Proprietary data which the Government or Hughes has made or makes available to MASID for the manufacture, production, maintenance, repair, modification, and sale and the preparation of proposals therefore, of any item, component, process or software for the HUM-120A or HUM-120B Missile (including substantially similar substitutes and successor thereto) for actual or potential contracts with the U.S. government and any tooling and test and other equipment related thereto. Such Hughes proprietary data may also be used for technical analysis of the procurement data package and list and associated data for MASID's technical assistance to its subcontractor for the above listed purposes. This provision shall not apply to proprietary data for the Traveling Wave Tube which is the subject of a separate license agreement.

b. Hughes Aircraft Company and its subcontractors of any tier may use such MASID proprietary data which the Government or MASID has made or makes available to Hughes for the manufacture, production, maintenance, repair, modification, and sale, and the preparation of proposals therefore, of any item, component, process or software for the HUM-120A or HUM-120B Missile (including substantially similar substitutes and successors thereto) for actual or potential contracts with the U.S. government and any tooling and test and other equipment related thereto. Such MASID proprietary data may also be used for technical analysis of the procurement data package and list and associated data for Hughes' technical assistance to its subcontractor for the above listed purposes.

c. MASID, for itself and/or its subcontractors, and Hughes, for itself and/or its subcontractors, shall negotiate and maintain in writing any agreement to protect such proprietary data.

[END OF EXTRACTED CLAUSES]

SAMPLE SCIP REQUISITION AD-HOC QUERy (EXCEL FORMATTED)
Reporting Period: 6365-7090

AS OF: 31 March 2007

COUNTRY: BANDARIA
PREPARE BAF Logistics Deparment

DIC RP 1-3	RIC RP 4-6	NSN RP 8-22	ITEM DESCRIPTION	U/I RP 23-24	QTY RP 25-29	DOCUMENT NUMBER RP 30-43	DEM RP 44	SUPADD RP 45-50	PROJ/ESD RP 57-59	PRI RP 60-61	RDD/TRANS RP 62-64	ADVICE/STATUS RP 65-66	UNIT COST RP 70-80	TCN RP 62-80
AE1	S9I	2830-00-626-9083	TURBINE, WATER	EA	00001	DBNL5341683210		DA3RWR		13	4183	CK		
AF1	FNH	5330-00-222-9896	GASKET, SILICONE	EA	00025	DBNK5V42263004	R	DA2KCJ		03	555	2G		
AE1	FNH	5330-00-222-9896	GASKET, SILICONE	EA	00025	DBNK5V42263004	R	DA2KCJ		03	4270	BF		
AE1	FNH	1560-00-919-9141	AIRFRAME, MULTI-ENGINE	EA	00002	DBNK4542663014		DZ2QQR		13	4183	BC	$47,650.00	4200
A02	FNH	P678QWR3	WIRE, NON ELECTRICAL	RO	00010	DBNL5341863022	N	DA3RWR		13				
AE1	FNH	9505-00-423-6789	WIRE, CABLE, NONELECTR	RL	00010	DBNL5341863022		DA3RWR		13	4191	BG	$31,267.00	
AE1	S9I	9505-00-423-6789	WIRE, CABLE, NONELECTR	RL	00010	DBNL5341863022		DA3RWR		13	4206	BJ		
AE1	S9I	9505-00-423-6789	WIRE, CABLE, NONELECTR	RL	00010	DBNL5341863022		DA3RWR		13	4206	B7	$199.95	
A01	FNH	5150-01-027-8418	TOOL KIT, AVONICS SYS	EA	00003	DBNK5341991001	N	DA2RCA		13			$2,120.00	
AE1	FNH	5150-01-027-8418	TOOL KIT, AVONICS SYS	EA	00003	DBNK5341991001		DA2RCA		13	4216	BW		
AE1	FGZ	5150-01-027-8418	TOOL KIT, AVONICS SYS	EA	00001	DBNK5341991001		DA2RCA		13	4225	BB		
AE1	FGZ	5150-01-027-8418	TOOL KIT, AVONICS SYS	EA	00002	DBNK5341991001		DA2RCA		13	4230	CS		
AE1	FGZ	5150-01-027-8418	TOOL KIT, AVONICS SYS	EA	00001	DBNK5341991001	A	DA2RCA		13	4256	BA		4262
AS1	FGZ	5150-01-027-8418	TOOL KIT, AVONICS SYS	EA	00001	DBNK5341991001	A	DA2RCA	265	13	4265			BNK5541997001XXA265
A01	FNH	9150-00-145-0161	GREASE, AIRCRAFT	TU	00020	DBNK5341991002	N	DA2RCA		06		2G	$9.05	
AE1	FNH	9150-00-145-0161	GREASE, AIRCRAFT	TU	00020	DBNK5341991002		DA2RCA		06	4216	BW		
AF1	S9G	9150-00-145-0161	GREASE, AIRCRAFT	TU	00020	DBNK5341991002	N	DA2RCA		06	4300			
AE1	S9G	9150-00-145-0161	GREASE, AIRCRAFT	TU	00020	DBNK5341991002		DA2RCA		06	4255	BF		
AT1	S9G	9150-00-145-0161	GREASE, AIRCRAFT	TU	00020	DBNK5341991002	N	DA2RCA		06	4300	2G	$9.05	
AE1	S9G	9150-00-145-0161	GREASE, AIRCRAFT	TU	00020	DBNK5341991002	A	DA2RCA		06	4283	BB		4125
AM1	S9G	9150-00-145-0161	GREASE, AIRCRAFT	TU	00020	DBNK5341991002	B	DA2RCA		03	555	2C		
AE1	S9G	9150-00-145-0161	GREASE, AIRCRAFT	TU	00011	DBNK5341991002	A	DA2RCA		03	4271	BA		
AE1	S9G	9150-00-145-0161	GREASE, AIRCRAFT	TU	00009	DBNK5341991002	B	DA2RCA		03	4271	BQ		
AS1	S9G	9150-00-145-0161	GREASE, AIRCRAFT	TU	00011	DBNK5341991002	A	DA2RCA	272	03	4274			
A01	FNH	4935-01-298-9718	TEST SET, GUIDED MISSILE	EA	00002	DBNC5463197001	N	DZ2YCY		06			$90,000.00	
AE1	FNH	4935-01-298-9718	TEST SET, GUIDED MISSILE	EA	00002	DBNC5463197001		DZ2YCY		06	6322	BU		
AE1	FGZ	4935-01-298-9718	TEST SET, GUIDED MISSILE	EA	00002	DBNC5463197001		DZ2YCY		06	6328	BB		
AMF	FGZ	4935-01-298-9718	TEST SET, GUIDED MISSILE	EA	00002	DBNC5463197001		DZ2YCY		06	6339			
AE1	FGZ	4935-01-298-9718	TEST SET, GUIDED MISSILE	EA	00002	DBNC5463197001		DZ2YCY		06	6345	BK		
AE1	FGZ	4935-01-153-2264	TEST SET, GUIDED MISSILE	EA	00002	DBNC5463197001		DZ2YCY		06	6353	BH		
AE1	FGZ	4935-01-153-2264	TEST SET, GUIDED MISSILE	EA	00002	DBNC5463197001		DZ2YCY		06	6360	BZ		
AE1	FGZ	4935-01-153-2264	TEST SET, GUIDED MISSILE	EA	00002	DBNC5463197001		DZ2YCY		06	7005	B7	$87,599.00	
A01	FNH	6920-01-161-5728	GUIDANCE SECTION, MSL	EA	00001	DBNC5463197002	N	DA2YCY		03		2B	$95,359.00	
AE1	FNH	6920-01-161-5728	GUIDANCE SECTION, MSL	EA	00001	DBNC5463197002		DA2YCY		03	6322	BU		
AE1	FFZ	6920-01-161-5728	GUIDANCE SECTION, MSL	EA	00001	DBNC5463197002		DA2YCY		03	6335	BD		
AF1	FFZ	6920-01-161-5728	GUIDANCE SECTION, MSL	EA	00001	DBNC5463197002		DA2YCY		03	6340	BV		
AE1	SDB	6920-01-161-5728	GUIDANCE SECTION, MSL	EA	00001	DBNC5463197002		DA2YCY		03	6345	BA		6270
AS1	SDB	6920-01-161-5728	GUIDANCE SECTION, MSL	EA	00001	DBNC5463197002		DA2YCY	272	03	6251			BNC5463197002XXB351
A01	FNH	1420-01-322-5557	RESTRAINT, WING ASSY	EA	00008	DBNC5463197003	N	DA2YCY		03			$312.26	
AE1	FNH	1420-01-322-5557	RESTRAINT, WING ASSY	EA	00008	DBNC5463197003		DA2YCY		03	6322	BU		
AE1	FLZ	1420-01-322-5557	RESTRAINT, WING ASSY	EA	00008	DBNC5463197003		DA2YCY		03	6335	BB		6265 (RP 70-73)
AE1	FLZ	1420-01-322-5557	RESTRAINT, WING ASSY	EA	00006	DBNC5463197003	A	DA2YCY		03	6347	BA		
AE1	FLZ	1420-01-322-5557	RESTRAINT, WING ASSY	EA	00002	DBNC5463197003	B	DA2YCY		03	6347	BB		6250
AS1	FLZ	1420-01-322-5557	RESTRAINT, WING ASSY	EA	00006	DBNC5463197003	A	DA2YCY	272	03	6349			BNC5463197003XAA349
A01	FNH	5305-01-119-1052	SCREW, SELF LOCKING	EA	00200	DBNK5V62353001	R	DA2KCJ		13			$1.02	
AE1	FNH	5305-01-119-1052	SCREW, SELF LOCKING	EA	00200	DBNK5V62353001	R	DA2KCJ		13	6236	BW		
AE1	S9I	5305-01-119-1052	SCREW, SELF LOCKING	EA	00200	DBNK5V62353001	R	DA2KCJ		13	6240	BV		
AE1	S9I	5305-01-119-1052	SCREW, SELF LOCKING	EA	00200	DBNK5V62353001		DA2KCJ		13	6242	B7	$3.95	
AC1	S9I	5305-01-119-1052	SCREW, SELF LOCKING	EA	00100	DBNK5V62353001		DA2KCJ		13	6250			
AE1	S9I	5305-01-119-1052	SCREW, SELF LOCKING	EA	00100	DBNK5V62353001		DA2KCJ		13	6256	B4		
AE1	S9I	5305-01-119-1052	SCREW, SELF LOCKING	EA	00100	DBNK5V62353001		DA2KCJ		13	6265	BA		6272
AS1	S9I	5305-01-119-1052	SCREW, SELF LOCKING	EA	00100	DBNK5V62353001		DA2KCJ	272	13	6272			H272

Sample Case Documents

MILITARY ASSISTANCE PROGRAM ADDRESS DIRECTORY

SECTION B - FOREIGN MILITARY SALES (FMS) ADDRESSES

BN - BANDARIA

1. COUNTRY REPRESENTATIVES. WHEN RECIPIENTS OF NOTICES OF AVILABILITY FAIL TO PROVIDE SHIPPING INSTRUCTIONS WITHIN ESTABLISHED TIMEFRAMES, THEREBY DELAYING RELEASE OF FMS SHIPMENTS, THE COUNTRY REPRESENTATIVE (EMBASSIES,CONSULATE ATTACHES, SUPPLY MISSIONS, PURCHASING MISSIONS, DIRECTOR OF MOVEMENTS, ETC.) WILL BE ADVISED THROUGH THE APPROPRIATE U.S. SERVICE FOCAL POINT, AS IDENTIFIED BY THE U.S. SERVICE CODE CONTAINED IN RECORD POSITION 30 OF THE REQUISITION. THE COUNTRY REPRESENTATIVE ADDRESSES WILL NOT BE USED FOR CONSIGNING SHIPMENTS OR FOR DISTRIBUTION OF DOCUMENTATION EXCEPT WHEN THEY ARE INCLUDED IN THE ADDRESS LISTING WITH A DESIGNATED TYPE OF ADDRESS CODE (TAC).

THE FOLLOWING ADDRESSES IDENTIFY THE COUNTRY REPRESENTATIVES:

A. ARMY:
EMBASSY OF BANDARIA
OFFICE OF MILITARY ATTACHE
TEL: 202 345-6789
2468 16TH STREET NW
WASHINGTON DC 20009-2468

B. AIR FORCE:
EMBASSY OF BANDARIA
OFFICE OF MILITARY ATTACHE
TEL: 202 345-6789
2468 16TH STREET NW
WASHINGTON DC 20009-2468

C. NAVY:
BANDARIAN LIAISON OFFICE
NAVY INVENTORY CONTROL POINT
TEL: 215-555-0987
700 ROBBINS AVENUE
PHILADELPHIA, PA 19111

2. SPECIAL INSTRUCTION INDICATOR (SII) S (SPECIAL INSTRUCTIONS INVOLVE USE OF CLEAR TEXT STATEMENT OR MULTIPLE INSTRUCTIONS) REQUIRES IDENTIFICATION OF APPLICABLE MAPACS AND TACS WITH CLEAR TEXT SPECIAL INSTRUCTIONS AS FOLLOWS:

MAPAC	TAC	SPECIAL INSTRUCTIONS
BBNA00	1	A. PROCESS ALL SMALL PARCELS AS A TAC 2.
BBNB00	1	
BBNC00	1	
BBNA00	2	A. FOR UNCLASSIFIED, NON AA&E AND NON-SENSITIVE SHIPMENTS COMMERCIAL AIRLIFT AUTHORIZED. OFFER TO THE MOST ECONOMIC U.S. COMMERCIAL AIR CARRIER AVAILABLE FOR AIRLIFT TO THE FOLLOWING COMMERCIAL AIRPORT:
BBNB00	2	
BBNC00	2	

HERAT INTERNATIONAL AIRPORT
HERAT BANDARIA

SHIPMENT WILL BE AIRPORT TO AIRPORT. THE MARK FOR ADDRESSEE/ULTIMATE CONSIGNEE IS RESPONSIBLE FOR PICKUP OF THE SHIPMENTS AT THE AIRPORT.

B. THE FOLLOWING PROCEDURES ONLY APPLY TO THE MATERIAL LISTED IN THE EUCOM DESTINED FOREIGN MIITARY SALES (FMS) MOVEMENT CONOPS DATED 19 MAY 2009. FOR MORE INFORMATION PLEASE CALL THE IMPLEMENTING AGENCY.

SHIPMENTS OF CLASSIFIED, SENSITIVE AND ARMS, AMMO AND EXPLOSIVES (AA&E) REQUIRE A NOTICE OF AVAILABILITY (NOA) BE SENT TO THE FOLLOWING EMAIL ADDRESSES. SHIPPERS WILL NOT OFFER CARGO TO THE ARMY AIR CLEARANCE AUTHORITY (AACA) FOR AIR MOBILITY COMMAND (AMC) CHANNEL AIRLIFT INTO RAMSTEIN AIR BASE, APOD RMS UNTIL THEY HAVE RECEIVED A POSITIVE RESPONSE TO THE NOA FROM BOTH THE RECIPIENT COUNTRY AND THE 21ST TSC. THE USASAC CCM AND SAO/ODC IS INFO ONLY. ALSO SEE PARA C BELOW FOR REPSHIP REQUIREMENTS.

RECIPIENT COUNTRY:
HAN.SOLO@MIL.BN
OBIWAN.KENOBI@MIL.BN
21ST TSC: MAIL.21TAERLOOM@EUR.ARMY.MIL
USASAC CCM: LUKE.SKYWALKER@US.ARMY.MIL
SCO/ODC: DVADER@SAN.OSD.MIL

C. REPSHIP: SHIPPERS WILL PREPARE REPSHIPS IAW THE DEFENSE TRANSPORTATION REGULATION (DTR) DOD 4500.9-R, CHAPTER 205 PARA L. SHIPPERS WILL NOTIFY THE DESIGNATED ULTIMATE CONSIGNEE AS WELL AS THE OTHERS LISTED BELOW VIA EMAIL, NO LATER THAN TWO HOURS AFTER A SHIPMENT'S DEPARTURE. REPSHIP WILL BE PREPARED IAW THE FORMAT SHOWN IN FIGURE 204-8 IN THE DTR. THE FOLLOWING ARE THE EMAIL ADDRESSES REPSHIPS ARE TO BE SENT TO:

ULTIMATE CONSIGNEE: DVADER@SAN.OSD.MIL
USASAC CCM: LUKE.SKYWALKER @US.ARMY.MIL
RAMSTEIN: USAFE.ACA@RAMSTEIN.AF.MIL
1ST TMCA: 1TMCATMCC@1TMCA.21TSC.ARMY.MIL
435TH LRS:435LRS.LGR@RAMSTEIN.AF.MIL

D. USE THE TAC M ADDRESSEE FOR THE ULTIMATE CONSIGNEE ON ALL BILLS OF LADING AND SHIPPING PAPERS.

E. FOR OVERSIZED, OVERWEIGHT AND OTHER MATERIEL WITH UNUSUAL TRANSPORTATION CHARACTERISTICS, CONTACT USASAC, NEW CUMBERLAND, ATTN: AMSAC-BN, TEL DSN 771-0000 OR COMMERCIAL (717) 555-0000, FOR FURTHUR INSTRUCTIONS.

MAPAC: BBN002 1 / 32

MAPAC Information

TAC: A	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2001018
AFI: F	**SII:**	**CHG NO:** 1004	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2001018
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- WAREHOUSE DOCKS
- 1205 68TH STREET
- BALTIMORE MD 21224-2548
- TEL 301-555-1234 FAX 301-555-4321

MAPAC: BBN002 2 / 32

MAPAC Information

TAC: B	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2001018
AFI: F	**SII:**	**CHG NO:** 1004	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2001018
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- WAREHOUSE DOCKS
- 1205 68TH STREET
- BALTIMORE MD 21224-2548
- TEL 301-555-1234 FAX 301-555-4321

MAPAC: BBN002 3 / 32

MAPAC Information

TAC: 1	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2001018
AFI: F	**SII:**	**CHG NO:** 1004	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2001018
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- WAREHOUSE DOCKS
- 1205 68TH STREET
- BALTIMORE MD 21224-2548
- TEL 301-555-1234 FAX 301-555-4321

MAPAC: BBN002 4 / 32

MAPAC Information

TAC: 2	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2001018
AFI: F	**SII:**	**CHG NO:** 1004	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2001018
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- WAREHOUSE DOCKS
- 1205 68TH STREET
- BALTIMORE MD 21224-2548
- TEL 301-555-1234 FAX 301-555-4321

MAPAC: BBN002 5 / 32

MAPAC Information

TAC: 3	**TAC SEQ:**	**FFLC:** 1	**EFF DATE:** 2008164
AFI: F	**SII:**	**CHG NO:** 8168	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2008164
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- INTERNATIONAL PROCESSING DIV.
- 1234 KERELIAN DRIVE
- BALTIMORE MD 21224-2548
- TEL 301-555-4321 FAX 301-555-9876

MAPAC: BBN002 6 / 32

MAPAC Information

TAC: 4	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- EMBASSY OF BANDARIA
- OFFICE OF MILITARY ATTACHE
- TEL 1-202-345-6789
- 2468 16TH ST NW
- WASHINGTON, DC 20009-2468

MAPAC: BBNA00 7 / 32

MAPAC Information

TAC: 1	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2006023
AFI: F	**SII:** S	**CHG NO:** 6023	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:**	**Last Modified Date:** 2006023
Country Reps and/or Special Instructions			**Create Date:**

Address Information (FREE FORM SET)

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MAPAC: BBNA00 8 / 32

MAPAC Information

TAC: 2	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2006023
AFI: F	**SII:** S	**CHG NO:** 6023	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:**	**Last Modified Date:** 2006023
Country Reps and/or Special Instructions			**Create Date:**

Address Information (FREE FORM SET)

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MAPAC: BBNA00 9 / 32

MAPAC Information

TAC: 4	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- OFFICE OF DEFENSE COOPERATION
- AMERICAN EMBASSY HERAT
- PSC 3655
- APO AE 09998

MAPAC: BBNA00 10 / 32

MAPAC Information

TAC: 5	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- OFFICE OF DEFENSE COOPERATION
- AMERICAN EMBASSY HERAT
- PSC 3655
- APO AE 09998

MAPAC: BBNA00 11 / 32

MAPAC Information

TAC: 6	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- OFFICE OF DEFENSE COOPERATION
- AMERICAN EMBASSY HERAT
- PSC 3655
- APO AE 09998

MAPAC: BBNA00 12 / 32

MAPAC Information

TAC: M	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2001018
AFI: F	**SII:**	**CHG NO:** 1004	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:**	**Last Modified Date:** 2001018
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN ARMY
- INFANTRY BATTALION C3PO
- KARISH
- BN 5300 KUNA DISTRICT
- REPUBLIC OF BANDARIA

MAPAC: BBNB00 13 / 32

MAPAC Information

TAC: M	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2001018
AFI: F	**SII:**	**CHG NO:** 1004	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:**	**Last Modified Date:** 2001018
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN ARMY MOTORIZED
- INFANTRY BRIGADE R2D2
- EDRI-KEBIR
- DONGOU 44 BN 2038 HERAT
- REPUBLIC OF BANDARIA

MAPAC: BBNC00 14 / 32

MAPAC Information

TAC: M	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:**	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN ARMED FORCES ARSENAL
- YAMUNA DISTRICT CARDASSIA
- PADME AMIDALA 5 CARDASSIA BN-3220
- TEL 9998 422 43277 FAX EXT 43003
- REPUBLIC OF BANDARIA

MAPAC: DBN002 15 / 32

MAPAC Information

TAC: A	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2001018
AFI: F	**SII:**	**CHG NO:** 1004	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2001018
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- WAREHOUSE DOCKS
- 1205 68TH STREET
- BALTIMORE MD 21224-2548
- TEL 301-555-1234 FAX 301-555-4321

MAPAC: DBN002 16 / 32

MAPAC Information

TAC: B	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2001018
AFI: F	**SII:**	**CHG NO:** 1004	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2001018
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- WAREHOUSE DOCKS
- 1205 68TH STREET
- BALTIMORE MD 21224-2548
- TEL 301-555-1234 FAX 301-555-4321

MAPAC: DBN002 17 / 32

MAPAC Information

TAC: 1	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2008164
AFI: F	**SII:**	**CHG NO:** 8168	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2008164
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- WAREHOUSE DOCKS
- 1205 68TH STREET
- BALTIMORE MD 21224-2548
- TEL 301-555-1234 FAX 301-555-4321

MAPAC: DBN002 18 / 32

MAPAC Information

TAC: 2	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2008164
AFI: F	**SII:**	**CHG NO:** 8168	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2008164
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- WAREHOUSE DOCKS
- 1205 68TH STREET
- BALTIMORE MD 21224-2548
- TEL 301-555-1234 FAX 301-555-4321

MAPAC: DBN002 19 / 32

MAPAC Information

TAC: 3	**TAC SEQ:**	**FFLC:** 1	**EFF DATE:** 2008164
AFI: F	**SII:**	**CHG NO:** 8168	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2008164
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN FREIGHT FORWARDING CORP.
- INTERNATIONAL PROCESSING DIV.
- 1234 KERELIAN DRIVE
- BALTIMORE MD 21224-2548
- TEL 301-555-4321 FAX 301-555-9876

MAPAC: DBN002 20 / 32

MAPAC Information

TAC: 4	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- EMBASSY OF BANDARIA
- OFFICE OF MILITARY ATTACHE
- TEL 1-202-345-6789
- 2468 16TH ST NW
- WASHINGTON, DC 20009-2468

MAPAC: DBN002 21 / 32

MAPAC Information

TAC: 7	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- EMBASSY OF BANDARIA
- OFFICE OF MILITARY ATTACHE
- TEL 1-202-345-6789
- 2468 16TH ST NW
- WASHINGTON, DC 20009-2468

MAPAC: DBNA00 22 / 32

MAPAC Information

TAC: M	**TAC SEQ:**	**FFLC:**	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information (FREE FORM SET)

- BANDARIAN AIR FORCES
- ATTN LANDO CALRISSIAN
- TEL 9998 422 43277 FAX EXT 43003
- SAMAR AIR BASE BN-5820
- REPUBLIC OF BANDARIA

MAPAC: DBNB00 23 / 32

MAPAC Information

TAC: M	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:**	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information (FREE FORM SET)

- BANDARIAN AIR FORCES
- CYBORG DISTRICT
- TEL 9998 555 43235 FAX EXT 43055
- KAVAN AIR BASE BN-5820
- REPUBLIC OF BANDARIA

MAPAC: DBNC00 24 / 32

MAPAC Information

TAC: M	**TAC SEQ:**	**FFLC:**	**EFF DATE:** 2008164
AFI: F	**SII:**	**CHG NO:** 8168	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2008164
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN AIR FORCES
- KAZON DISTRICT
- TEL 9998 555 43235 FAX EXT 43055
- KAANA-SAH AIR BASE BN-5820
- REPUBLIC OF BANDARIA

MAPAC: DBNG00 25 / 32

MAPAC Information

TAC: M	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- MASID MISSILE CORPORATION
- BANDARIAN PRODUCTION DIVISION
- ROMULUS BOULEVARD
- WAREHOUSE 17
- PELIAR ZEL BN-5838

MAPAC: PBN003 26 / 32

MAPAC Information

TAC: 1	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2001018
AFI: F	**SII:**	**CHG NO:** 1004	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2001018
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- TAMARIAN SEALAND CARRIERS
- PORT MANTEAU
- 1959 PRINCESS LEIA ORGANA RD
- JACKSONVILLE FL 32225-8765
- TEL 850-555-1234 FAX 850-555-4321

MAPAC: PBN003 27 / 32

MAPAC Information

TAC: 2	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2001018
AFI: F	**SII:**	**CHG NO:** 1004	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2001018
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- TAMARIAN SEALAND CARRIERS
- PORT MANTEAU
- 1959 PRINCESS LEIA ORGANA RD
- JACKSONVILLE FL 32225-8765
- TEL 850-555-1234 FAX 850-555-4321

MAPAC: PBN003 28 / 32

MAPAC Information

TAC: 3	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2001018
AFI: F	**SII:**	**CHG NO:** 1004	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:** C	**Last Modified Date:** 2001018
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- TAMARIAN SEALAND CARRIERS
- PORT MANTEAU
- 1959 PRINCESS LEIA ORGANA RD
- JACKSONVILLE FL 32225-8765
- TEL 850-555-1234 FAX 850-555-4321

MAPAC: PBN003 29 / 32

MAPAC Information

TAC: 4	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:**	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information (FREE FORM SET)

- BANDARIAN LIAISON OFFICE
- NAVY INVENTORY CONTROL POINT
- TEL 215 555-0987 FAX 215 555-0988
- 700 ROBBINS AVENUE, BLDG 4B
- PHILADELPHIA, PA 19111

MAPAC: PBNA00 30 / 32

MAPAC Information

TAC: M	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:**	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN NAVAL FORCES
- ATTN LOGISTICS SUPPLY DIVISION
- TEL 9998 5946 5605 FAX 9998 5946 5646
- STRIKEBASE VENGEANCE BN-1708
- REPUBLIC OF BANDARIA

MAPAC: PBNB00 31 / 32

MAPAC Information

TAC: M	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:**	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN NAVAL TRAINING CENTER
- PORT GAMMA TRIANGULI 6
- TEL 9998 5766 4305 FAX 9998 5766 4346
- CHARON NAVY BASE BN-1888
- REPUBLIC OF BANDARIA

MAPAC: PBNC00 32 / 32

MAPAC Information

TAC: M	**TAC SEQ:**	**FFLC:** 0	**EFF DATE:** 2004349
AFI: F	**SII:**	**CHG NO:** 4283	**DEL DATE:**
WPOD:	**APOD:**	**CONUS/OCONUS:**	**Last Modified Date:** 2004349
Country Reps and/or Special Instructions			**Create Date:**

Address Information

- BANDARIAN NAVAL ORDNANCE DEPOT
- NORTH STAR LENARIAN OUTPOST
- TEL 9998 5266 4308 FAX 9998 5266 4348
- DAGAN NAVY BASE BN-1876
- REPUBLIC OF BANDARIA

REPORT OF DISCREPANCY (ROD)

☐ SHIPPING ☒ PACKAGING

1. DATE OF PREPARATION	2. REPORT NUMBER
01 JAN 2007	D0001-BN-YCY-007

3. TO *(Name and address, include Zip Code)*
Air Force Security Assistance Center ATTN: AFSAC/COSD
5490 Pearson Rd
Wright-Patterson AFB OH 45433-5332

4. FROM *(Name and address, include Zip Code)*
Director of Logistics
Bandaria Depot Command
BN-2001 Herat Bandaria

5a. SHIPPER'S NAME

5b. NUMBER AND DATE OF INVOICE

6. TRANSPORTATION DOCUMENT NUMBER *(GBL, Waybill, TCN, etc.)*
DBNC563197003XAA

7a. SHIPPER'S NUMBER *(Purchase Order/Shipment, Contract, etc.)*

7b. OFFICE ADMINISTERING CONTRACT

8. REQUISITIONER'S NUMBER *(Requisition, Purchase Request, etc.)*
DBNC563197003

9. SHIPPING, BILLING, AND RECEIPT DATA				10. DISCREPANCY DATA				11.
NSN/PART NUMBER AND NOMENCLATURE (a)	UNIT OF ISSUE (b)	QUANTITY SHIPPED/ BILLED (c)	QUANTITY RECEIVED (d)	QUANTITY (a)	UNIT PRICE (b)	TOTAL COST (c)	CODE[1] (d)	ACTION CODE[2]
1420-01-322-5557 RESTRAINT, WING ASSY	EA	6	6	6	312.76	1,876.56	P2	2A

12. REMARKS *(Continue on separate sheet of paper if necessary)*
Case Status: I
Supplementary Address: DA2YCY
EMALL Requisitions: N
Responsible Action Agency: FLZ
Location of Discrepant Material: BAF Depot, Herat
SA Customer Remarks: 1. Six (6) EA 1420-01-322-5557 RESTRAINT, WING ASSY were damaged because the US depot did not pack the material IAW the Transportation Packing Order (TPO). Improper packing resulted in damage to all 6 assemblies. 2. Photos and other required documentation is attached. 3. Request credit be provided IAW DLA Reg 4140.55.
SA Customer Remarks:adj resp att 3.

[1] DISCREPANCY CODES

CONDITION OF MATERIAL
- C1 - In condition other than that indicated on release/receipt document
- C2 - Expired shelf life
- C3 - Damaged parcel post shipment

SUPPLY DOCUMENTATION
- D1 - Not received
- D2 - Illegible or mutilated
- D3 - Incomplete improper or without authority *(Only when receipt cannot be properly processed)*

MISDIRECTED MATERIAL
- M1 - Addressed to wrong activity

OVERAGE/DUPLICATE SHIPMENTS
- O1 - Quantity in excess of that receipt document
- O2 - Quantity in excess of that requested *(Other than unit of issue pack)*
- O3 - Quantity duplicates shipment

PACKING DISCREPANCY
- P1 - Improper preservation
- P2 - Improper packing
- P3 - Improper marking
- P4 - Improper unitization

PRODUCT QUALITY DEFICIENCIES
- Q1 - Deficient material *(Applicable to Grant Aid and FMS shipments only)*

SHORTAGE OF MATERIAL
- S1 - Quantity less than that on receipt document
- S2 - Quantity less that that requested *(Other than unit of issue pack)*
- S3 - Non-receipt of parcel post shipments

ITEM TECHNICAL DATA MARKINGS *(i.e., Name Plates, Log Books, Operating Handbooks, Special Instructions, etc.)*
- T1 - Missing
- T2 - Illegible or mutilated
- T3 - Precautionary operational markings missing
- T4 - Inspection data missing or incomplete
- T5 - Serviceability operating data missing or incomplete
- T6 - Warranty data missing

WRONG ITEM *(Identify requested item as a separate copy in Item 9 above)*
- W1 - Incorrect item received
- W2 - Unacceptable substitute

OTHER DISCREPANCIES
- Z1 - See remarks

[2] ACTION CODES

- 1A - Disposition instructions requested *(Reply on reverse)*
- 1B - Material being retained *(See remarks)*
- 1C - Supporting supply documentation requested
- 1D - Material still required expedite shipment *(Not applicable to FMS)*
- 1E - Local purchase material to be returned at supplier's expense unless disposition instructions to the contrary are received within 15 days *(Reply on reverse) (Not applicable to FMS)*
- 1F - Replacement shipment requested *(Not applicable to FMS)*
- 1G - Reshipment not required. Item to be re-requisitioned.
- 1H - No action required. Information only
- 1Z - Other action requested *(See remarks)*

13. FUNDING AND ACCOUNTING DATA

14a. TYPED OR PRINTED NAME, TITLE, AND PHONE NUMBER OF PREPARING OFFICIAL
Capt Juan C. Lagosi, Supply Officer, BAF
Tel: 011-99-1-4546-7890 EMAIL: lagosijc@supply01.cc.bn

14b. SIGNATURE

15. DISTRIBUTION ADDRESSEES FOR COPIES

364-103 7540-00-159-4442 *(Previous edition is obsolete.)* **STANDARD FORM 364 (REV. 2-80)** Prescribed by GSA FPMR 101-26.8 USAPPC V3.00

16. FROM:	17. DISTRIBUTION ADDRESSEES FOR COPIES
Air Force Security Assistance Center ATTN: AFSAC/COSD 5490 Pearson Rd Wright-Patterson AFB OH 45433-5332	FLZ Warner Robins AFB GA

18. TO:

Director of Logistics
ATTN: Capt Lagosi
Bandaria Depot Command
BN-2001 Herat Bandaria

Use window envelope to mail this document. Insert name and address, including Zip Code, starting one typing space below the left dot. Each address line must NOT extend beyond right dot. Address must not exceed four single space typing lines.

19. IN ACCORDANCE WITH NOTICE OF DISCREPANCY ON FACE OF THIS FORM:

Fold here

a. MATERIAL ☐ HAS BEEN ☐ WILL BE SHIPPED — DOCUMENT NUMBER

b. ☐ NO RECORD OF SHIPMENT. RESUBMIT REPORT TO PROPER OFFICE UNDER APPROPRIATE REGULATION.

c. ☒ AN ADJUSTMENT IN BILLING HAS BEEN/WILL BE PROCESSED AS A: ☒ CREDIT ☐ DEBIT

d. ☐ INVOICE/BILL ATTACHED

e. ☐ PROOF OF DELIVERY (Parcel Post Shipments) OR EVIDENCE OF SHIPMENT ENCLOSED.

f. ☐ AN ADJUSTMENT IN BILLING FOR THE REPORTED DISCREPANCY WILL NOT BE PROCESSED FOR THE FOLLOWING REASON WHICH IS CITED IN THE INDICATED REGULATION.

(1) REASON FOR NOT PROCESSING	(2) PRESCRIBING REGULATION
(a) DISCREPANCY WAS NOT REPORTED WITHIN THE TIME FRAMES ALLOWED AND/OR	(a) CHAPTER 5 OF THE GSA HANDBOOK, DISCREPANCIES OR DEFICIENCIES IN GSA OR DOD SHIPMENTS, MATERIAL, OR BILLINGS (FPMR 101-26.8)
(b) DOLLAR VALUE DOES NOT MEET THE CRITERIA PRESCRIBED IN THE REGULATION OR AGREEMENT INDICATED IN 19f(2)	(b) CHAP. 2 AND/OR 7 OF DOD 4000.25-7-M, MILITARY STANDARD BILLING SYSTEM (MILSBILLS) AND/OR DD 1513, U.S. DOD OFFER AND ACCEPTANCE, AS APPLICABLE.

20. THE FOLLOWING DISPOSITION IS TO BE MADE OF THE REFERENCED MATERIAL

a. ☐ PROCESS FOR DISPOSAL IN ACCORDANCE WITH SERVICE/AGENCY DIRECTIVES.	b. ☐ REPRESENTATIVE WILL CALL FOR DISCUSSION CONCERNING DISPOSITION IN:	DAYS
c. ☐ RETAIN MATERIAL AT NO CHARGE.	d. ☐ MATERIAL WILL BE PICKED UP IN :	DAYS

e. ☒ SHIP MATERIAL *(Specify Location):*

Fold here

(1) ☐ GBL APPROPRIATION CHARGEABLE:

(2) ☐ CHARGES COLLECT-VIA: ☐ FREIGHT ☐ EXPRESS ☐ PARCEL POST

(3) ☐ PARCEL POST LABEL ATTACHED (4) ☐ FREIGHT PREPAID

($ _____ postage advanced herewith. NOTE: Please enclose postage. Material cannot be returned Parcel Post collect.)

f. ☐ OTHER *(Specify)*

21. ☒ IF MATERIAL IS STILL REQUIRED, SUBMIT NEW REQUISITION	22. ☐ REPLACEMENT WITH SATISFACTORY MATERIAL WILL BE MADE ON OR BEFORE:	DATE

23. REMARKS *(Continue on separate sheet of paper if necessary)*

105 : Forward material received to address shown. Must use traceable and most economical means available.
137 : Additional comments provided. See remarks.
101 : Credit authorized
Remark: Reply POC name - Charlie Collins Reply POC Tel 804-279-3514 Return the material to: DEF DIST DEPOT NORFOLK VA, RECEIVING OFFICER DDNV PR 1968 GILBERT ST, BLDG 135 DWY 10, NORFOLK,VA 23511-3318 by cheapest traceable means using their requisition number as the shipping document number. Fund cite for transportation is 97X4930.5CGO 001 O/C 22.3 S33150#6120161309/26/06 CREDIT MEMO #61201613 SUBMITTED TO DFAS MCOOKS.

24a. TYPED OR PRINTED NAME AND PHONE NUMBER OF PREPARING OFFICIAL	24b. SIGNATURE	24c. DATE
Don McCormick (999) 5555-1111		15 Mar 2007

STANDARD FORM 364 BACK (REV. 2-80) USAPPC V3.00

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/AIR FORCE				
1. TO: BANDARIA AIR FORCE		2. THIS IS A BILLING STATEMENT BASED ON CASH REQUIREMENTS. PAYMENT IS DUE BY 07 DEC 15		3. STATEMENT NUMBER: 07-09DD		4. FOR PERIOD ENDED: 07 SEP 30		5. DATE PREPARED: 07 OCT 15
CASE IDENTIFICATION AND DELIVERY STATUS				FINANCIAL STATUS				
6. CASE & ITM 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
YCY								
001	68,646,508.00	0.00	0.00	0.00				
	HUMDINGER MISSILES							
002	5,048,292.00	0.00	0.00	0.00				
	HUMDINGER HAVI							
003	383,800.00	0.00	0.00	0.00				
	LAUNCHERS							
004	488,840.00	0.00	0.00	0.00				
	TRAINING MISSILES							
005	3,132,364.00	0.00	0.00	0.00				
	CNU CONTAINERS							
006	1,563,480.00	27,284.80	5,736.30	33,021.10				
	SUPPORT EQUIPMENT							
007	1,971,000.00	123,785.60	66,497.64	190,283.24				
	MISSILE SPARE PARTS							
008	12,372.00	1,215.30	947.37	2,162.67				
	PUBLICATIONS							
009	657,000.00	47,859.72	14,270.54	62,130.26				
	TECH ASSISTANCE							
010	631,250.00	0.00	0.00	0.00				
	RR MISSLES AND SPT							
011	1,350,000.00	184,090.91	61,363.64	245,454.55				
	OTHER SERVICES							
012	181,800.00	70,000.00	10,000.00	80,000.00				
	TECH DATA PACKAGE							
013	50,000.00	48,612.18	0.00	48,612.18				
	SITE SURVEY							
014	173,411.00	0.00	0.00	0.00				
	QUALITY ASSURANCE							
999	310,000.00	0.00	0.00	0.00				
	TRAINING							
L6A	3,214,805.00	7,968.94	3,703.17	11,672.11				
	ADMINISTRATIVE FEE							
L00	1,614,668.00	5,256.60	1,602.50	6,859.10				
	ACCESSORIAL COSTS							
WIP	WORK IN PROCESS			1,921,560.79				
CASE TOTAL	89,429,590.00	516,074.05	164,121.16	2,601,756.00	331,242.00	2,932,998.00	2,601,756.00	331,242.00

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

Sample Case Documents

PCN: UH028A150 **FMS DELIVERY LISTING** PAGE: 1

FOR PERIOD ENDED: 07 SEP 30
DATE PREPARED: 07 OCT 15

COUNTRY: BANDARIA STATEMENT NUMBER: 07-09DD
SERVICE: AIR FORCE CASE: YCY ITM NBR: 007 U.S. DEPT/AGENCY: AIR FORCE

ARTICLE/SERVICES TRANSACTIONS

DOC ID	RIC	PRC CD	STOCK NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT NUMBER	DOC SFX	SUPL ADRS	M S	ARC	ACTG DATE	TBC	DSC	DATE SHIP	UNIT PRICE	EXTENDED VALUE	
FKB	FGZ	A	D0001BNYCY	EA	6	DBNC5463197003		DA2YCY	F	CB	0707	E	AB	6272	312.26	1,873.56	CR
FKA	FGZ	A	691001021436600	EA	10	DBNC5462337132		DA2YCY	F		0709	H	AB	6325	2,280.00	22,800.00	
													ITM NBR/DSC SUBTOTAL:			20,926.44	
FKA	FNH	A	CONTRACT ADM	XX	1	DBN00000002310		YCY			0708		BD	6330	331.50	331.50	
													ITM NBR/DSC SUBTOTAL:			331.50	
FKA	FGZ	E	691001277321000	EA	12	DBNC5462237130		DA2YCY	F		0708	H	DB	6200	3,250.50	39,000.00	
FKA	FGZ	E	612501245670000	EA	1	DBNC5462237128		DA2YCY	H		0709	H	DB	6300	2,300.00	2,300.00	
													ITM NBR/DSC SUBTOTAL:		2,300.00	41,300.00	

ADMINISTRATIVE/ACCESSORIAL TRANSACTIONS

DOC ID	GENERIC CODE	COST DESCRIPTION	DOCUMENT NUMBER	ARC	ACTG DATE	TYPE OF COST	PERCENT FACTOR	TOTAL VALUE APPLIED		ADMIN/ACSRL COST	
FKC	L6A	ADMIN COSTS	DBN		0708	COMPUTED	3.80	331.50		12.60	
FKC	L6A	ADMIN COSTS	DBN		0708	COMPUTED	3.80	39,000.00		1,482.00	
FKC	L6A	ADMIN COSTS	DBN		0709	COMPUTED	3.80	22,800.00		866.40	
FKC	L6A	ADMIN COSTS	DBN		0709	COMPUTED	3.80	2,300.00		87.40	
FKD	L6A	ADMIN COSTS	DBN		0707	COMPUTED	3.80	1,873.56	CR	71.20	CR
FKE	L2B	AIR TRANS	DBN		0709	COMPUTED	2.50	22,800.00		570.00	
FKE	L2B	AIR TRANS	DBN		0708	COMPUTED	2.50	39,000.00		975.00	
FKE	L2B	AIR TRANS	DBN		0709	COMPUTED	2.50	2,300.00		57.50	

Sample Case Documents

PCN: UH028A150 FMS DELIVERY LISTING PAGE: 2

FOR PERIOD: 07 SEP 30
DATE PREPARED: 07 OCT 15

COUNTRY: BANDARIA STATEMENT NUMBER: 07-09DD
SERVICE: AIR FORCE CASE: YCY ITM NBR: 007 U.S. DEPT/AGENCY: AIR FORCE
SUMMARY OF DELIVERY COSTS

			TOTAL COSTS	
FKA ARTICLES/SERVICE COSTS			64431.5	
FKB ARTICLES/SERVICE COSTS			1873.56	CR
NET TOTAL OF ARTICLES/SERVICES COSTS			62557.94	
	ACTUAL COSTS	COMPUTED COSTS		
FKC ADMINISTRATIVE COSTS	0	2448.4	2448.4	
FKD ADMINISTRATIVE COSTS	0	71.2 CR	71.2	CR
NET TOTAL OF ADMINISTRATIVE COSTS	0	2377.2	2337.2	
FKE ACCESSORAL COSTS				
L2B CONUS PORT HANDLING	0	1602.5	1602.5	
NET TOTAL OF ACCESSORIAL COSTS			1602.5	
TOTAL DELIVERY COSTS			66497.64	

DEPARTMENT OF THE AIR FORCE

HEADQUARTERS AIR FORCE SECURITY ASSISTANCE CENTER (AFMC)

WRIGHT-PATTERSON AIR FORCE BASE, OHIO

MEMORANDUM FOR: GOVERNMENT OF BANDARIA
C/O ODC BANDARIA
HERAT, BANDARIA

FROM: 555 ISPTS/IASY
1822 Van Patton Drive
Wright Patterson AFB OH 45433-5337

SUBJECT: Notice of Supply/Services Completion (NSSC), FMS Case BN-D-YCY, Line Item 013

1. FMS case BN-D-YCY, Line 013 is supply/services complete as reflected in the Security Assistance Management Information System (SAMIS). There are no remaining commitments for items or services.

2. If applicable, please expedite the submission of Supply Discrepancy Reports (SDRs) to 555 ILS/SDR FLT, 5454 Buckner Road, Wright Patterson AFB, OH 45433. SDRs must be submitted within one year of shipment except when non-receipt of the entire shipment is involved. Under this condition, SDRs must be submitted within one year of shipment or billing, whichever is later. To expedite closure action, please advise 555 ISPTS/IASF, in writing, if no SDRs will be submitted against subject case.

3. If you have any questions, please contact the undersigned at (999) 999-9999

C. Krolikowski
Systems Sales Flight
555th International Support Squadron

cc:
555 ISPTS/IASF
755 IMATS/IARB

FINAL CERTIFICATE OF CASE CLOSURE

1. DATE: 30 May 2007 FINAL __X__ INTERIM _____

2. Implementing Agency/Country/Case: BN-D-YCY, LINE 013

3. Net Case Value:_____

4. Case Closed at Zero Value per FMS Customer's Request: YES ____ NO __X__

If YES, also reference the FMS customer's request document and attach the DSCA approval letter. If NO, proceed immediately to item 5 below.

5. Final Delivered Articles/Services value: $48,612.18

A. ____ The net case value shown on line 3 agrees with Implementing Agency records and obligation authority released to this agency via DD Form 2060.

B. **[Check one below that applies]**

____ The contracts awarded in connection with the FMS case are logistically and financially complete and included in line 5 (case closed). **Or**

____ The contracts awarded in connection with the FMS case are not financially complete; however, responsible officials have advised that no additional costs beyond the recorded unliquidated obligations in line 7 below can be identified.

C.__X__ All requisitions, reimbursable work orders, military interdepartmental purchase requires (MIPR), and invitational travel orders that were processed pursuant to this FMS case are accounted for and the costs thereof are included in line 5. Reimbursements from DFAS-JAX/IN have been credited to the financing appropriation or Miscellaneous Receipt Account 3041, as applicable.

D. ____ All estimated deliveries were converted to actual deliveries.

E. ____ All outstanding discrepancy reports against the case were processed.

F. ____ DD-COMP(M) 1517 Delivery Performance Reporting and Cash Disbursements were reconciled with Implementing Agency accounting records and are equal in value.

G. __X__ All accessorial charges were validated.

6. Above-the-line disbursements excluding CAS and LSC: $48,612.18

Unliqidated obligation balance: $00.00

. ULO CAS $00.00

7. *Closure certificate point of contact*: V. CAUDILL, AFSAC 555th ISPTS/FAF, 999-9999, ext 1111, vcaudill@wright-patterson-afb.fes.mil

Remarks/Comments as appropriate:

Appendix 2

Security Assistance Automation

Introduction

This appendix will provide an overview of some of the more common automation systems used by the security cooperation community. The overview will include the system description and functionality, as well as the procedures for requesting a user identification and password, if applicable.

Security Assistance Network

Background

In the 1990s, there was heightened interest in developing a more efficient way for overseas Security Cooperation Organizations (SCOs) and Geographic Combatant Commands (GCC) to exchange information with the Department of Defense (DOD) and Military Department (MILDEP) security assistance management information systems and with individuals at all echelons within the security assistance community. Early in 1990, Defense Security Cooperation Agency (DSCA) formed a special task group to examine security assistance automation among prospective users. One of the objectives was to enhance the opportunity for access by GCC and SCOs, as well as continental United States (CONUS) based security assistance activities, to existing security assistance management information systems and to provide users labor-saving automated data processing (ADP) administrative tools. With this in mind, the director of DSCA established the following goals:

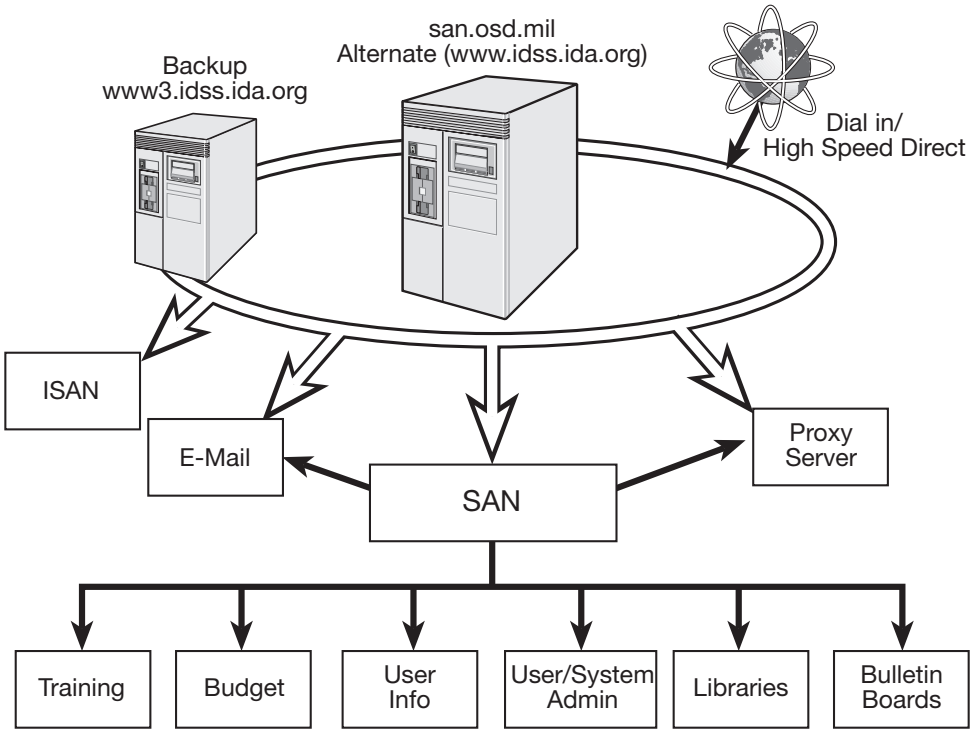
- Tie existing automated systems and users together
- Provide simplified access procedures to a range of automated systems
- Interface automated systems through existing or expanded telecommunications networks, providing automated communication and data exchange support

With the above objectives and goals outlined, the Security Assistance Network (SAN) was initiated, and is currently formalized in DOD 5105.38-M, *Security Assistance Management Manual* (SAMM), Chapter 13. The original telecommunications gateway for the SAN project was the Interoperability Decision Support System (IDSS), operated by the Institute for Defense Analysis (IDA). In the summer of 1996, development began on a web-based SAN. The concept of operations for the SAN web is quite simple. It is a web browser used to connect to the SAN home page via a local internet service provider. Presently, over 2,000 users in 120 countries are accessing the SAN web.

System Description

The SAN web contains many useful internal functions and links to many external systems operated independent of the SAN web. It must be noted that these are only links and the SAN web does not provide any connectivity to these systems. Therefore, if the user is restricted from accessing one of these external systems logging into the SAN web first will not change this. Also, note that many of these external systems require a user identification and password. These user identifications and passwords are provided and managed by the system administrators for those systems. Figure A2-1 shows many of the internal functions and external links available to SAN web users.

Figure A2-1
Security Assistance Network



User Database

Students attending the Defense Institute of Security Assistance Management (DISAM) Overseas Course (SCM-O) will be registered as SAN users. Access to the SAN can be accomplished by having an existing user send the request electronically through the system or by contacting DISAM at (937) 255-5850 or DSN 785-5850. Users can locate information about other SAN users by searching the user database. They can search by name, security assistance country code, organization, etc.

Electronic-mail

SAN users can be assigned an e-mail account, if they do not have dot-MIL (.MIL) e-mail accounts from other sources. A typical SAN e-mail address is username@san.osd.mil for U.S. military or civilians. The e-mail addresses for Foreign Service Nationals (FSNs) is username.CC@san.osd.mil, with CC being replaced by the user's actual country code.

Library

Users can share files with other SAN users by uploading them into one of the libraries. Libraries can also be used to overcome smaller file size limitations of e-mail systems.

Proxy Server

The SAN proxy server can be used to access some restricted sites that may be restricted due to your location. The SAN web proxy is not a .MIL proxy, so it will not provide access to .MIL-restricted sites.

Budget

The budget section provides access to the Integrated Security Assistance Automated Resource Management Suite (ISAARMS), which is an electronic interface among the SCOs, the GCC, and the Defense Finance and Accounting Service (DFAS). It is only used with Security Assistance Administrative Funds (T-20). At the end of each month, SCOs upload their end-of-month reporting data. This data is available for use by the GCC and DFAS. The current month plus six-month archives are available. DFAS downloads this data and uploads it into the official accounting records. DFAS uploads a file from the official accounting records that the SCOs can download to perform the reconciliation process on their local accounting data. This budget section also allows the SCO to upload backups of their local accounting data for off-site storage. The local accounting data is retrieved from the Security Assistance Automated Resource Management Suite (SAARMS) budget execution program. SAARMS is discussed later in this appendix.

Training

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). SCO users can access this data for their individual countries. MILDEP and GCC users can access multiple countries. Data updates are on a daily basis for the Army and Navy, with Air Force updating its data on Tuesdays, Thursdays, and Saturdays. This data can be viewed online in the SAN web system or downloaded and used off line in the Training Management System (TMS), which is also discussed later in this appendix.

Training Webs

International Military Student Office Web

The IMSOweb is an internet based tool allowing the International Military Student Office/Officer (IMSO), at a training location to manage international military students (IMS) assigned to their schoolhouse. The IMSOweb is maintained on and receives its data from the SAN.

The IMSO web 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. The IMSOweb also enables the IMSO to document detailed information about their location and schoolhouse which is available online and can be downloaded and viewed with the TMS program.

Security Cooperation Office - Training Web

The SCO-Tweb is an internet based tool allowing the SCO to view their training program online. The SCO-Tweb is maintained and receives its data from the SAN.

In addition to allowing the SCO to view STL and training MASL information online, the SCO-Tweb has several features not available with the TMS application. SCO-Tweb is required to be used for submission of student nomination packages for the Combating Terrorism Fellowship Program (CTFP). The other application that the SCO-Tweb is required for is the submission of the Combined Education and Training Program Plan (CETPP). The TMS application still must be used to collect student information and create invitational travel orders (ITOs).

International Security Assistance Network Web

The International Security Assistance Network web (I-SANweb) is an internet tool that provides essentially the same data accessibility to an international user from a host nation that is provided to U.S. SCO users via the SAN. Thus, international users can access the training MASL data to identify desired courses of instruction. They can see course location information, and can

have complete visibility of all country training programs that have been established for their country. International customers who would like access to the I-SAN should contact their SCO in-country for further guidance. The SCO can then initiate a request for I-SANweb access for the international customer using the main menu of the SAN. The I-SANweb can be accessed at: https://san.osd.mil/isan/login.

Commercial Security Assistance Network

The Commercial Security Assistance Network (C-SAN) is an internet tool that provides contractors who have an active government contract access to the key security assistance personnel roster worldwide. Contact DSCA at (703) 601-3733 to obtain a user identification and password for this For Official Use Only (FOUO) system. C-SAN can be accessed at: https://san.osd.mil/csan/login.

Financial and Logistics Databases

Prior to discussing the financial and logistics databases maintained by DFAS, Army, Navy, and Air Force security assistance agencies, several key points should be noted. First, all access to these databases is read-only unless special permissions are granted. Although it is recognized that personnel in the SCO and other communities need access to the data, only those personnel responsible for actions have write or change capability. Second, use of the SAN does not require access to or a full understanding of the total database. Thus, SCOs do not see the same screens as the CONUS action offices. Those elements and screens that were deemed necessary were modified and simplified to give the SCO a clear, concise picture of foreign military sales (FMS) case/line/requisition data. Finally, 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-Indianapolis Center (DFAS-IN) in Indianapolis, Indiana, is the integrated system for all security assistance financial data. Financial data from the FMS letter of offer and acceptance (LOA) through case closure is maintained by the DIFS system.

Functionality

Simplified screens have been developed for the SCOs providing required data in an easily readable form. For in-country SCOs, data is available for that country only. For GCC desk officers, data can be made available for all countries of responsibility. Currently, available screens include the following:

- Country implementing agency (IA) summary totals
- Financial status-country, and financial status-IA/ICS for country level data
- LOA detail summary and financial data
- Billing status data
- Payment schedules for LOA
- LOA line level data
- FMS case inventories

For standard DIFS system users the following data is available:

- 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 either of the DIFS accesses the user must submit a completed DD Form 2875, System Authorization Access Request (SAAR), to DFAS. The basic form is available on the internet at: http://www.dtic.mil/whs/directives/infomgt/forms/forminfo/forminfopage3211.html.

DFAS has developed a special continuation sheet which explains what is required in Block 27 of the form. To get the continuation sheet and submit the completed form, contact the administrator at:

DFAS-JAXBE/IN
8899 E. 56th St
Indianapolis, IN 46249

Fax: (317) 275-0270 (No DSN)
Tel: (317) 510-1767/1407, DSN 699-1767

Management Information System for International Logistics

System Description

The Management Information System for International Logistics (MISIL) is the U.S. Navy's primary logistics and financial tracking system for security assistance. MISIL has standardized screens for SCOs use.

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 line and case.
- 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 caused 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.

In addition to the aforementioned simplified screens, the SCO also has access to selected MISIL screens which are used CONUS FMS case managers.

Registration

To obtain access to MISIL, the user must submit a completed DD Form 2875, System Authorization Access Request (SAAR) and forward it to:

NAVICP-OF
ATTN: P761.3
700 Robbins Avenue
Philadelphia PA 19111

Fax: (215) 697-0333. DSN 442-0333
Tel: (215) 697-5140, DSN 442-5140

Centralized Integrated System for International Logistics

System Description

The Centralized Integrated System for International Logistics (CISIL) is the Army's logistics information and tracking system for security assistance. CISIL provides the standard simplified screens discussed above for Army programs. In addition, CISIL has a second area, CISIL SCO data, which is available for SCO use. The CISIL SCO data area contains certain areas that provide much more detail in certain sections of the database.

Functionality

One of the areas currently provided under CISIL SCO data is the case requisition review report sometimes referred to as the mini-audit or case audit report. Although designed for U.S. Army Security Assistance (USASAC) personnel, SCOs may find the open inhibitors option, and the case requisition review option very helpful. 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 forward it to:

USASAC-S
ATTN: Security Manager
54 M Avenue, Suite 1
New Cumberland, PA 17070-5096

(717) 770-4735 DSN: 771-4735
(717) 770-7052/7845; (DSN) 771-7052/7845

Security Assistance Management Information System

System Description

The Air Force Security Assistance Center (AFSAC) is responsible for administration of the security assistance program within the Air Force Materiel Command (AFMC). Security assistance 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 assistance.

Functionality

The SAMIS serves as a repository for all program, case, requisition, status, shipment, billing, and control information required for the management and control Air Force Security Assistance Center (AFSAC) responsibilities. The major purpose of the SAMIS system is the accurate processing of all transactions necessary for security assistance support. The other primary purpose of SAMIS is to provide the security assistance community with the accurate and timely information required to effectively manage the security assistance programs. To accomplish this, SAMIS provides on-line, real-time data updating and reporting as well as batch processing functions.

Registration

The SAMIS is a password protected system. A DD Form 2875 is required for both U.S. government (USG) (including SCOs) and international customers. Access to SAMIS can be requested via the AFSAC on-line web site at https://afsac.wpafb.af.mil, "Apply for AFSAC On-Line and/or SAMIS Account." Once the SAAR is approved, a user identification and password will be issued. There are four application formats:

- USG (civilian/military) includes AFSAC and Air Logistics Center (ALC) employees, AF and DOD supply source employees, USG employees which includes SCOs and employees working in overseas locations.
- USG (contractor) includes contractors employed by USG with a need to access FMS data and approved by the command country manager and/or the system administrator.
- International national representative or contractors (CONUS) includes foreign nationals, foreign representatives and contractors employed directly by the country and working within the CONUS, i.e., freight forwarder employees, Foreign Liaison Office (FLO) employees, embassy personnel, and any U.S. citizen employed by a foreign country.
- Foreign national representative/contractor/North Atlantic Treaty Organization (NATO) (outside CONUS) includes individuals listed in above except located outside of CONUS. It is important to note that this category of user is required to forward their request for access through their embassy in Washington, D.C.

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 assistance systems. Incorporating an extensive analysis of the security assistance 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, a standard view 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 assistance 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. As of 18 October 2002, access to DSAMS applications is through the Citrix application only. Applicants for Citrix user accounts must fax a completed SAAR to the DSAMS help desk (DSN 430-9317). However, the user must have a valid DSAMS account, provided by a MILDEP, before a Citrix account is provided. The Citrix software and the SAAR are available from the DSAMS web site at: https://dsams.dsca.mil/.

Once access is approved, a user identification and password for Citrix will be issued. The issuance of the DSAMS accounts is done through the appropriate MILDEP points of contact. Any additional questions should be directed to:

DSAMS HelpDesk,
helpdesk@dsadc.dsca.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

System Description

The SCIP is a web-based system that was designed to provide both USG users and international customers with access to FMS case-related data extracts. The data extracts come from multiple legacy MILDEP systems as well as other financial and logistic systems. One major advantage of SCIP is that authorized users are only required to maintain a single user identification and password to gain access to the data that is extracted from all of these systems. Without SCIP, users would have many user identifications and passwords or may not be able to access the data at all due to security restrictions. Figure A2-2 displays the multiple data sources used by the SCIP system. A copy of this data is periodically extracted from these legacy systems to keep the SCIP databases current.

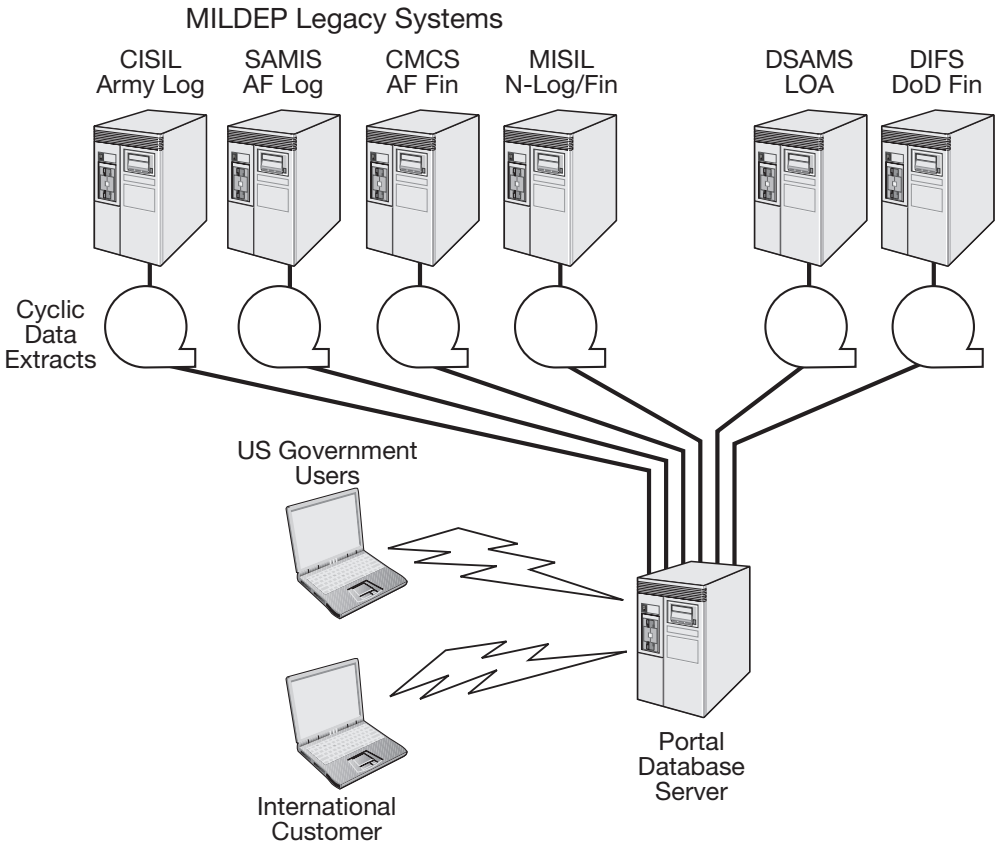
Functionality

SCIP access can be set for various data levels ranging from all of SCIP to single case view only, according to user needs. Data is separated by tabs into different communities. A brief description of each community follows.

Home Community

The Home Community's Home page is the first page users see when they successfully logon to SCIP. This page displays announcements, which are updated as new SCIP information and releases are available.

Figure A2-2
Security Cooperation Information Portal



Case Information Community

Provides a query capability to view FMS case information, obtained daily from all MILDEP Case Execution Systems (MISIL, CISIL, SAMIS and CMCS) and the DSAMS. Information from predetermined reports or from user-defined ad hoc queries is provided to the end user as a single view which. A summary report can be printed or an Microsoft Excel file can be exported. The following types of information are available for all basic modifications and amendments:

- Case level
- Case Line level
- Active Requisition
- Supply Discrepancy Report (SDR)
- Case Payment Schedule
- Case History
- Requisition Summary

Inputs – The user can input a variety of FMS *Military Standard Requisitioning and Issue Procedures* (MILSTRIP) and MILSTRIP-like transactions, which are partially validated in the SCIP, and then passed directly to the appropriate MILDEP FMS Case Execution system (MISIL, CISIL or SAMIS) for processing several times per day. The transactions, which can be created in the SCIP may be functionally grouped as follows:

- Requisitions

- Supply Discrepancy Reports
- Freight Tracking

Security Assistance Office Toolbox Community

The SAO Toolbox Community provides specific information and capabilities to the SCO and GCC communities. The toolbox was developed to support the DSCA End-Use Monitoring (EUM) Program, which continues to be the major application within the community.

Case Execution Community

This community currently houses links to several tri-service applications, notably the Enhanced Freight Tracking System (EFTS) and FMS EMALL and Asset Visibility (AV) applications.

State Department Community

When implemented, the DOS Community will provide a means to automate the previously paper-bound process for requesting and tracking third party re-transfer requests and DOS approvals/ disapprovals.

National Geo-spatial Intelligence Community

The National Geo-spatial Intelligence Community allows authorized SCIP users to access, review, and download aeronautical en-route and approach charts, terminal procedures, etc. required for necessary international navigation and flight safety.

Security Cooperation Management Suite

The Security Cooperation Management Suite (SCMS) provides highly specialized information to program managers of Iraq, Afghanistan, Pakistan, and Lebanon. The data is extracted from other SCIP database sources, to allow for intense information sharing among multiple program participants. This community is restricted to USG personnel only.

Partner Info Community

This community is designed to be an information sharing type of community vice a business process or business application community, as are the other SCIP communities. It incorporates International Customer User Group (ICUG), Foreign Procurement Group (FPG), and various SCIP Development Team documents and artifacts, including, but not limited to:

- Agendas
- Meeting minutes
- Presentations

The Partner Information Community provides: Visitor Information and maps for various agencies which includes:

- "News" type documents (e.g., The Dialogue, published monthly)
- Provides IT System help desk points of contact (POCs)

Navy Community

Web-based application programs previously available through the Navy E-Business application web site are now available only through the SCIP Navy Community. All previous Navy-only applications, such as the Navy's FMS Information Warehouse, can be found under the SCIP Navy Community tab. Tri-Service Applications previously housed in the Navy's E-Business web site, such as the EFTS and the FMS EMALL application, will be found under the SCIP Case Execution Community tab.

Registration

The registration forms for both U.S. and international users can be found by accessing the SCIP web site and selecting the registration information button. International customers require the use of a secure token. DSCA Memorandum 03-11, Enrollment Process for the Security Cooperation Information Portal has all the details concerning issuance of tokens.

Additional memorandums on the use of SCIP can be found on the DSCA web site at http://www.dsca.mil/ and the SCIP area of the DISAM web page at: http://www.disam.dsca.mil/itm/. The web address for SCIP is https://www.scportal.us/portal. For additional assistance the user can contact:

Security Cooperation Information Portal (SCIP) Help
E-mail: sciphelp@dsadc.dsca.mil

SCIP Phone Support is through the DSAMS help desk:
(717) 605-9200, DSN 430-9200

Additional Software Packages

Security Assistance Automated Resource Management Suite

Description

SAARMS is a group of two web-based and one stand-alone, applications used by SCOs and GCCs to manage their security assistance-funded resources. The SAARMS applications are budget preparation, budget execution, and property.

Functionality

The budget preparation program standardizes the budget preparation process in a web-based format. It uses relevant historical data from previous budget submissions and periods of financial execution and generates the required budget submission reports that SCOs and GCCs are required to submit to DSCA during the budget submission cycle.

The budget execution program is a web-based accounting feeder system that automates the manual record keeping of the daily SCO budget management functions. SAARMS feeds into the official DFAS BQ accounting system by conducting periodic electronic transfers of data via the SAN.

The property program is a stand-alone application that is used for property book management to include accounting for property and tracking property acquisition, use, and disposition.

Training Management System

The TMS is a Microsoft Access-based software application designed to aid SCOs throughout the world in managing all aspects of their international training program.

This application, resident on the user's computer, allows the SCO to view their country's *Standardized Training List* (STL) identifying training courses that have been requested and those which quotas have been assigned. TMS also enables the SCO to research training activities and training courses available to foreign countries in the MASL. The TMS application even allows the SCO to consolidate student biographical information and create ITOs authorizing the IMS to take part in security assistance training provided by the U.S. Finally, the SCO using TMS can upload to the SAN, SCO point-of-contact information, some student biographical information and student arrival information which can then be viewed and acted upon by the International Military Student Office (IMSO) at the MILDEP school house.

No password is needed to operate the TMS software, but access to the SAN is required to retrieve current STL and MASL data files which are used to update the TMS system. Therefore, one must have

an established SAN user account. See the earlier Security Assistance Network section for guidance on registering for a SAN user account. Contact DISAM at (937) 255-5850 to request a copy of the TMS software.

International Training Management Web Site

The International Training Management (ITM) web site is an informational web site intended for all U.S. and foreign international training managers. This web site provides a full range of international training management information, including references, policy and procedural messages, articles, lessons, exercises, FAQ sheets, web site links, and specific functional information.

The ITM web site is available to all users at http://www.disam.dsca.mil/itm/ and does not require the use of a password.

Acquisition Knowledge Sharing System

The Acquisition Knowledge Sharing System (AKSS) is designed to be a single point of access to DoD acquisition related resources and information. AKSS is a web-based system that easily links users to the myriad of acquisition source documents, references and other related information. AKSS replaced its predecessor, the Defense Acquisition Deskbook (DAD) system.

Although the overall AKSS system is managed by the Defense Acquisition University (DAU), AKSS operates under a decentralized information management approach. Every document or web link within AKSS is related to an organizational sponsor. DISAM serves as the sponsor for most FMS-related documents and web sites contained within AKSS. From the main AKSS page, one can navigate to FMS-related information by selecting 'site map' from the AKSS home page menu. On the site map page, FMS documents are accessible under the international/FMS heading. Additionally, DoD 5105.38-M, *Security Assistance Management Manual* (SAMM) is listed on the main AKSS page as FMS manual under the reader's choice header. The AKSS search function can be used to access information based on document designator, title or key words. Recommendations for FMS-related documents to be sponsored in AKSS should be forwarded to webmaster@disam.dsca.mil.

Most FMS information contained within AKSS is already accessible from the DSCA, DISAM or the MILDEP security assistance web sites. However, AKSS provides another centralized avenue to locate information particularly for individuals that primarily work outside the security assistance arena.

AKSS is a publicly accessible site and therefore does not require any user identification or password. The AKSS home page can be accessed at http://akss.dau.mil/jsp/default.jsp.

Summary

The SCO now has access to numerous automated systems, some that have been in existence since as early as 1976. 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. Users in the far-flung corners of the security cooperation 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 our 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.

Appendix 3

History of Security Assistance

Security Assistance and Foreign Policy

One of the primary methods used to carry out U.S. foreign and national security policy has been, and still remains, the transfer of defense articles, defense services, military training, and economic assistance; i.e., the provision of security assistance (SA). The various programs that comprise SA are described in some detail in Chapter 1, "Introduction to Security Cooperation," of this text. In general, the term encompasses various programs of military and economic assistance for allied and friendly foreign countries..

The use of SA has been a major tool in the formulation and conduct of U.S. foreign policy, especially beginning with World War II. It has helped countries in peril to actively defend them, reconstruct or strengthen their militaries against a variety of threats, promote the establishment of democracies with a strong emphasis on internationally acceptable human rights, promote interoperability within strategic alliances, and strengthen coalition efforts against unacceptable use of force. U.S. SA is authorized only when determined by the President to be in the U.S. national interest. This powerful determination has been made many times since World War II by American presidents responding to crises throughout the world ranging from the Soviet threat of the Cold War to the present Global War on Terrorism (GWOT) following 11 September 2001.

Historical Precedents of Security Assistance

SA (or, in a narrower sense, the transfer of arms and articles of warfare) has been part of international relations as long as societies have been preparing for and engaging in war. Whenever it was assumed to be in the best interests of one nation to give or sell arms or other military support to another, arms transfers of some type have taken place. The supply and demand for arms has been, and remains, a natural consequence of the desire to achieve national goals and maintain national security.

Early History

The practice of military assistance/arms transfers can be traced to the earliest recorded military histories. A classic example of problems associated with such transfers can be found in *Thucydides' History of the Peloponnesian War*, written some 2500 years ago. The transfer of arms was as controversial then as now, as illustrated by the declaration of Aristophanes, the classical playwright, when he held that the armaments industry was hindering peace in ancient Greece. Throughout history one can find the roles that military assistance and opposition to it have played in international relationships. U.S. history is a case in point.

The American War of Independence

The very emergence of the U.S. as a nation-state was supported to a large extent by the transfer of arms and other military assistance from France. Such assistance was not entirely altruistic on the part of the French, however, for they saw in the American Revolution an opportunity to limit British expansion in North America. It was in France's national interest to have the British engaged in a protracted American war while the French sought to expand and reinforce their military and commercial positions in North America and elsewhere.

The newly independent nation under President Washington had many postwar problems, not the least of which was to convince the nations of the world that the U.S. was, in fact, an established

sovereign state. Washington spent two terms in office consolidating and expanding the country, and trying to establish a foreign policy. When urged to stay on for a third term, he declined and stated that after eight years the country needed a change of administration. As one of his last official acts, he wrote his often quoted "Farewell Address" to Congress in which he warned of the danger of foreign entanglements, a view that has influenced the foreign and domestic policy of the U.S. ever since.

The Nineteenth Century

The period after the War of Independence saw the efforts of the U.S. turn toward the internal development of its political and economic structures, and the expansion of its borders from coast to coast. American foreign policy focused on the development of markets for the growing U.S. industrial capacity and the acquisition of non-indigenous materials for U.S. industry. Little effort was made to expand U.S. foreign relations much beyond commercial interests.

There were, however, a few instances when circumstances arose that required a policy of greater magnitude. One of these was the "Monroe Doctrine." The doctrine, initially conceived by John Quincy Adams, was first announced by President James Monroe in his annual message to Congress in 1823. The doctrine, in essence, declared that the Americas, i.e., North, Central, and South, were off limits to incursions from European powers. In the event such incursions were to occur, the doctrine implied that the U.S. would vigorously oppose such actions by whatever means seemed appropriate to meet the real or implied threats to the safety of the U.S. or its neighbors in the Western Hemisphere.

The principles of the Monroe Doctrine have been invoked or used as part of the decision making processes by a number of presidents since 1823. Examples include:

- President William A. McKinley's involvement in the Spanish-American War
- President Theodore Roosevelt's actions to acquire the Panama Canal
- The stationing of U.S. Marines in Nicaragua by President Calvin Coolidge to stabilize that country
- President John F. Kennedy's invocation of the Doctrine during the Cuban Missile Crisis
- President Johnson's movement of troops into the Dominican Republic
- U.S. assistance in restoring democratic governments in Grenada and Panama
- President Clinton's continuing concerns over events in Haiti and Cuba

The Early Twentieth Century

The acquisition of Guam, the Philippines, and Puerto Rico as a result of the Spanish-American War of 1898 thrust the U.S. into the role of an international power, a role that the U.S., as a nation, may not have been psychologically prepared to accept. Thus, events at the turn of the century generated many debates as to the direction that U.S. foreign policy should take. While many saw U.S. policies as dictated by our interests, others considered them the U.S. entrance into a morally questionable world. [Kissinger, op.cit., p 201] The ambivalence of U.S. foreign policy, combined with certain deep-seated sentiments, led to the resurgence of a strong sense of isolationism in this country.

Feeling secure behind its ocean barriers, the U.S. again turned its attention to internal development. Few international threats were posed against America's security; its armed forces were allowed to decline, reflecting a continuing U.S. aversion to large standing armies and entangling foreign alliances. Thus, as America moved into the Twentieth Century, it retained strong convictions against foreign adventures. Those convictions were soon to be challenged.

World War I

With the onset of World War I, the U.S., despite its declared neutrality, rapidly emerged as the leading participant in the international munitions trade. During the period of its neutrality, August 1914 to March 1917, the U.S. exported approximately $2.2 billion in war supplies to Europe. In 1916, the U.S. shipped more than $1 billion of arms in a single year. By 1920, the U.S. accounted for more than 52 percent of global arms exports.

The fact that the U.S., despite its proclaimed neutrality, was engaged in arms trade during the war served as an indirect cause of U.S. entry into the war. The British, seeking to stop the movement of arms to the Central Powers, established a naval blockade to deny aid to the German forces. Germany, in retaliation, resorted to increased submarine warfare, and on 17 May 1915 sank, among other ships, the British liner Lusitania with a loss of 1,000 lives, many of them American. The Germans claimed that the ship was being used to carry war materiel to Britain and was thus a legitimate target of war. Nonetheless, the attack was seen by the Americans as wanton perdition on an unarmed merchant vessel, and this event accelerated the movement to entanglement in the broils of Europe. Coincidentally, German submarine warfare began to erode American confidence in its "sea barriers."

As an item of further note, a prominent international lawyer of that period, Charles Hyde, petitioned Secretary of State Lansing to reduce the U.S. arms trade. Hyde noted that during World War I, the U.S. was becoming:

> A base of supplies of such magnitude that unless retarded, the success of armies, possibly the fate of empires, may ultimately rest upon the output of American factories.

However, President Wilson saw this American output of munitions as "an arsenal of freedom." Nevertheless, in spite of that sentiment, the fact that the U.S. ranked high among the world's leading arms exporters caused a great controversy that was reflected in much public debate and discussion throughout the 1920's and 1930's. Books of that period mirrored the American public's concern about this unwanted, yet thriving arms industry. Examples of the literature of that period which nagged the American conscience included such titles as:

- *Merchants of Death: A Study of the International Armaments Industry*
- *Iron, Blood and Profits*
- *War for Profit*
- *Death and Profit*

Between the World Wars

Continuing debate about America's role as an arms merchant saw the establishment in the 1930's of a special Senate Munitions Investigating Committee, known as the Nye Committee, after its Chairman, Senator Gerald P. Nye (R-ND). The committee's charter called for an investigation of the international arms trade to determine if a commercial profit motive was the primary cause of the continued sustenance of war. The investigation, conducted from 1934 to 1936, also sought to determine whether the arms trade could be regulated under existing laws and treaties, and whether a government monopoly in arms production was a practical alternative. As Senator Nye, an avowed isolationist, interpreted the committee's mandate, he concluded that the way to stop war was to take away the opportunity for private gain. His personal convictions influenced the committee to recommend the nationalization of the U.S. arms industry; a minority opinion held out for close government control rather than nationalization.

Although the concept of nationalization was subsequently rejected, greater government control and oversight over the U.S. arms industry was an outcome of the Nye Committee's efforts. This included the establishment of a munitions control board. A further recommendation of the committee was to

seek the international adoption of arms controls, but after some ineffectual multinational efforts, the international arms trade remained unchecked.

One accompanying feature of the Nye Committee findings was an increased U.S. public sentiment for withdrawing from world affairs and returning to America's characteristic isolationism. Despite a resurgence of isolationism and the limited results of the Nye Committee, however, little impact was made on American involvement in the international arms trade. In fact, in 1936, the U.S. ranked third in world arms sales, immediately behind France and Great Britain, a position it was to hold until the outbreak of World War II.

World War II

The arms trade that played such a significant role in U.S. foreign policy during the initial phases of World War I had a similar influence in the period immediately prior to U.S. entry into World War II. Thus, in 1939, Congress revised the *Neutrality Act*, thereby permitting the sale of arms during peacetime to the British on a cash-and-carry basis. Eventually, U.S. policies were broadened to include arms support for other allies.

The commitment to the British cause by a neutral U.S. took still another direction. In September 1940, President Roosevelt negotiated the destroyers-for-bases agreement in which fifty over-aged U.S. destroyers were exchanged for 99-year leases on several British bases in the Western Hemisphere under the rationale that the bases might become critical to American defense. The isolationist-minded critics considered Roosevelt's action a gross violation of American neutral status, and regarded his efforts as a device to embroil the U.S. in the war.

The next major U.S. decision to aid the British was the Lend-Lease Program initiated by an act of Congress on March 11, 1941. Lend-Lease eventually supplied about $50 billion of arms, food, and other aid to allies, including, as they became engaged in the war, the Russians and the Chinese. Under Lend-Lease, the U.S. loaned materials to the allies under the premise that it would be paid back when they were able to do so. The program also allowed the lease of other materials and services for which payment could be made by "reverse lend-lease" whereby the allies would provide certain materials and services to the U.S. in payment. As a matter of historical interest, less than $10 billion were repaid to the U.S. for America's lend-lease contributions.

The Truman Doctrine

The stage upon which the post-war scene was to be acted out was dominated by two players – the U.S. and the USSR, the superpowers. The diametrically opposed philosophies of these nations influenced the formulation of major international doctrines by all of the postwar American presidents, beginning in March 1947 with President Harry S. Truman's landmark proclamation, the Truman Doctrine.

Truman found himself beset by new and serious problems when the war ended in 1945. In Europe, the former U.S. ally, the Soviet Union, had become hostile to U.S. interests. Additionally, the Soviets heightened international anxiety when they seized control of several small Eastern European countries and threatened the independence of Turkey and Greece. Soviet-supported communist guerrilla actions in Greece, and Soviet diplomatic pressures in Turkey, were causes for great concern to President Truman. He believed the unrest in Greece and the overt Soviet political actions in Turkey were blatant attempts to establish a strong communist presence in the region. Truman also felt that the spread of Soviet hegemony was inimical to the national interests of the U.S., especially in the non-Communist parts of the Balkans, Asia Minor, and the Persian Gulf region.

In support of his views, Truman initiated an emergency request in March 1947 for $400 million to aid Greece and Turkey, a request which came to be known as the Truman Doctrine. In justifying his request, Truman declared:

> I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressure.
>
> I believe that we must assist free peoples to work out their own destinies in their own way.
>
> I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes.
>
> In addition to funds, I ask the Congress to authorize the detail of American civilian and military personnel to Greece and Turkey, at the request of those countries, to assist in the tasks of reconstruction and for the purpose of supervising the use of such financial and material assistance as may be furnished, I recommend that authority also be provided for the instruction and training of selected Greek and Turkish personnel . . .

Congress was reluctant to act on the request because the U.S. had never before entered into a formal assistance program with a foreign state during general peacetime conditions. Truman persisted, however, and the *Greece-Turkey Aid Act of 1947* was enacted, thus introducing the instrument of assistance as a significant factor in U.S. post-war foreign policy.

In the ensuing three years, Greece and Turkey received well over $600 million in both U.S. military and economic aid. The legislation authorizing that aid stipulated that U.S. military advisers would administer the programs within the respective countries. By mid-1949 there were over 527 U.S. armed forces personnel in the Joint United States Military Advisory and Planning Group in Greece and over 400 in a similar organization in Turkey. With the establishment of these units, the administration of military assistance acquired another dimension, that of creating advisory groups which would eventually operate in many areas of the world and involve U.S. military personnel by the thousands. Thus, the Truman Doctrine was to provide a precedent for the principle of collective security. It was cited as the foundation of subsequent similar programs under the premise that to promote the security and well-being of friendly foreign nations was in the best national interest of the U.S.

U.S. military assistance in the early post-war period focused primarily on the transfer of U.S. arms from stockpiles of surplus war materiel. These arms transfers were made to participants in an emerging network of U.S. alliances, and were provided as grant aid, i.e., gratis, under what became known as the Military Assistance Program (MAP). The giveaway nature of this grant assistance program would later become a point of extended discussion as the assistance programs matured and as the economies of U.S. war-ravaged allies experienced regeneration and substantial growth. Further, with the establishment of MAP, U.S. arms transfers, economic aid, and collective security began to merge as programs sharing a common purpose, a concept that later, in the Nixon Administration, would come to be known as SA. As part of the continuing evolution of SA, Congress terminated MAP funding in fiscal year (FY) 1990 and integrated all former MAP grant funding into the Foreign Military Financing Program (FMFP) which is discussed in detail in Chapter 1, “Introduction to Security Cooperation,” of this text.

The Cold War and Containment

Europe’s post-World War II economy was in a shambles. Although the U.S. provided some economic assistance immediately after the war, the slow rate of economic recovery was such that the basic fabric of Western European civilization was being pulled apart. The U.S. feared that the failure of the democratic governments to cope with their fundamental economic and related social problems would open the door to communist opportunism-external or internal. To counter that threat, Secretary of State George C. Marshall, in 1947, proposed a massive program of American aid to help rebuild the shattered economies of Europe. The proposal was not initially presented as an anti-communist measure and the offer of aid was open to any European state.

In 1948, Congress endorsed the proposal and established the European Recovery Plan (ERP) under which sixteen nations of Western Europe (later including West Germany) received $15 billion in loans and grants between 1948 and 1952. The ERP, better known as the "Marshall Plan," was also offered to Russia and other communist states, but it was declined by the Soviets, who denounced the program as an anti-communist effort. As it turned out, the ERP did become anticommunist by application, and it emerged as an essential element of the containment policy.

Containment, as a policy launched by the Truman Administration, was designed to frustrate Soviet attempts to expand their military, political, and economic base in Europe. The *Greece-Turkey Aid Act of 1947* reflects the policy's initial application. In theory, the policy held that if the USSR could not expand its influence or borders, communism would eventually collapse of its own inherent weaknesses. The containment policy and its role in Cold War strategy took another turn when the U.S. joined with other nations in creating the North Atlantic Treaty Organization (NATO) in 1949.

The Beginnings of the North Atlantic Treaty Organization

The term "alliance" has been defined as a multilateral agreement by states to improve their power position by joining together in defense of their common interests. Hence, an alliance is a way of informing friend and foe that an attack against any individual nation may precipitate a general war. The NATO alliance explicitly follows that formula, stating in Article 5 that:

> The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all.

This concept was implemented for the first time, after the 11 September 2001 terrorist attacks on the U.S., by both the NATO alliance and Rio Pact alliance which includes the countries within North and South America. For the first time since the War of 1812, foreign armed forces were deployed to the U.S. to assist in anti-terrorism protection.

Historically, NATO is considered a most advanced defensive alliance system. It was founded by the *Brussels Treaty of 1948* between France, the United Kingdom, Belgium, Netherlands, and Luxembourg. American negotiations with the Brussels powers began with the "Vandenberg Resolution," which was passed by the Senate on 11 June 1948. The resolution, named for then Senator Arthur H. Vandenberg of Michigan, expressed the desirability of the U.S. associating itself with others in a system of collective self defense. This goal was fulfilled with the signing of the *North Atlantic Treaty* in Washington, D.C., April 1949.

The close relationships established between the U.S. and its NATO allies have had a corresponding effect on subsequent SA management, to include:

- The provision of arms on a preferential basis to NATO member countries
- Certain exclusions for NATO members for arms control legislative provisions
- International cooperative armaments projects with NATO countries with the F-16 being a case in point

All of these special legislative provisions have placed the NATO alliance in a uniquely favorable position. NATO, in fact, through its political-military infrastructure, provided the prime barrier against communist expansion in Europe. Major elements of U.S. foreign policy, such as the establishment of U.S. bases in Western Europe, the storage and deployment of American nuclear weapons, and the initial post-World War II rearmament of West Germany, were put into effect through the military and political framework of this infrastructure.

Until 1965, NATO countries, as the major beneficiaries of SA, received approximately 56 percent of all American arms transferred under the military assistance and Foreign Military Sales (FMS) programs. However, during the mid-1950s, certain new developments began to have an impact. As

the stockpile of surplus World War II materiel declined, the U.S. embarked on a program to furnish technical assistance and industrial equipment to help expand local European defense production. In 1954, those NATO countries receiving this assistance agreed to provide other NATO allies with arms at reasonable prices. Such agreements gradually evolved into joint or co-production arrangements, including electronics, command and control systems, aircraft, and missiles. However, this arrangement was not long lived because, as each country grew in productive capability, its government demanded arms of local design, development, and production wherever these could meet internal military needs. The end result was widespread competition and limited compatibility between the separate NATO armed forces' military equipment. Thus, the separate systems and their unique support requirements created a logistics nightmare. This lack of standardization would do little to help sustain a war in Europe.

The penalties of such an operational and logistics hodgepodge of equipment, and the waste of valuable technical resources devoted to its development, were obvious. A more rational approach to NATO weapons development and production would be required if the standardization of equipment was to be achieved. Treaty members could either manufacture and sell weapons with unique features, share with others in development and production projects, or share in the manufacture and assembly of components of major systems (as was done by the European consortium members in the original sales agreement for F-16 aircraft).

The NATO alliance, as mentioned, was developed as the primary bulwark for European defenses against communist intervention and was the first alliance to serve the broader U.S. foreign policy goal of containment of the Soviet Union and its allies. This policy was destined to become even more rigid during the Eisenhower Administration when the positions of the East and West hardened in the difficult climate of the Cold War.

The Eisenhower Doctrine

Military assistance, as a building block of the U.S. containment policy, continued to grow in scope and influence. In 1949 a special foreign aid bill consolidated and expanded military aid programs to include NATO and reflected the importance that the defense of Western Europe occupied in Truman's containment policy. Several incidents in the 1950s inspired further expansion of that policy.

Political and military crises around the globe, such as the Korean War in 1950, Egyptian initiatives to acquire Soviet arms in 1955, and the increasing involvement of the U.S. in Indochina in the late 1950s, caused a reassessment of the containment policy and the foreign aid bill designed for its support. In essence, U.S. foreign aid policy was broadened from the exclusive support of U.S. allies to also include the support of friendly, but non-allied nations. As the U.S. defense of Northeast and Southeast Asia took on prominence, the program of 'arms to allies' was enlarged to include 'arms to friends.' To the concepts of containment and forward defense were added new precepts of internal security, counterinsurgency, civic action, and nation building. The policy of containment was expanded politically to the protection not only of nations on the periphery of the Soviet Union, but to the world at large, including many nations regarded by their leaders as nonaligned.

As a corollary to the expanded containment policy, the Eisenhower Doctrine was initiated on 9 March 1957. This second major post-war doctrine asserted the right of the U.S. to employ force, if necessary, to assist any nation or group of nations in the general region of the Middle East requesting assistance against armed aggression from any country controlled by international communism. The Eisenhower Doctrine resulted from the apparent increase in Soviet influence in Syria and Egypt and the threat of Soviet assistance to Egypt during the Suez Crisis in 1956. As formulated, U.S. assistance was to be based upon a request from any endangered country; however, the doctrine was to be evoked only in the event of external, communist armed aggression, and was not to be applied in response to an internal insurrection or civil war.

Eisenhower saw the maintenance of regional stability in the Middle East as an extended American commitment with a long term impact on our foreign policy. He saw the issue as not only supporting American interests, but also the interests of allies. Basically, U.S. economic interests as well as those of the allies were then, as they are now, are linked to the vast oil reserves in that region. There was a prevailing belief that should the Middle East fall under Soviet domination, the western economies would suffer so severely that the governments of Western Europe would succumb to communism.

Eisenhower further speculated that if the Soviets were to gain control of the Middle East, it would allow them to strategically outflank Pakistan and India. Their position thus established, the Soviets then could slip down into India and Africa at will, thus securing their long-sought permanent warm water port and impinging on American and Western national interests every step of the way.

Strategically, as well as economically, the Eisenhower Administration perceived that the loss of the Middle East to international communism would constitute a severe and possibly fatal blow to American national interests. It should be noted that it was primarily U.S. interests, and only secondarily the well being of the nations of the Middle East, that the U.S. was attempting to promote with the Eisenhower Doctrine. The conventional global assistance pattern established by that doctrine, as well as the nuclear policy of strategic reliance on "massive retaliation" developed during the Eisenhower Administration, continue to influence U.S. foreign policy.

The Kennedy and Johnson Administrations

President Kennedy became heir to the policy of massive retaliation as the set piece of our strategic deterrence against Soviet aggression. Events in Eastern Europe, however, including the short-lived 1956 Hungarian Revolution and the 1961 crisis in Berlin, demanded a reassessment of U.S. conventional force capabilities. In Central Europe (and elsewhere) the U.S. and NATO forces seemed unacceptably inferior in conventional military power to Soviet Bloc forces. The new president was alarmed to discover how few options he had (and how little time he had to exercise them) in any conflict in Germany before he would either have to accept defeat or initiate the use of nuclear weapons. While it was clear that in the immediate future NATO could not hope to match the Warsaw Pact man-for-man along the Central European front, the gross disparity of forces struck Kennedy as both unnecessary and dangerous, and he pushed for improvements in NATO conventional force structure

Kennedy initiated other aid and diplomatic actions. First, an increased economic assistance to Latin America under the Alliance for Progress was created. This alliance program was designed to speed economic growth in the region in order to create a stable social structure capable of fending off revolutionary threats-both internal and external. Although never so stated, an implied objective of the Alliance was to erect a restraining fence around Cuba, which had begun to export its brand of communism.

Latin America initially viewed the Alliance with enthusiasm and saw it as an opportunity to overcome the long neglect of the region by the U.S. Increased economic assistance funds were made available, and military assistance expanded after 1961. After a rather uneven performance in which U.S. political interest and subsequent support of the aid programs ran hot and cold, the Alliance for Progress died out by the end of the 1960's, and U.S. foreign policy south of the border again lapsed into benign neglect.

Another area of the world that had a major impact on the administrations of both Kennedy and Johnson was Southeast Asia. The U.S. had been involved in some part of the Southern and Eastern Asia regions for generations. The intensity of involvement, however, heightened during and after World War II. The U.S. found that no region in the world was more dynamic, more diverse, or more complex than Asia, particularly as communist inspired insurgencies began to threaten the stability of the entire region.

During the Truman and Eisenhower years, military aid and other SA grants were given to the French to shore up their efforts to regain control over Indochina after World War II. These funds were

but a prelude to a much deeper commitment that led us into the protracted Vietnam War. Over $29 billion were funneled to East Asia and the Pacific areas. Although approximately half of this amount was granted to South Vietnam, the balance is indicative of the importance attached to this region.

The Middle East continued to be an area of high interest during the Kennedy-Johnson era. Arab-Israeli conflicts, difficulties between Iraq and Iran, the Egyptian-Russian disaffection, and the growing realization that the U.S., and much of Western Europe remained heavily dependent on an undisturbed flow of Middle East oil provided the motivation to maintain regional stability virtually at any cost. Military assistance was the primary element used to assure a stable environment. The enormous initial MAP grants were soon overtaken by rapidly escalating arms sales under the FMS program. Thus, the gradual reduction of grant aid accompanied by an increase in military sales radically altered the face of military assistance. This process was to gain momentum under the Nixon Administration.

The Nixon Doctrine

By the late 1960s, America had its fill of the seemingly interminable war in Southeast Asia. The enormous cost in lives and dollars, coupled with domestic turmoil and general public discontent, led to negotiations for an early end of the war. The experiences of the Southeast Asia entanglement led to changed directives and initiatives in U.S. foreign policy; changes that had a major impact on the American approach to military assistance. One of the primary aspects of the changed policy was the transfer of immediate self defense responsibilities to indigenous forces, with the U.S. continuing to provide material assistance and economic support. Further, the concept of self sufficiency increased the emphasis on military sales, as opposed to grants. Additionally, the linkage of a variety of security-related military and economic assistance programs led to the use of an umbrella term for these programs, security assistance. Thus, it was during the Nixon Administration that many of the major features of the present U.S. SA program were formalized.

The Nixon Doctrine enunciated new guidelines for American foreign policy. Initially termed the Guam Doctrine (in recognition of the site of its original proclamation in 1969), and limited to Asian nations, the doctrine was later broadened to encompass the entire globe, and was renamed for President Nixon. Critical to the doctrine was the view that although the U.S. would continue to bear responsibility for the deterrence of nuclear and conventional war, the responsibility for the deterrence of localized wars would rest with the countries threatened by such wars. The U.S. would continue to furnish limited grant assistance to such countries, but they would be expected to assume primary responsibility for their own defense, including the marshaling of the necessary manpower and resources. The major effort would have to be made by the governments and peoples of these states. The doctrine was mainly a product of public reaction against the largely unsuccessful military intervention by the U.S. in Vietnam during the 1960s.

Earlier in his administration, Nixon had reviewed prior U.S. foreign policies in other parts of the world, especially in the traditional sphere of U.S. influence, Latin America. In a major speech he criticized the Latin American policies of his predecessors by implying that the Alliance for Progress had been based on the illusion that the U.S. knew what was best for everyone else. He instead pledged a new approach that would deal realistically with governments in the inter-American system. The former dictatorial role of the U.S. would be shifted to one of partnership.

In the Middle East, Nixon was again confronted with continuing strife between Israel and her neighbors. Wars in 1967 and again in 1973 demonstrated that the deep-seated enmity between these nations and their conflicting territorial claims would not soon or easily go away. Continued regional instability and the real possibility that it could spill over to the Persian Gulf area were constant reminders to the governments of the U.S., Western Europe, and Japan of the fragility of their dependence on that region's energy resources. If the U.S. were to play the role of a peacemaker, any attempt to achieve a peace agreement and regional stability had to consider first and foremost the impact that such an agreement would have on the flow of oil. With that thought in mind and the desire to establish and maintain a regional balance, the U.S. transfer of arms to the Middle East increased dramatically, with

Iran, Israel, and Saudi Arabia being the principal recipients. Additionally, arms shipments by France, Great Britain, and other nations also contributed to the Middle East's growing stockpile of weapons.

As a direct outgrowth of the U.S. experiences in Vietnam and what appeared to be a seemingly uncontrolled race to arm the world in general and the Middle East-Persian Gulf states in particular, U.S. public awareness of SA was heightened. Congress legislated more efficient SA management procedures and greater control over the future transfer of arms. The new legislation, later incorporated in the *Arms Export Control Act* (AECA) was to have a significant influence on all subsequent SA management.

The Ford Administration

The interplay of many political and economic factors launched the Ford Administration. Political trauma on the domestic front, continuing disagreements with the Soviets and among the allies, rapidly escalating oil prices, and an incipient recession were included in the inheritance welcoming Gerald Ford to the Presidency. Added to this disturbing legacy was a growing apprehension by the Congress over the increase in U.S. arms transfers abroad. Congressional concern over U.S. involvement in the international arms trade stimulated legislative requirements for closer scrutiny by the Department of State (DOS) and Department of Defense (DOD) of potential arms transfers. These concerns also led to the strengthening of legislation giving Congress the right to block certain types of sales. A more definitive explanation of these controls and other legislative processes are covered in Chapter 2 "Security Assistance Legislation and Policy", of this text.

Yet another element in the legacy inherited by the Ford Administration was the accelerated movement toward détente with the Soviets and the opening of discussions with the Peoples Republic of China (PRC), in both instances, following policies previously laid down by President Nixon. With détente as a major foreign policy goal of his administration, it became increasingly more difficult for Ford to use the containment of communism as a justification for his SA requests, especially those pertaining to military grant aid. In the view of much of the public and Congress, the Cold War was almost a thing of the past.

Further complicating Ford's relationship with Congress was the continued high foreign demand for American armaments despite growing congressional pressure to restrain arms sales. The President was now faced with the dilemma of meeting the requests for arms as part of our foreign policy while still remaining within the bounds of existing or pending legislation. Illustrative of that dilemma were the SA requests from Latin America. U.S. motivations for sales to Latin America were primarily political, aimed at restoring good will and preserving access. However, this opening, perceived by the Latin Americans as the most supportive U.S. response to their demands since 1945, proved very short-lived. Congressional, media, and public concerns began to focus on human rights violations in the region and the apparent lack of effective controls on U.S. arms sales. Demands were made for new controls, and these concerns found expression in the *International Security Assistance and Arms Export Control Act* (AECA) *of 1976*.

The AECA prohibited arms transfers to any nation found to be in systematic violation of human rights; it terminated (with few exceptions) grant aid and military assistance advisory groups (MAAGs) by September 1977, unless the MAP recipients and MAAGs were subsequently authorized by the Congress in applicable legislation; and it established closer oversight by Congress of arms transfers. The 1976 AECA, as amended by 1977 legislation, was considered by both Presidents Ford and Carter as extremely restrictive and as impinging on the executive branch's prerogative to implement foreign policy.

The Carter Administration

Early in his term of office, President Carter issued a statement decrying the unrestrained global spread of conventional weaponry. He critically cited reports stating that total worldwide arms sales

had risen to over $20 billion annually, and that the U.S. was responsible for over half of that amount. Based on that assessment, he directed a comprehensive review of existing arms transfer control policies and all of the associated military, political, and economic factors.

In order to reverse the trend of increasing conventional arms sales, President Carter announced on 19 May 1977 that arms transfers would henceforth be viewed as an exceptional foreign policy implement and the burden of persuasion for a sale would fall on those who favored a particular arms sale, rather than those who opposed it. He further established a set of controls to apply to all transfers except to those countries with which the U.S. had major defense treaties, i.e., NATO, Japan, Australia, and New Zealand.

Carter further stated that the conduct of his administration's SA efforts would be governed by the promotion and advancement of internationally recognized human rights in the recipient countries. This statement, in effect, provided added emphasis to the human rights provisions already contained in the *Foreign Assistance Act* (FAA) *of 1961* and the AECA. As a result of the congressional and presidential focus in this area, all SA programs were subjected to closer review under the human rights provisions of these statutes. Thus, the human rights issue became a major feature of the Carter foreign policy.

Middle East Policy

Carter's initial foreign policy effort focused on the Middle East, much like that of his predecessors. Of significance, however, was his personal intervention in seeking a resolution to the long-standing enmity between Israel and Egypt. Carter hoped to achieve a resolution of Israeli-Egyptian border disputes and find some answer to the Palestinian question. Through his initiatives, a series of meetings were held with top-level Israeli and Egyptian officials, first in Cairo and Jerusalem, and then at Camp David, the presidential retreat in Maryland. These efforts led to the so-called Camp David Accord, which, in essence, adjusted the Israeli-Egyptian border, resolved territorial claims in the Sinai, and produced the 1979 Egyptian-Israeli Peace Treaty.

As a part of the Camp David Accord, the U.S. agreed to assist both governments in upgrading their military capabilities. In the case of Egypt, replacement of the obsolete Russian equipment with which Egyptian forces were outfitted became a major long term SA objective whereby the U.S. was to become Egypt's, as well as Israel's, prime supplier. This assistance has continued under all the subsequent administrations, with other Western European nations also providing assistance.

Carter's interest in the Middle East took on additional and complicating dimensions:

- The overthrow of the Shah of Iran in 1979
- The subsequent seizure of the American embassy in Tehran and the taking of diplomatic hostages by militant Iranians
- The burning of the American embassy in Pakistan
- The Russian invasion of Afghanistan in December 1979

All of the above caused the President to conclude that the turmoil in the Persian Gulf area was a most serious threat to regional stability and inimical to the national interests of the U.S.

The Carter Doctrine

Reflecting his concern over the Persian Gulf area, Carter, in his 1980 State of the Union address warned:

> Let our position be absolutely clear: an attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the

United States of America. And such an assault will be repelled by any means necessary, including military force.

His words were broadly compared by many in the press to be a restatement of the containment policy of the Truman Doctrine of 1947. In fact, the press speculatively labeled the message the Carter Doctrine. By whatever label, it was the first presidential public pronouncement since Vietnam of the possible commitment of U.S. troops to protect essential U.S. national interests. In so doing, the U.S. extended its military shield to the Persian Gulf region and, in effect, modified the Nixon Doctrine which primarily relied on the allies in a region not only to defend themselves with U.S. materiel aid, but to also protect American regional interests. Carter's policy was designed to forestall further Soviet aggression and to deter actions which might eventually expand ongoing conflicts in the region.

People's Republic of China Status

Carter's foreign policy assumed another change of direction when he asked for and Congress granted most-favored-nation status to the People's Republic of China (PRC), with which formal diplomatic relations were established on 31 December 1978. This, in essence, meant that Beijing's exports to the U.S. would be permitted at tariff (or tax) levels reduced to the lowest levels enjoyed by other American trading partners, a status which was long sought by the Soviets but was continually denied by Congress. Also reflecting the increased U.S. and China rapport, which began with visits by Nixon and Ford, was Carter's decision to sell China dual use (i.e., civilian/military) materiel limited to trucks, communications equipment, and early warning radar. No weapons were included in this arrangement. The first FMS agreement was not notified to Congress until 1985 to allow the modernization of China's large caliber artillery ammunition production facilities. Additional agreements were notified to Congress in 1986 for the sale of Mark 46 MOD 2 torpedoes and for an avionics upgrade of Chinese F-8 air defense interceptors.

Raw Materials and Foreign Policy

A key element in the rapid changes in U.S. foreign policy was the perceived dwindling supply of available foreign source oil. However, oil availability was not the only matter of concern for the world's economies. The scramble for scarce resources was becoming more hectic as the world's demand and consumption of metals and other materials reached new heights. Emerging third world countries, some of which were the only source of certain critical minerals, were learning how to bargain more intensively and collectively in the same manner as OPEC. The finite supply and imminent shortages of certain critical minerals and other raw materials threatened to place the economies of the U.S., Western Europe, and Japan, in a precarious position.

While the U.S. had maintained, since World War II, some strategic stockpiles of critical minerals and materiel for use in the event of a national emergency, the threat to the overall U.S. economy became apparent. Even with the reserve stocks on hand, the U.S. was not nearly as self-sufficient in everything required to maintain an effective base of production. Critical choices faced Carter and his planners. One choice was to increase, wherever practical, exploration for and development of domestic resources. Such action had its attendant difficulties and often conflicted with quality of life standards, environmental goals, and national economic targets.

A second choice was to maintain friendly relationships with the countries exporting critical materials. Such relationships could be enhanced through the judicious application of SA by grants, government-to-government sales, or by direct commercial sales (DCS). Further, direct barter by the USG of SA for critical materials is authorized by the FAA, Section 663 if the president determines it to be in the national interest to exchange strategic raw for weapons.

Although this is an apparently desirable option for countries with ample mineral holdings but limited financial resources, complex economic considerations (e.g., varying requirements for different

materials and the need to convert resources to dollars to reimburse U.S. contractors) have precluded any use of this statutory provision.

Reagan's Arms Transfer Policy

At the onset of President Ronald Reagan's presidency, the international fabric of world arms transfers and national interests remained basically unchanged from that which existed during previous administrations. On 8 July 1981, however, President Reagan announced a new conventional arms transfer policy which viewed arms transfers as an essential element of our global defense policy and an indispensable component of U.S. foreign policy. Reagan's approach, which differed considerably from the Carter Administration's view of arms transfers as an 'exceptional foreign policy implement,' reflected a more pragmatic view of SA. The U.S., as a matter of policy, will only transfer arms in order to:

- Reinforce military capabilities to assist in the deterrence of aggression, especially from the USSR and its surrogates, and reduce the requirement for direct U.S. involvement in regional conflict.
- Reinforce the perception of friends and allies that the U.S. is a partner and a reliable supplier with a measurable stake in the security of the recipient country.
- Point out to potential enemies that the U.S. will not abandon its allies or friends .
- Improve the American economy by assuring a more stable defense production base, and by enhancing the balance of payments. However, this objective should not mean that the approval of the transfer of arms will be based solely on economic considerations and gain.
- Enhance the effectiveness of the U.S. military through improved possibilities of access to regional bases, ports, or facilities needed by deployed forces during contingencies. Further, SA should improve the ability of the recipient nations to complement U.S. forces during deployments.
- Strengthen the stability of a region by fostering a sense of a recipient nation's security and its willingness to settle disputes amicably. A government that feels secure is more likely to cope with such challenges in a more progressive and enlightened manner.

A pivotal point of the Reagan policy was that the U.S. could not alone defend western security interests. Thus, the U.S. would heed the security requirements of friends and allies, not as an alternative to a U.S. commitment or capability, but as a complement thereto. The U.S. would assess the transfer of arms in light of the net contribution such transfers would make to U.S. global or regional security, thereby complementing and reinforcing the earlier Nixon Doctrine.

The Reagan policy identified arms transfers to America's major alliance partners as its first priority. Thus, the principal focus was on transfers to those nations with which we enjoy a long association of cooperative and mutually beneficial relationships, and which permit access to support or basing facilities in the interest of mutual defense. Because of the diversity of U.S. interests and the security needs of our allies and friends, the assessment of needs would be pragmatically but strategically derived, and tailored to the specific circumstance of each instance. However, the Reagan arms transfer policy would maintain an inherent flexibility to respond quickly to changing conditions and shifting Soviet strategies. The Reagan policy statement concluded with the following comments:

> The realities of today's world demand that we pursue a sober, responsible, and balanced arms transfer policy, a policy that will advance our national security interests and those of the free world. Both in addressing decisions as to specific transfers and opportunities for restraint among producers, we will be guided by principle as well as practical necessity. We will deal with the world as it is.

The George H. W. Bush Administration

Arms transfer and overall SA policies of the George H.W. Bush Administration essentially represented a continuation of the approach which evolved during the Reagan presidency. Various events occurred in the world, however, each of which had a significant impact on U.S. foreign policy and SA:

- The December 1989 collapse of the Iron Curtain and the subsequent emergence of democracy in the former Warsaw Pact countries
- The August 1990 Iraqi invasion of Kuwait and the subsequent January/February 1991 Operation Desert Storm which liberated Kuwait;
- Middle East peace talks; the December 1991 economic and political dissolution of the USSR
- The far reaching worldwide economic recession of 1991 and 1992, which largely grew out of a convergence of the consequences of the monumental events of the previous year

The political collapse of the Iron Curtain countries, with the almost immediate introduction of democratically elected governments and market-driven capitalism, prompted the flow of U.S. foreign assistance in FY 1991 to Czechoslovakia, Hungry, and Poland. This aid also included grant military assistance in the form of International Military Education and Training (IMET). FY 1992 foreign assistance for Eastern Europe included the addition of Albania, Bulgaria, Estonia, Latvia, Lithuania, Russia, and Ukraine. Foreign assistance was further extended in the region during FY 1993 to Belarus, Kazakhstan, and Romania. The growing political revolution in Eastern Europe extended dramatically to Russia itself, producing force reductions in the region during FY 1993 and withdrawals from Eastern Europe. This action also impacted the West, especially the U.S., where a defense reduction of 25 percent both in forces and budget was begun. Initially, the vision of large supplies of cheap excess defense articles being made available for transfer became prominent, and legal provisions were made for broader eligibility and simpler implementation. However, the Iraqi invasion of Kuwait put the transfers on temporary hold. Also related to the downsizing have been cutbacks and cancellations in DOD weapons acquisitions. The resulting reduction in system development and production has caused industry to seek more overseas markets and to request the assistance of various USG officials and their agencies for entry into the foreign marketplace.

The Iraqi invasion of Kuwait on 2 August 1990 clearly demonstrated the value of past SA programs during the conduct of war and also the responsiveness of the SA community during the war. It also boosted the overall level of FMS agreements which totaled $14.2 billion in FY 1990 and a record $23.5 billion in FY 1991. The deployment, reception, and support of coalition forces in the Persian Gulf (specifically, in Saudi Arabia) was accomplished with comparative ease and was greatly benefited by the over $15 billion in FMS construction projects completed prior to FY 1990. These included runways and ramps for both strategic lift and tactical aircraft, improved piers and equipment marshaling areas for the offload of strategic sealift materiel, and protected facilities with limited command and control capability to build upon for in-theater command elements and associated support. SA also provided for equipment and procedural compatibilities among many of the coalition forces through past sales of U.S. equipment and technical and professional training in U.S. military classrooms. The requirement for international military students to know English during their U.S. training contributed significantly to improved communications during the war. The war generated over 350 new FMS cases valued at about $12 billion, the majority of which were immediately filled and delivered. Section 506, FAA, drawdown procedures were used during FY 1990 and 1991 to meet emergency military and war refugee requirements. These were valued at $225 million for the immediate delivery of Patriot missiles to Israel, aircraft missiles and artillery munitions to Turkey, and humanitarian aid to the Kurds in northern Iraq. Third country transfer authorization procedures were streamlined so transfers of equipment from past FMS could take place with minimal loss of time. The Gulf War proved that U.S. military systems, though expensive, work most effectively. The demonstration of American equipment

in the Gulf War probably served as the best marketing effort for years afterwards to promote the value of U.S. arms to foreign purchasers.

As the Bush administration completed its final year in office in January 1993, the resolution of serious domestic economic problems tended to overshadow SA and related foreign policy matters. As tens of thousands of workers throughout America were either released or laid off, as numerous major American corporations shut down factories or went into bankruptcy, and as drugs and crime increasingly plagued U.S. cities, such issues as aiding the emergent democracies of Eastern Europe, pressing the Israelis and Arabs into a peaceful resolution of their long conflict, and supporting allied and friendly nations throughout the world tended to lose their urgency for many Americans. Funding for improvements in American medical care, education, and infrastructure modernization eclipsed national interest in foreign assistance.

The Clinton Administration

Bill Clinton assumed the presidency in 1993 with a full foreign policy plate. The humanitarian military mission in Somalia, the downward spiraling situation in Bosnia, sustained defiance by Saddam Hussein against the United Nations (U.N.) sanctions on Iraq, political and economic chaos in the former Soviet Union that would soon lead to an unsuccessful coup attempt in October 1993, a soft U.S. economy and a worldwide economy recovering from a short but severe recession, the continued down-sizing of the U.S. military to approach forty percent less than at end of the Reagan era, and the continuing saga of the Middle East peace talks, were some of the major challenges facing his administration.

Despite these significant world problems, the Clinton Administration's initial emphasis was on strengthening the U.S. economy and on establishing a predominantly domestic agenda. In terms of the administration's foreign policy and national security interests, initially there was little departure from the previously stated goals of building democracy, promoting and maintaining peace, promoting economic growth and sustainable development, addressing global problems, and meeting urgent humanitarian needs. However, in order to accomplish these foreign policy goals, the Clinton Administration laid as its bedrock a proactive domestic agenda. The overall concern and top priority was to improve and restore the domestic strength of the U.S. through a number of internal and external measures which both directly and indirectly affected SA.

President Clinton's Secretary of State, Warren Christopher, reiterated a previous policy encouraging U.S. embassies to actively assist U.S. marketing efforts overseas. This was interpreted to include aiding U.S. defense contractors in the pursuit of both DCS and FMS of defense articles, services, and training overseas. Additionally, as an example of this new emphasis on domestic economic growth, when the Kingdom of Saudi Arabia was considering upgrading its commercial passenger jet fleet, President Clinton successfully interceded with King Fahd on behalf of the Boeing Corporation to secure the sale of their commercial aircraft.

FY 1993 ended on a bright note in terms of the positive impact of FMS on the U.S. economy. Due primarily to major defense equipment sales to countries in the Arabian Gulf area and Taiwan, FMS topped $33 billion, a record high. Those sales kept U.S. production lines open and defense industry employment up, especially for the great number of companies involved in the production of the F-15s for Saudi Arabia, F-16s for Taiwan, and the M1A2 main battle tank for Kuwait.

The long awaited post-Cold War era U.S. conventional arms transfer policy was announced on 17 February 1995 by the White House as Presidential Decision Directive (PDD-34), "U.S. on Conventional Arms Transfer Policy". This new policy did not represent a dramatic change from previous policy; rather, it was introduced 'as a summation and codification' of the Clinton Administration's 'decision-making in the arms transfer arena . . . and efforts at restraint over the past two years' (i.e., 1993-1994). The policy, however, does place an increased weight in the post-Cold War era on the dynamics of regional power balances and the potential for destabilizing changes in those regions.

The transfer of conventional weapons is reinforced as a legitimate instrument of U.S. foreign policy, deserving USG support-when it enables the U.S. to help allies and friends deter aggression, promote regional security, and increase U.S. and allied force interoperability. Emphasis is on restraint by both the U.S. and other arms suppliers when the transfer of weapons systems or technologies would be destabilizing or dangerous to international peace or balance of power in a region.

In addition to restraint, other key elements of the new U.S. arms transfer policy include the promotion of control and transparency. Improvement of arms transfer controls would be accomplished:

- Through continued political efforts by the U.S. in establishing an international control regime successor (the Wassenaar Arrangement) to the Cold-War era Coordinating Committee for Multilateral Export Controls (COCOM).
- Through vigorous support of established regimes including regional and weapons specific ones (e.g., Missile Technology Control Regime (MTCR) or the U.S., proposed moratorium on the transfer of anti-personnel landmines.

Going a step further, the U.S. would assist other arms supplier nations in developing effective export controls in support of responsible export policies. Finally, international arms transfer control is to be sought by the U.S. pushing for increased international participation in the U.N. Register of Conventional Arms, and the expansion of this Register to include military inventories and procurement.

While restraint is most important in arms transfers, the policy also supports legitimate defense requirements of U.S. allies and friends. The policy serves the following five U.S. goals:

- To ensure that U.S. military forces continue to enjoy technological advantages over potential adversaries
- To help allies and friends deter or defend themselves against aggression, while promoting interoperability with U.S. forces when combined operations are required
- To promote regional stability in areas critical to U.S. interests while preventing the proliferation of weapons of mass destruction and their missile delivery systems
- To promote peaceful conflict resolution and arms control, human rights, democratization, and other U.S. foreign policy objectives
- To support the ability of the U.S. defense industrial base to meet U.S. defense requirements and maintain long-term military technological superiority at lower costs

Another feature of the Clinton Administration U.S. foreign policy was the expansion of NATO. In March 1999, three of the former Warsaw Pact countries, the Czech Republic, Hungary, and Poland, became members of NATO. Both the Administration and Congress concurred with the further political, economic, and military development of other Central European countries for the goal of future membership in NATO.

As the Clinton Administration ended, the new Bush Administration had $3.576 billion for FMFP, $57.875 million for IMET, and $2.295 billion for Economic Support Fund (ESF) programs during FY 2001. The prediction for FMS was for a robust $15.9 billion. However, this prediction was made without an anticipated economic slowdown which began at the start of the new FY. The final figure for FY 2001 FMS was $13.3 billion.

The George W. Bush Administration

Continuing the Clinton administration's conventional arms transfer policy of aggressively supporting SA transfers on a case-by-case basis, the Bush Administration experienced new FMS at about the same annual level as before with $12.5 billion completed in FY 2002. FMS for FY 2003 and FY 2004 would turn out to be $13 billion and $13.5 billion, respectively. The biggest difference in FMFP was the successfully legislated authority for a direct loan guarantee of $3.8 billion for Poland

during FY 2003 primarily for the purchase of F-16s. The IMET program continued its dramatic growth from $50 million in FY 2000 to a FY 2004 level of $90 million.

The Global War on Terrorism following the 11 September 2001 coordinated attacks on the continental U.S. caused a large aggressive deployment of U.S. armed forces through out the world especially in the Southwest Asia region along with significant troop support from many other nations. Including emergency supplemental, FMFP funding increased to $4,052 million in FY 2002 and $4,045 million in FY 2003. The ESF program also experienced growth during the same two FYs with $3,289 million for FY 2002 and $2,280 million for FY 2003.

Continuing the global war on terrorism operations, operations and reconstruction in Iraq, and the U.S. "Road Map for Peace" between Israel and the Palestinian Authority, an emergency supplemental budget request for SA was appropriated and authorized by Congress for the president in April 2003. This included an additional $2,059 million in grant FMFP and $2,475 million in grant ESF. The ESF program was further increased with authorized ESF loan guarantees of $9.0 billion for Israel, $2.0 billion for Egypt, and $8.5 billion for Turkey. This significant funding assistance to key countries has been indicative of the Bush Administration with the legislative support of Congress to use SA as an implement of U.S. foreign policy.

Continuing the Clinton administration policy for the enlargement of NATO and at the Bush Administration's request, in May 2003, the Senate ratified the change to the NATO Treaty to admit seven new members:

Bulgaria	Estonia	Latvia	Lithuania
Romania	Slovakia	Slovenia	

This brought the total NATO membership to 26 countries. The Senate ratification language included the finding that the U.S. will keep its door open for the future enlargement to possibly include Albania, Croatia, and Macedonia. Albania and Croatia were later invited to join NATO in 2008, bringing the membership to 28 countries.

The Bush administration ended with a record FMS level of $29.2 billion during FY 2008. However, the biggest U.S. military assistance difference during the administration was the use of DOD funding to purchase defense articles, services, and training for Iraq, Afghanistan and friendly countries supporting Southwest Asia coalition operations This military assistance effort by DOD was included along with other DOD international activities under the classification of "Security Cooperation." The Bush Administration was provided authority for providing this assistance using DOD funding via the annual national defense authorization acts. Until accountability and management became issues, FMS was not used as the acquisition or management process for security cooperation. Pseudo case procedures were developed using DOD funds to provide military assistance into Southwest Asia. Pseudo case sales during FY 2008 totaled $7.2 billion. Prior to Southwest Asia, pseudo-FMS was generally relegated to DOD authorized funding of counter-narcotics activities in Latin America during the 1990s.

There were four other foreign assistance initiatives during the Bush Administration to include:

- The 2003 announced Millennium Challenge Account (MCA) to provide accountable developmental assistance
- The 2004 Global Peace Operations Initiative (GPOI) for a professional international peacekeeping capability
- The 2007 announced Merida Initiative to counter trafficking in drugs and other international criminal activities in Mexico and Central America
- The two later 2007 announcements for increased FMFP assistance for Israel and additional FMS to the Persian Gulf countries

The goal of the MCA program was to significantly increase U.S. developmental assistance to countries that demonstrate a commitment to ruling justly, investing in their people, and encouraging economic freedom. Special attention was to be given to countries fighting corruption emphasizing financial accountability and development successful. The June 2004 G-8 summit announced the participant commitment to fund and support the new GPOI to meet the persistent demand for international peacekeepers especially in Africa. The five year goal included training and equipping 75,000 peace-keepers by 2010 (including transportation and logistics support). The U.S. plan included a contribution of about $660 million over five years which required the combination of the PKO Africa Contingency Operations Training Assistance (ACOTA) and the IMET and FMFP Enhanced International Peacekeeping Capabilities (EPIC) programs into a singular PKO GPOI program. The Merida Summit of March 2007 resulted in the bilateral Mexico and U.S. cooperation agreement against transnational crime and drug trafficking. FY 2008 was the first year of INCLE and FMFP funding for a multi-year program of about $1.4 billion primarily for Mexico but with funding also for certain Central America countries. The 2007 announcement of increased military assistance for the Middle East included a ten year agreement starting in FY 2009 to provide $30 billion overall in FMFP assistance to Israel and the nearly simultaneous pledge to allow $20 billion in military assistance sales collectively to the Persian Gulf countries. The Israeli and U.S. agreement also included the understanding that 26.3 percent of the annual FMFP assistance would be authorized for offshore procurement (OSP) by Israel.

The Obama Administration

The Obama administration began with the revival of the former Clinton administration Assistant Secretary of Defense for International Security Affairs [ASD(ISA)] and influential scholar Dr. Joseph S. Nye, Jr.'s early 1990s concept of 'soft power.' Soft power, which has its roots in the ancient Chinese philosophers such as Lao Tsu, is defined as the ability to achieve goals through co-option and attraction rather than the "hard power" of coercion and payment. During her January 2009 Senate confirmation hearings, the nominated Secretary of State Hillary Rodham Clinton went further by using the term "smart power." Smart power is using the full range of tools at one's disposal to achieve objectives or solve problems to include the combination of both soft and hard power. The new Obama administration immediately retooled the FY 2009 supplemental appropriations request and the FY 2010 request for foreign assistance with the initial smart power investment for long term ESF and FMFP coupled with DOD appropriations for Iraq, Afghanistan, and Pakistan as hard power lethal and soft power non-lethal assistance. The collaborative DOD and DOS funding program for Pakistan is entitled the Pakistan Counterinsurgency Capability Fund (PCCF) and initially includes $500 million in DOD funding and a combined $700 million in FMFP and ESF funding assistance. The military assistance portion is likely to use the previously developed security cooperation pseudo case process for management. The Obama administration has also continued funding the Bush-announced MCA, Merida, increased Israeli assistance, and G-8 GPOI initiatives.

Summary

Foreign policy, regardless of country of origin, is formulated and implemented in a country's national interest. This certainly applies to the U.S. The roots of its national interests are firmly embedded in the Constitution and have guided its foreign and domestic policies for over two centuries.

SA and security cooperation remain important instruments of U.S. foreign policy. Arms transfers and related services have reached enormous dimensions and involve most of the world's nations, either as a seller/provider or buyer/recipient.

As a case in point, U.S. early history might have been entirely different if the SA provided by France was denied to the American revolutionaries. Subsequent SA milestones throughout the years

following are marked either by arms being received or by furnishing arms support to the allies during World Wars I and II and thereafter.

The period from 1945 until 1991 saw the emergence of the two superpowers and their competition over spheres of influence. The Truman Doctrine of aid to Greece and Turkey in 1947, in an effort to stem the flow of communism, set a pattern for SA that developed for four decades. Concurrently, the Marshall Plan became a model upon which much economic aid was later based.

The policy of containment begun under Truman has impacted on U.S.-USSR relations during every administration from 1945 to 1990. Containment also left a heavy imprint on SA policy, for it became a factor in the determination of who would receive aid, what type of assistance and how much would be furnished, and whether it would be provided through grant or sale.

Another ramification of the containment policy was the joining by the U.S. in formal security alliances, such as NATO. Alliance membership had significant influence on SA priorities and special accommodations for the needs of our allies. Every administration made those special accommodations keystones of their own foreign policy pronouncements.

The Middle East, never a quiet sector of the world, assumed a preeminent role in U.S. SA. Five Arab-Israeli wars, countless border clashes, the rise and fall of the Shah of Iran, the assassinations of President Sadat of Egypt and Prime Minister Rabin of Israel, the bombing of the U.S. embassy and the Marine barracks in Beirut and of the Khobar Towers in Saudi Arabia, continuing Middle East-based international terrorism, the Iraqi invasion of Kuwait, and the shifting world dependence on the region's petroleum reserves have placed the Middle East at the top of the U.S.'s regional foreign policy concerns. No other part of the world, outside of Southeast Asia, has demanded so much presidential attention in the post-World War II period. From Truman to Obama, Presidential statements have dwelled on peace conferences, agreements, exchanges, SA, human rights, and hostages. Not only has the political climate remained volatile, but the unsettled worldwide oil situation, Russian adventures into Afghanistan, and the Iranian-Iraqi War continued to emphasize how deeply U.S. national interests have been enmeshed in maintaining the stability of the Middle East and the regions of the Persian Gulf. The 2001 invasion of Afghanistan, the invasion of Iraq to eliminate the threat of weapons of mass destruction, and the support of the "Road Map for Peace" have all influenced an increased use of U.S. SA to attain the goal of world peace of the Kennedy-era FAA and Ford-era AECA and recent DOD security cooperation authorities.

Finally, growing economic difficulties and recession-induced increases in unemployment and company failures have produced a political environment in the U.S. which lacks support for foreign assistance programs of any kind. In this atmosphere, the Administration will be hard pressed to induce Congressional support for the funding of the U.S. SA programs which are the subjects of this text. Marketing efforts necessary to support the sale of U.S. defense articles overseas continue to intensify. Strong, directed effort by U.S. embassies to promote the products of U.S. companies may be expected to continue as the U.S. defense industrial base adjusts to the post-Cold War downsizing.

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Annex

A

Abbreviations and Acronyms

A

AAA	Army Audit Agency / Authorization Accounting Activity (USN)
AAC	Acquisition Advice Code / Air Armaments Center (USAF)
AA&E	Arms, Ammunition and Explosives
AAO	Authorized Acquisition Objective
ABM	Anti-Ballistic Missile
ABCA	American-British-Canadian-Australian Forums
ACAT	Acquisition Category
ACC	Air Combat Command (USAF) / Accelerated Case Closure
ACCP	Accelerated Case Closure Procedures
ACCT	Account
ACD	Armaments Cooperation Division (NATO)
ACEP	Advisory Committee on Export Policy
ACI	Andean Counterdrug Initiative
ACO	Administrative Contracting Officer
ACOTA	African Contingency Operations Training and Assistance
ACRI	African Crisis Response Initiative (obsolete), see ACOTA
ACRF	African Crisis Response Force (PKO)
ACRL	Accessorial Cost
ACSA	Acquisition and Cross-Servicing Agreement
ACSC	Armaments Cooperation Steering Committee
ACSS	Africa Center for Strategic Studies
ACTD	Advanced Concept Technology Demonstration
ACTS	Automated Centralized Ticketing System
ADG	Aircraft Delivery Group
ADM	Administrative Surcharge
ADP	Automatic Data Processing
ADPE	Automated Data Processing Equipment
ADSHIPDA	Advise Shipping Data
ADUSD(TP)	Assistant Deputy Under Secretary of Defense for Transportation Policy

AECA	Arms Export Control Act
AES	Automated Export System
AETC	Air Education and Training Command (USAF)
AFAA	Air Force Audit Agency
AFAO	Approved Force Acquisition Objective
AFIF	Air Force Industrial Fund
AFIT	Air Force Institute of Technology
AFM	Air Force Manual
AFMC	Air Force Materiel Command
AFR	Air Force Regulation
AFRICOM	African Command
AFSAC	Air Force Security Assistance Center
AFSAT	Air Force Security Assistance Training Squadron
AFSC	Air Force Safety Center
AFSF	Air Force Stock Fund
AIA	Aerospace Industries Association
AIAP	Army International Activities Plan
AID	U.S. Agency for International Development (also USAID)
AIF	Army Industrial Fund
AIG	Address Indicator (or Information) Group
AIK	Assistance-in-Kind / Aid-in-Kind
AIPAC	American-Israel Public Affairs Committee
AIS	Automated Information System (Defense Automated Addressing System)
AKSS	Acquisition Knowledge Sharing System (DoD)
ALC	Air Logistics Center (USAF) / American Language Course
ALCPT	American Language Course Placement Test
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 (USAF)
AMCOM	Aviation and Missile Command (Army)
AMEMB	American Embassy
AMRAAM	Advanced Medium Range Air-to-Air Missile (AIM-120)
ANA	Afghanistan National Army
ANZUS	Security treaty between Australia, New Zealand, and the United States

AO	Action Officer
AOG	Aircraft on the Ground (Grounded Aircraft)
AOR	Area of Responsibility
AOARD	Asian Office of Aerospace Research and Development (Tokyo)
APCSS	Asia-Pacific Center for Security Studies
APEC	Asia Pacific Economic Cooperation Forum
APEP	Administrative and Professional Exchange Program
APL	Allowance Parts List (USN)
APO	Army Post Office
APOD	Aerial Port of Debarkation (Delivery)
APOE	Aerial Port of Embarkation
AR	Army Regulation
ARA	Latin American Bureau, Department of State
ARC	Adjustment Reply Code
ARL	Army Research Laboratory
ARRC	Allied Command Europe Rapid Reaction Force (NATO)
ARO	Asian Research Office (Army)
ASA(ALT)	Assistant Secretary of the Army for Acquisition, Logistics and Technology
ASC	Advanced Systems Concept (USN) / Aeronautical Systems Center (USAF) /
ASCC	Air Standardization Coordination Committee
ASD	Assistant Secretary of Defense
ASDA	Automated State Department Approval
ASD(APSA)	Assistant Secretary of Defense for Asia and Pacific Security Affairs
ASD(GSA)	Assistant Secretary of Defense for Global Security Affairs
ASD(HS-ASA)	Assistant Secretary of Defense for Homeland Security and America's Security Affairs
ASD(ISA)	Assistant Secretary of Defense for International Security Affairs
ASD(SOLIC-IC)	Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict and Interdependent Capabilities
ASEAN	Association of Southeast Asian Nations
ASF	Army Stock Fund
ASFF	Afghanistan Security Forces Fund (DoD)
ASIP	Aircraft Structural Integrity Program
ASL	Authorized Supply Level (USA)
ASN	Assistant Secretary of the Navy

ASN(RD&A)	Assistant Secretary of the Navy for Research, Development and Acquisition
ASPA	American Service-Members' Protection Act
ASRAAM	Advanced Short Range Air-to-Air Missile
AT	Anti-Tamper (Protection)
ATF	Bureau of Alcohol, Tobacco, Firearms, and Explosives
AT/FP	Antiterrorism/Force Protection
ATGW	Anti-Tank Guided Weapons
AUSCANNZUKUS	Australia, Canada, New Zealand, United Kingdom and United States
AVCAL	Aviation Consolidated Allowance List (USN)
AWACS	Airborne Warning and Control System
AWC	Air War College / Army War College

B

BA	Budget Authorization
BAA	Buy America Act
BAC	Billing Advice Code
BAFO	Best and Final Offer
BAH	Basic Allowance for Housing
BAO	Bilateral Affairs Officer
BELLUX	Belgium and Luxembourg
BENELUX	Belgium, Netherlands, and Luxembourg
B&F	Embassy Budget and Finance Office (DoS)
BIS	Bureau of Industry and Security (DoC)
B/L	Bill of Lading
BO	Back Order (Supply) / Blanket Order (FMS Case)
BOE	Blanket Open End (FMS Case)
BOS	Base Operating Support
BW	Biological Weapon
BR	Board Resolution
BZ	Bravo Zulu (signal meaning: Well Done or Good Job) (USN) / country code for the Bahrain National Guard (BNG)

C

C3CM	Command, Control, and Communications Countermeasures
C3I	Command, Control, Communications, and Intelligence
C4I	Command, Control, Communications, Computers, and Intelligence

C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
CA	Contract Authority / Competent Authority
CAA	Competent Authority Approval / Controlled Access Area
CAB	Centralized Accounting and Billing
CAC	Cancellation Administrative Charges
CAD	Computer Aided Design
CAD/PAD	Cartridge Actuated Device / Propellant Actuated Device
CAE	Component Acquisition Executive
CAM	Computer Aided Manufacturing
CANTRAC	Catalogue of U.S. Navy Training Courses
CANUSTEP	Canada-U.S. Test and Evaluation Program
CAO	Contract Administration Office / Case Administering Office
CAPS	Conventional Armaments Planning System (NATO)
CAS	Contract Administrative Services / Cost Accounting Standard
CASEUR	Contract Administration Service Europe (USAF)
CASREP	Casualty Report (USN)
CAT	Conventional Arms Transfer
CATP	Conventional Arms Transfer Policy
CATT	Conventional Arms Transfer Talks
CBD	Commerce Business Daily
CBJ	Congressional Budget Justification
CBL	Commercial Bill of Lading
CBO	Congressional Budget Office
CBP	U.S. Customs and Border Protection (DHS)
CBS	Commercial Buying Service
CBW	Chemical and Biological Weapons
CC	Country Code / Customer-Within-Country (Transportation Code)
CCB	Configuration Control Board
CCBL	Collect Commercial Bill of Lading
CCCI	Case Closure Certificate Inventory
CCEB	Combined Communications-Electronics Board
CCIF	Combatant Commander Initiative Fund
CCL	Commerce Control List
CCM	Central Case Manager (Army) / Command Country Manager
CCP	Central Contract Point

CCS	Case Control System (USN)
CCSA	Case Closure Suspense Account
CCSS	Commodity Command Standard System
CD	Case Designator / Counter Drug / Country Director (USAF)
CDA	Case Directive Amendment
CDM	Case Development Module (DSAMS)
CDO	Country Desk Officer
CDR	Cargo Delivery Receipt / Commander
CE	Communications and Electronic / Civil Engineering
CECOM	Communications - Electronics Command (Army)
CEE	Central and Eastern Europe
CEDL	Central European Defense Loans
CEMIS	Case Execution Management Information System (DoD)
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CERPS	Consolidated & Expenditure Reporting System (USN)
CET	Civilian Engineering Team
CETPP	Combined Education and Training Program Plan
CETS	Contractor Engineering Technical Services
CETSP	Contractor Engineering Technical Services Program
CFE	Contractor Furnished Equipment / Conventional Forces in Europe Treaty
CFIUS	Committee on Foreign Investment in the United States
CFM	Contractor Furnished Materiel
CFMW	Case Financial Management Worksheet
CFR	U.S. Code of Federal Regulations
CFS	Contract Field Services
CFSP	Contractor Field Services Personnel
CGSC	Command and General Staff College (Army)
CGSEL	Common Ground Support Equipment List
CHDS	Center for Hemispheric Defense Studies
CI	Case Identifier
CIA	Central Intelligence Agency
CICA	Competition in Contracting Act
CIF	Cost, Insurance, Freight
CIIC	Controlled Inventory Item Code

CIM	Corporate Information Management / Case Implementation Module (DSAMS) / Case Initiation Meeting (Army)
CIN	Course Identification Number (USN)
CIP	Component Improvement Program (Engines)
CIPA	Contributions for International Peacekeeping Activities (UN)
CIS	Contractor Initial Support / Commonwealth of Independent States
CISIL	Centralized Integrated System for International Logistics (Army)
CISMOA	Communication Interoperability and Security Memorandum of Agreement
CIT	Countries in Transition
CJCS	Chairman, Joint Chiefs of Staff (Joint Staff)
CLA	Cross Leveling Agreement
CLO	Country Liaison Officer (Foreign Country Representative) / Community Liaison Officer (U.S. Embassies)
CLSSA	Cooperative Logistics Supply Support Arrangement
CM	Configuration Management / Case Manager / Country Manager
CMCRL	Consolidated Master Cross Reference List
CMCS	Case Management Control System (USAF)
CMI	Classified Military Information
CMS	Contractor Maintenance Services
CN	Counter Narcotics
CNAD	Conference of National Armaments Directors (NATO)
CNET	Chief of Naval Education and Training
CNO	Chief of Naval Operations
CO	Contracting Officer / Change Order / Commanding Officer
COBE	Command Operating Budget Estimate (Army)
COCO	Contractor Owned / Contractor Operated (Facilities)
COCOM	Combatant Command (er) / Coordinating Committee for Multilateral Export Controls (Cold War Era)
COCP	Customer Order Control Point (Army)
COD	Cooperative Opportunities Document
CODSIA	Council of Defense and Space Industry Associations
COE	U.S. Army Corps of Engineers
COG	Navy Material Cognizance Symbol
COGARD	U.S. Coast Guard
COLA	Cost of Living Allowance
COM	Chief of Mission (U.S. Ambassador)

COMMRI	Communication Routing Indicator
COMSEC	Communications Security
CONUS	Continental United States
COOPLOG	Cooperative Logistics
COR	Contracting Officer's Representative
COSAL	Consolidated Shipboard Allowance List (USN)
COSMAL	Coordinated Shore-based Material Allowance List (USN)
COT	Cadet Orientation Tour
COTS	Commercial Off-the-Shelf
CP	Control Plan
CPA	Coalition Provisional Authority
CPAF	Cost-Plus-Award-Fee
CPD	Congressional Presentation Document (obsolete, see CBJ)
CPFF	Cost-Plus-Fixed-Fee
CPI	Critical Program Information
CPIF	Cost-Plus-Incentive-Fee
CPIN	Computer Program Identification Number
CPM	Country Program Manager
CPP	Cooperative Program / Project Personnel
CR	Cost Reimbursement / Continuing Resolution
CRA	Continuing Resolution Authority
CRB	Change Review Board
CRMIT	Congressional Report on Military International Training
CRR	Case Reconciliation Review
CRS	Congressional Research Service
C-SAN	Commercial Security Assistance Network
CSCI	Computer Software Configuration Item
CSCS	Capital Security Cost Sharing
CSITP	Combined Strategic Intelligence Training Program
CSP	Concurrent (or initial) Spare Parts
CSS	Contractor Support Services
CSTO	Country Standard Technical Order
CTFP	Regional Defense Combating Terrorism Fellowship Program (DoD)
CUI	Controlled Unclassified Information
CUSR	Central U.S. Registry (NATO)

CW	Chemical Weapons / Coalition Warfare
CWA	Cash with Acceptance
CWD	Case Writing Division (DSCA)
CY	Calendar Year / Current Year

D

DA	Department of the Army
DAAS	Defense Automatic Addressing System
DAASC	Defense Automatic Addressing System Center (DLA) / Designated Acquisition Commander (USAF)
DAC	Defense Acquisition Circular / Department of the Army Civilian
DAE	Defense Acquisition Executive
DAMES	DAASC Automated Message Exchange System
DAO	Defense Attaché Office / Disbursing Accounting Officer
DARPA	Defense Advanced Research Projects Agency
DAS	Defense Attaché System / Defense Acquisition System
DASA-DEC	Deputy Secretary of the Army for Defense Exports and Cooperation (also SAAL-ZN)
DASN-RD&A	Deputy Assistant Secretary of the Navy for Research, Development, and Acquisition
DATT	Defense Attaché (see SDO/DATT)
DAU	Defense Acquisition University
DBO	DSCA Directorate of Business Operations
DCA	Defense Cooperation in Armaments / Defense Communications Agency
DCAA	Defense Contract Audit Agency
DCC	Direct Commercial Contract (also DCS) / Defense Distribution Center (DLA)
DCCEP	Developing Country Exercise Program
DCI	Director, Central Intelligence
DCM	Deputy Chief of Mission (U.S. Embassy)
DCMA	Defense Contract Management Agency
DCMA-I	Defense Contract Management Agency - International
DCMAO	Defense Contract Management Area Operation
DCMD	Defense Contract Management District
DCN	Document Control Number / Design Change Notice of Staff /
DCS	Direct Commercial Sales (also DCC)
DCSLOG	Deputy Chief of Staff for Logistics (Army)
DDAL	Delegation of Disclosure Authority Letter (see DDL)

DDC	Defense Distribution Center (DLA)
DD Form 250	Department of Defense Material Inspection and Receiving Report
DD Form 441	Department of Defense Security Agreement
DD Form 645	Department of Defense FMS Quarterly Billing Statement
DD Form 1513	Department of Defense Letter of Offer and Acceptance (obsolete)
DD Form 2060	Department of Defense Obligational Authority
DD Form 2061	Department of Defense FMS Planning Directive
DD Form 2285	Invitational Travel Order for International Military Student
DD Form 2339	International Military Student Information
DD Form 2875	System Authorization Access Request
DD-COMP(M) 1517	FMS Detail Billing Report (obsolete)
DDR&E	Director Defense Research and Engineering
DDL	Delegation of Disclosure Letter
DDN	Defense Data Network
DDSP	Defense Development Sharing Program
DDTC	Directorate of Defense Trade Control (DoS)
DEA	Drug Enforcement Agency
DECA	Defense Economic Cooperation Agreement
DELG	Defense Export Loan Guarantee (Program)
DELP	Defense English Language Program
DEMIL	Demilitarize
DESC	Defense Energy Support Center (DLA)
DEPSECDEF	Deputy Secretary of Defense
DFA	Director of Foreign Assistance (DoS)
DFARS	Defense Federal Acquisition Regulation
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 Industrial Base
DIC	Document Identifier Code / Defense Industrial Cooperation
DICA	Defense Industrial Cooperation Agreement
DID&P	Director Internet Development and Production Programs

DIDS	Defense Integration Data System
DIFS	Defense Integrated Financial System
DIILS	Defense Institute of International Legal Studies
DIL	Director of International Logistics
DIOT&E	Dedicated Initial Operational Test and Evaluation
DIPEP	Defense Intelligence Personnel Exchange Program
DISA	Defense Information Systems Agency
DISAM	Defense Institute of Security Assistance Management
DISC	Defense Industrial Supply Center (DLA)
DISCO	Defense Industrial Security Clearance Office
DISP	Defense Industrial Security Program
DLA	Defense Logistics Agency
DLIELC	Defense Language Institute English Language Center (Lackland AFB, TX)
DLIFLC	Defense Language Institute Foreign Language Center (Presidio of Monterey, CA)
DLIS	Defense Logistics Information Service (DLA)
DLMS	Defense Logistics Management Standards
DLMSO	Defense Logistics Management Standards Office (DLA)
DLP	Defense Language Program
DLSC	Defense Logistics Support Command / Defense Logistics Service Center
DMR	Defense Management Report
DMS	Defense Message System
DMSMS	Diminishing Manufacturing Sources and Material Shortages (Navy)
DMZ	Demilitarized Zone
DNCS	DAASC Network Control System / Defense National Stockpile Center (DLA)
DO	Defined Order (FMS Case)
DO09	Transportation Subsystem (USAF)
DO32	Item Management Stock Control and Distribution Subsystem (USAF)
DO33	Depot Supply Subsystem (USAF)
DOC	Department of Commerce
DOD	Department of Defense
DODAAC	Department of Defense Activity Address Code
DODAC	DoD Address Code / DoD Ammunition Code
DODCCP	DoD Central Control Point

DODD	DoD Directive
DODESB	Department of Defense Explosives Safety Board
DODFSP	DoD Field Studies Program
DODI	DoD Instruction
DODIG	DoD Inspector General
DODISS	DoD Index of Specifications and Standards
DODSSP	DoD Single Supply Point
DOE	Department of Energy
DON	Department of the Navy
DOS	Department of State
DOS (ISN/MTR)	Department of State, Bureau of International Security and Nonproliferation, Office of Missile Threat Reduction
DOT	Department of Transportation
DPA	Defense Production Act
DPACT	Defense Policy Advisory Committee on Trade
DP&AP	Director, Defense Procurement and Acquisition Policy
DPEP	Defense Personnel Exchange Program
DPRO	Defense Plant Representative Office
DPS	Defense Printing Service
DPSP	Defense Production Sharing Program
DRI	Diplomatic Readiness Initiative / Defense Reform Initiative
DRL	Assistant Secretary of State for Democracy, Human Rights, and Labor Affairs
DRMI	Defense Resource Management Institute
DRMO	Defense Reutilization Marketing Office (DLA)
DRMS	Defense Reutilization Marketing Service (DLA)
DRP	Direct Requisitioning Procedure (USN)
DS	Direct Support Level of Maintenance
DSADC	Defense Security Assistance Development Center
DSAMS	Defense Security Assistance Management System
DSARC	Defense Systems Acquisition Review Council
DSB	Defense Science Board
DSC	Defense Supply Center / Delivery Source Code
DSCA	Defense Security Cooperation Agency
DSCC	Defense Supply Center Columbus (DLA)
DSCP	Defense Supply Center Philadelphia (DLA)

DSCR	Defense Supply Center Richmond (DLA)
DSL	Digital Subscriber Line
DSMC	Defense Systems Management College (Ft Belvoir, VA)
DSN	Defense Switched Network
DSS	Defense Security Service
DT&E	Development, Test, and Evaluation
DTC	Delivery Term Code
DTD	Domicile to Duty [transportation]
DTDT	Domicile to Duty Transportation
DTG	Date/Time Group
DTIC	Defense Technical Information Center
DTICC	Defense Technological and Industrial Cooperation Committee (U.S. and Korea)
DTM	Directive-Type Memorandum (DoD)
DTR	Defense Transportation Regulation, DoD 4500.9-R
DTRA	Defense Threat Reduction Agency
DTS	Defense Transportation System / Defense Travel System
DTSA	Defense Technology Security Administration
DTWG	Defense Trade Working Group
DU	Dependable Undertaking / Depleted Uranium Anti-Tank Shells
DUO	Decision Unit Overview
DUSD (AS&C)	Deputy Under Secretary of Defense (Advanced Systems and Concepts)
DUSD (AR)	Deputy Under Secretary of Defense (Acquisition Reform)
DUSD (IP)	Deputy Under Secretary of Defense (Industrial Policy)
DUSD (LABS)	Deputy Under Secretary of Defense (Laboratories and Basic Sciences)
DUSD (TSP&NDP)	Deputy Under Secretary of Defense for Technology Security Policy and National Disclosure Policy
DV	Distinguished Visitor
DVO	Defense Visit Office
DWCF	Defense Working Capital Fund (see WCF)
DX	Direct Exchange (Army)

E

EA	Expenditure Authority / Each
EAA	Export Administration Act of 1979
EACC	Enhanced Accelerated Case Closure
EAPC	Euro-Atlantic Partnership Council

EAR	Export Administration Regulations
EC	European Community
ECL	English Comprehension Level
ECO	Engineering Change Order
ECISAP	Electronic Combat International Security Assistance Program (USAF)
ECP	Engineering Change Proposal
EDA	Excess Defense Articles / European Defense Agency (E.U.)
EDAC	Economic Defense Advisory Committee
EDD	Estimated Delivery Date
EDP/E	Electronic Data Processing/Equipment
E&EE	Emergency and Extraordinary Expenses funds
EEC	European Economic Community
EEIC	Element of Expense Investment Code
EEUM	Enhanced End Use Monitoring
EFA	European Fighter Aircraft Program
EFS EX-IM	Bank Financed Sale
EFT	Electronic Funds Transfer
EI	End Item
E-IMET	Expanded International Military Education and Training Program
E-Mail	Electronic Mail
EIP	Excess Inventory Program
EIPC	Enhanced International Peacekeeping Capabilities
ELT	English Language Training
EML	Environmental and Morale Leave
E-NDP	Exception to National Disclosure Policy
EO	Executive Order
EOQ	Economic Order Quantity
EOARD	European Office of Aerospace Research and Development (London)
EPAF	European Participating Air Force
EPG	European Participating Governments
ERO	European Research Office (Army)
ERP	European Recovery Plan (old) / Engineering Requirement Plan
ESC	Electronic Systems Command (USAF)
ESD	Estimated Shipment Date / Electronics Systems Division (Air Force)
ESDI	European Security and Defence Identity

ESEP	Engineer and Scientist Exchange Program
ESF	Economic Support Fund
ETSS	Extended Training Services Specialist
EQMT	Equipment
E.U.	European Union
EUC	End-Use Certificate
EUCOM	U.S. European Command
EUM	End-Use Monitoring
EW	Electronic Warfare
EWSIP	Electronic Warfare Standardization and Improvement Program
EX	Explosive Hazard (number)
EXA	Execution Agency
EX-IM	Export-Import Bank

F

FAA	Foreign Assistance Act of 1961
FAAS	Foreign Affairs Administrative Support
FACNET	Federal Acquisition Network
FAD	Force/Activity Designator
FADS	FMS Automated Data System
FAMIS	Foreign Affairs Management Information System
FAMJT	Familiarization Job Training
FAO	Foreign Area Officer (Army)
FAPSS	Foreign Affairs Planning and Scheduling System
FAR	Federal Acquisition Regulation
FARA	Federal Acquisition Reform Act
FASA	Federal Acquisition Streamlining Act
FC	Fixed Cost
FCS	Federal Catalog System
FCT	Foreign Comparative Test Program
FDPO	Foreign Disclosure Policy Office
FED LOG	Federal Logistics Data
FEDEX	Federal Express Corporation (also FEC)
FEMA	Federal Emergency Management Agency
FEML	Funded Environmental and Morale Leave
FEMR	Foreign Military Sales Excess Materiel Return

FF	Freight Forwarder
FFB	Federal Financing Bank
FFP	Firm Fixed Price
FFP-EPA	Firm Fixed Price with Economic Price Adjustment
FFP-LOE	Firm Fixed Price, Level-of-Effort Contract
FGI	Foreign Government Information
FHC	Final Hazard Classification
FIAP	Foreign Intelligence Assistance Program
FICS	Foreign Military Sales Integrated Control System / Financial Integrated Control System
FID	Foreign Internal Defense
FIFO	First In, First Out
FILDR	Federal Item Logistics Data Record
FIPC	Financial Information Processing Center
FLIS	Federal Logistics Information Service
FLO	Foreign Liaison Office (or Officer) (located INCONUS)
FLV	Foreign Liaison Visit
FM	Financial Management
FMAC	Financial Management Advisory Committee (USA)
FMCS	Foreign Military Construction Sales / Services
FMF	Foreign Military Financing (Program)
FMFP	Foreign Military Financing Program
FMR	Financial Management Review / Financial Management Regulation, DoD 7000.14-R
FMS	Foreign Military Sales
FMSA	Foreign Military Sales Act of 1968 (now AECA)
FMSCR	Foreign Military Sales Credit (also FMFP)
FMSFP	Foreign Military Sales Financing Program (also FMFP)
FMSMP	FMS Management Plan
FMSO I	Foreign Military Sales Order No. I (stock level case)
FMSO II	Foreign Military Sales Order No. II (requisition case)
FMTAS	Foreign Military Training Aviation Subsystem
FMTB	Foreign Military Training Board (USN)
FMTFMS	Foreign Military Training Financial Management System (USN)
FMTMIS	Foreign Military Training Management Information System (USN)

FOAA	Foreign Operations, Export Financing, and Related Programs Appropriations Act
FOB	Free On Board
FOCI	Foreign Ownership Control or Influence
FOIA	Freedom of Information Act
FORDTIS	Foreign Disclosure and Technology Information System
FORSCOM	Forces Command (Specified Command)
FOS	Follow-on Support / Follow-on Spares
FOT	Follow-On Training
FOTS	Follow-On Technical Support
FOUO	For Official Use Only
FP	Fixed Price
FP-EPA	Firm-Price Contract with Economic Price Adjustment
FPAF	Fixed Price Award Fee
FPI(F)	Fixed Price Incentive (Firm Target)
FPI	Fixed Price Incentive Contract
FPIF	Fixed Price Incentive Fee
FPIS	Fixed Price Incentive (Successive Target)
FPO	Fleet Postal Office
FPR	Fixed Price Contract with Price Redetermination
FRB	Federal Reserve Bank, New York
FSA	Freedom for Russia and Emerging Eurasian Democracies and Open Markets (FREEDOM) Support Act of 1992
FSC	Federal Supply Class / Financial Service Center
FSCM	Federal Supply Code for Manufacturers
FSD	Full Scale Development
FSG	Federal Supply Group
FSH	Family Separation Housing
FSN	Foreign Service National (local hire overseas)
FSO	Foreign Service Officer (DoS)
FSP	Field Studies Program (DoD)
FSR	Fixed Price Contracts with Price Redetermination
FSSP	Fair Share Sustainment Program (Army)
FST	Field Service Team
FSU	Former Soviet Union
FTD	Field Training Detachment

FTS	Field Training Service
FTP	File Transfer Protocol
FUE	First Unit Equipped
FVS	Foreign Visit System
FY	Fiscal Year
FYDP	Five Year Defense Program
FYROM	Former Yugoslav Republic of Macedonia

G

G-8	Originally a forum of the top economic world powers to now include Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States
G&A	General and Administrative Expense (e.g., overhead)
G-CI	Headquarters U.S. Coast Guard, Office of International Affairs
GA	Grant Aid / General Authority
GAO	Government Accountability Office
GATT	General Agreement on Tariffs and Trade
GBAT	Government Baggage Ticket
GBL	Government Bill of Lading
GC	Generic Code
GCC	Gulf Cooperation Council / Geographic Combatant Commander
GCCS	Global Command and Control System
GDP	Gross Domestic Product
GEBAT	Government Excess Baggage Authorization Ticket
GEF	Guidance for Employment of the Force / Global Environmental Fund
GEOINT	Geospatial-Intelligence
GFAE	Government Furnished Aeronautical Equipment
GFE	Government Furnished Equipment
GFF	Government Furnished Facilities
GFI	Government Furnished Information
GFM	Government Furnished Materiel
GFP	Government Furnished Property
GNP	Gross National Product
GO	Government of (first letter of country name)
GOCO	Government-Owned, Contractor Operated
GOGO	Government-Owned, Government-Operated
GPC	Government Procurement Code

GPO	Government Printing Office
GPOI	Global Peace Operations Initiative
GPS/PPS	Global Positioning System / Precise Positioning System
GRF	Guaranty Reserve Fund
GRL	Gross Requirement List
GS	General Support Level of Maintenance
GSA	General Services Administration / Assistant Secretary of Defense for Global Security Affairs / General Security Agreement
GSE	Ground Support Equipment
GSOIA	General Security of Information Agreement
GSOMIA	General Security of Military Information Agreement
GTR	Government Transportation Request
GWOT	Global War on Terrorism

H

HAC	House Appropriations Committee
HACFO	House Appropriations Foreign Operations Subcommittee
HASC	House Armed Services Committee
HAZMAT	Hazardous Materiel
HC	Host Country
HCA	Humanitarian and Civic Action Projects
HCN	Host Country National
HDA	Humanitarian Daily Rations
HFAC	House Foreign Affairs Committee
HHG	Household Goods
HLDBK	Contractor Holdback
HMA	Humanitarian Mine Action
HMIC	Hazardous Material Indicator Code
HNS	Host Nation Support
HNTA	Host Nation Token Administrator (SCIP)
HO28	Foreign Military Grant Aid and Sales Program System (USAF)
HO58	Integrated Appropriations Accounting and Program Status System (USAF)
HO75B	FMS Delivery Reporting Subsystem (USAF)
HPA	Head of Procuring Activity
HTML	Hypertext Markup Language
HTTP	Hypertext Transfer Protocol

I

IA	Implementing Agency
IAAFA	Inter-American Air Forces Academy
IAC	International Armaments Cooperation
IAEA	International Atomic Energy Commission
IAGS	Inter-American Geodetic School
IATA	International Air Transport Association
IBA	Interest Bearing Account
ICAO	International Civil Aviation Organization
ICASS	International Cooperative Administrative Support Services
ICE	U.S. Immigration and Customs Enforcement (DHS)
ICD	Initial Capabilities Document
ICP	Inventory Control Point / International Cooperative Programs (now IACP)
ICTY	International Criminal Tribunal for the Former Yugoslavia
ICUG	International Customer User Group
IDA	Institute for Defense Analysis
IDEA	International Defense Educational Arrangement Seminar
ID-IQ	Indefinite Delivery, Indefinite Quantity
ID-RC	Indefinite Delivery, Requirements Contract
IDSS	Interoperability Decision Support System
IEMG	International Engine Management Group (USAF)
IEP	Information Exchange Program
IEPG	Independent European Program Group
IF	Industrial Fund
IFB	Invitation For Bid
IFF	Identification Friend or Foe
IFOR	Implementation Force (Kosovo)
IG	Inspector General
IGC	Iraqi Governing Council
IISS	International Institute for Strategic Studies (London)
IL	International Logistics
ILCO	International Logistics Control Organization (or Office or Officer)
ILCS	International Logistics Communication System
ILP	International Logistics Program
ILS	Integrated Logistics Support

ILSP	Integrated Logistics Support Plan
IM	Item or Inventory Manager
IMDGC	International Maritime Dangerous Goods Code
IMET	International Military Education and Training
IMF	International Monetary Fund
IMS	International Military Student
IMSM	International Military Student Manager
IMSO	International Military Student Officer (or Office or Organization)
IMT	International Military Training
INCLE	International Narcotics Control and Law Enforcement (DoS)
INCONUS	Inside the Continental United States
INFOSEC	Information Security
INL	International Narcotics and Law Enforcement Affairs (DoS)
INS	Immigration and Naturalization Service (Dept. of Justice)
IOC	Initial Operational Capability
IPC	Indirect Pricing Components (DSAMS)
IPD	Issue Priority Designator / Implementing Project Directive
IPS	International Programs Security
IRIS	Interrogation Requirements Information system (DRMS)
ISA	International Security Affairs [Assistant Secretary of Defense for International Security Affairs]
ISAARMS	Integrated Security Assistance Automated Resource Management Suite
ISAF	International Security Assistance Force [in Afghanistan]
I-SAN	International Security Assistance Network
ISFF	Iraq Security Forces Fund (DoD)
ISP	Initial Spare Parts
ISS	In-Service Support
ISSA	Interservice or International Supply Support Arrangement
ISTL	Integrated Standardized Training Listing
IT2	International Technology Transfer Panel
IT	Information Technology
IT CRB	Information Technology Change Review Board
ITA	International Trade Administration
ITAR	International Traffic in Arms Regulations
ITC	International Technology Center (Army)
ITD	International Training Division (USCG)

ITM	International Training Management Website
I-TMS	International Training Management System
ITO	Invitational Travel Order
ITTP	International Technology Transfer Panel
ITV	In-Transit Visibility
IW	Irregular Warfare
IWSM	Integrated Weapon System Management (USAF)

J

JCET	Joint Combined Exchange Training
JCS	Joint Chiefs of Staff (Joint Staff)
JCTP	Joint Contact Team Program
JDA	Joint Duty Assignment
JDAL	Joint Duty Assignment List
JFTR	Joint Federal Travel Regulations
JPEG	Joint Photographic Experts Group
JFM	Joint Forces Memorandum
JM&L	Joint Munitions and Lethality Command (Army)
JMP	Joint Manpower Program
JMTC	Joint Military Technology Commission
JPEG	Joint Photographic Experts Group, also JPG
JROC	Joint Requirements Oversight Council
JS	Joint Staff
JSAT	Joint Security Assistance Training (regulation)
JSF	Joint Strike Fighter
JSPS	Joint Strategic Planning System
JTA	Joint Table of Allowance
JTD	Joint Table of Distribution
JTR	Joint Travel Regulations
JUSMAG	Joint U.S. Military Assistance (or Advisory) Group
JVI	Joint Visual Inspection (normally for EDA)

K

KEDO	Korean Peninsula Energy Development Organization
KPP	Key Performance Parameters
KUSLO	Kenya-U.S. Liaison Office

L

LAA	Limited Access Authorization
LAN	Local Area Network
LCC	Life Cycle Cost
LCM	Life Cycle Management
LCMC	Life Cycle Management Command (Army)
LES	Leave and Earning Statement / Locally Employed Staff
LEW	Levy Exemption Waiver
LIBMISH	U.S. Military Mission, Liberia
LIC	Low-Intensity Conflict
LIFO	Last In, First Out
LLI	Long Lead Item
LM	Logistics Management/Local Manufacture
LOA	Letter of Offer and Acceptance (DoD) / Letter of Assist (UN)
LOC	Location Code / Library of Congress
LO/CLO	Low Observable / Counter Low Observable
LOI	Letter of Intent (or Instruction)
LOR	Letter of Request
LRIP	Low Rate Initial Production
LSC	Logistics Support Charge
LSS	Lean Six Sigma
LTD	Language Training Detachment

M

MAA	Mission Area Assessment
MAAG	Military Assistance Advisory Group
MACOM	Major Army Command
MAG	Military Assistance Group
MAGTEC	Marine Corps Air Ground Training and Education Center
MAJCOM	Major Command (USAF)
MANPADS	Man-Portable Air Defense System
MAP	Military Assistance Program / Membership Action Plan (NATO)
MAPAC	Military Assistance Program Address Code
MAPAD	Military Assistance Program Address Directory
MAPEX	MAP Excess
MARAD	U.S. Maritime Administration (DoT)

MARCORSYSCOM	U.S. Marine Corps Systems Command
MARP	MISIL ADP Replacement Project (USN)
MASF	Military Assistance Service Funded
MASL	Military Articles and Services List(s) (for materiel and training)
MC	George C. Marshall European Center for Security Studies / U.S. Marine Corps
MCA	Millennium Challenge Account (DoS)
MCC	Millennium Challenge Corporation (DoS)
MCCDC	U.S. Marine Corps Combat Development Center
MCL	Munitions Control List (also USML)
MCRD	Master Cross Reference Data
MCSC	U.S. Marine Corps Systems Command
MCTL	Militarily Critical Technologies List
MDA	Milestone Delegation Authority / Missile Defense Agency
MDA(A)	Mutual Defense Assistance Agreements
MDAO	Mutual Defense Assistance Office (in Japan)
MDE	Major Defense Equipment
MESARS	Minimum Essential Security Assistance Requirements
MET	Mobile Education Team
MFO	Multinational Force and Observers (in the Sinai)
MFP	Major Force Program
MIEA	Master Information Exchange Arrangement
MIHA	Move in Housing Allowance
MILCON	Military Construction (Appropriation)
MILDEP	Military Department
MILGP	Military Group
MILPERS	Military Personnel
MILSBILLS	Military Standard Billing System
MILSCAP	Military Standard Contract Administration Procedures
MILSPEC	Military Specification
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MILSVC	Military Service
MIPR	Military Interdepartmental Purchase Request
MIRR	Material Inspection and Receiving Report (DD Form 250)
MIS	Management Information System
MISIL	Management Information System for International Logistics (USN)

MISWG	Multinational Industrial Security Working Group
ML	Management List / U.S. Munitions List (see USML)
MLA	Manufacturing Licensing Agreement
MLO	Military Liaison Office
MLRS	Multiple Launch Rocket System
MNNA	Major Non-NATO Allies
MNS	Mission Needs Statement
MOA	Memorandum of Agreement
MOD	Ministry of Defense (international equivalent of U.S. DoD)
MODEM	Modulator-Demodulator
MOR	Memorandum of Requirements (Security Cooperation)
MOU	Memorandum of Understanding
MPEG	Motion Picture Experts Group
MPEP	Military Personnel Exchange Program
MPP	Mission Performance Plan (DoS) (obsolete, now MSP)
MPS	Military Postal Service (see APO and FPO)
MR	Miscellaneous Receipts
MRAP	Mine Resistant Armor Protected vehicles
MRI	MILSTRIP Routing Identifier
MRO	Materiel Release Order
MRRL	Materiel Repair Requirements List (USAF)
MSC	Military Sealift Command (USN) / Medical Services Corps
MSG	Message
MSGID	Message Identifier
MSP	Mission Strategic Plan (DoS)
MTBF	Mean Time between Failures
MTCR	Missile Technology Control Regime
MTT	Mobile Training Team
MTTR	Mean Time to Repair, Return, or Restore
MWO	Modification Work Order
MWR	Morale, Welfare, and Recreation

N

NAD	National Armaments Director(s)
NADB	NATO Ammunition Data Base
NADEP	Naval Aviation Depot

NADR	Nonproliferation, Anti-terrorism, Demining, and Related Programs (DoS)
NAF	Non-Appropriated Fund(s)
NAFAG	NATO Air Force Armaments Group
NAFTA	North American Free Trade Agreement
NAMO	NATO Airlift Management Organization
NAMSA	NATO Maintenance and Supply Agency
NAMSO	NATO Maintenance and Supply Organization
NAPR	NATO Armaments Planning Review
NAS	Narcotics Assistance Section
NATO	North Atlantic Treaty Organization
NATSF	Naval Air Technical Services Facility
NAVAIR	Naval Air Systems Command
NAVCOMPT	Navy Comptroller
NAVFAC	Naval Facilities Engineering Command
NAVICP-OF	Navy Inventory Control Point International Programs Directorate
NAVPRO	Naval Plant Representative Office
NAVSEA	Naval Sea Systems Command
NAVSUP	Naval Supply Systems Command
NAVY IPO	Navy International Programs Office
NC	Nonrecurring Cost (also NRC)
NC3O	NATO Consultation, Command, and Control Organization
NCA	National Command Authority
NCAGE	NATO Commercial and Government Entity Code
NCB	National Codification Bureau
NCBFAA	National Customs Brokers and Forwarders Association of America, Inc.
NCS	NATO Codification System
NDAA	National Defense Authorization Act
NDI	Non-Developmental Items
NDP	National Disclosure Policy
NDP-1	National Disclosure Policy Publication
NDPC	National Disclosure Policy Committee
NDU	National Defense University
NESA	Near East-South Asia Center for Strategic Studies
NETSAFA	Naval Education and Training Security Assistance Field Activity
NGA	National Geospatial - Intelligence Agency

NGO	Non-governmental organization
NIC	Newly Industrialized Countries
NICN	Navy Item Control Number
NICP	National Inventory Control Point (Army)
NIIN	National Item Identification Number
NICN	Navy Item Control Number
NIS	Independent States (of the former USSR)
NISP	National Industrial Security Program
NISPOM	National Industrial Security Programs Operating Manual, DoD 5220.22-M
NLL	Navy Logistics Library
NMCI	Navy-Marine Corps Intranet
NMCRL	NATO Master Cross Reference List
NMCS	Not Mission Capable Supply
NMDE	Non-Major Defense Equipment
NMDL	Navy Management Data List
NNAG	NATO Naval Armaments Group
NOA	New Obligation Authority / Notice of Availability
NORTHCOM	U.S. Northern Command
NOSSA	Naval Ordnance Safety and Security Activity
NPA	NATO Participation Act of 1994
NPC	Nonrecurring Production Costs
NPD	Non-Proliferation and Disarmament (Fund)
NPS	Naval Post Graduate School
NPT	Non-Proliferation Treaty
NRC	Nonrecurring Cost (also NC) / Non-Repayable Credits
NRFC	Navy Regional Finance Center
NRFI	Not Ready For Issue
NSA	National Security Agency
NSADS	Navy Security Assistance Data System
NSC	National Security Council
NSDD	National Security Decision Directive
NSDM	National Security Decision Memorandum
NSF	Navy Stock Fund
NSI	Nonstandard Item
NSIA	National Security Industrial Association

NSN	National Stock Number / NATO Stock Number
NSS	National Supply System
NTIS	National Technical Information Service (DoC)
NTSC	Naval Training Systems Center
NVD	Night Vision Device
NWC	National War College / Naval War College

O

O&M	Operations and Maintenance (DoD Funding)
O/A	Obligational Authority
OA/FCA	Obligation Authority / Fund Certification Authorization (SAARMS)
OAC	Operating Agency Code
O-ALC	Ogden Air Logistics Center (USAF)
OAS	Organization of American States
OAU	Organization of African Unity
OBA	On Board Allowance (USN)
OBE	Overcome by Events
OBT	Observer Training
OC-ALC	Oklahoma City Air Logistics Center (USAF)
OCONUS	Outside of the Continental United States
ODC	Office of Defense Cooperation
ODR	Obligation Disbursement Report
ODRP	Office of the Defense Representative, Pakistan
ODS	Ozone Depleting Substances
OECD	Organization for Economic Cooperation and Development
OED	Offer Expiration Date (LOA)
OEF	Operation Enduring Freedom (Afghanistan)
OEM	Original Equipment Manufacturer
OGC	Office of General Counsel
OHA	Overseas Housing Allowance
OHDACA	Overseas Humanitarian, Disaster, and Civic Aid Program (DoD)
OIF	Operation Iraqi Freedom
OJCS	Office of the Joint Chiefs of Staff (Joint Staff)
OJT	On-the-Job Training
O&M	Operation and Maintenance (Funds)
OMA	Operations and Maintenance (Army)

OMADP	Office of the Military Attaché for Defense Programs
OMB	Office of Management and Budget
OMC	Office of Military Cooperation
OO-ALC	Ogden Air Logistics Center (USAF)
OPI	Oral Proficiency Interview
OPNAV	Office of the Chief of Naval Operations
OPR	Office of Primary Responsibility
OSCE	Organization for Security and Cooperation in Europe
OSD	Office of the Secretary of Defense
OSP	Offshore Procurement
OSSI	DSS Office of Security Services International
OT	Orientation Tour / Observer Training

P

P&A	Price and Availability Data
P/N	Part Number
PA	Program Authorization / Public Affairs / Proxy Agreement
PA&E	Program Analysis and Evaluation
PAC	Price Adjustment Code / Political Action Committee
PACS	Pacific Area Cataloguing System
ACOM	U.S. Pacific Command
PAD	Policy Automation Directorate / Propellant Actuated Device
PAPS	Periodic Armaments Planning System
PARS	Procurement Accounting and Reporting System
PASOLS	Pacific Area Senior Officer Logistics Seminar
PAT	Port Assistance Team / Process Action Team / Program Activation Team
PBAS	Program, Budget, & Accounting System (Army)
PBL	Performance Based Logistics
PCA	Permanent Change of Assignment
PC&H	Packaging, Crating, and Handling
PCH&T	Packaging, Crating, Handling, and Transportation
PCO	Procurement Contracting Officer
PCS	Permanent Change of Station
PD	Presidential Determination
PDD	Presidential Decision Directive
PDF	Portable Document Format

PDIIS	Priority Defense Items Information Systems
PDM	Programmed Depot Maintenance
PDO	Property Disposal Officer
PEO	Program Executive Officer
PEO-STRI	Program Executive Office for Simulation, Training & Instrumentation (Army)
PEP	Personnel Exchange Program
PfP	Partnership for Peace (NATO)
PICA	Primary Inventory Control Activity
PIP	Product Improvement Program
PKO	Peacekeeping Operations
PL	Public Law
PLA	Plain Language Address
PLAD	Plain Language Address Directory (or Designator)
PLOA	Pseudo-Letter of Offer and Assistance
PLT	Procurement Lead Time
PM	Bureau of Political-Military Affairs (DoS) / 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 Transfer
PME	Professional Military Education / Precision Measuring Equipment
PMIC	Precious Metals Indicator Code
PML	Program Management Line
PMR	Program Management Review
PM/SANG	Program Manager, Saudi Arabia National Guard (Army)
PNM	Price Negotiation Memorandum
PO	Program Originator Code / Purchase Order
POC	Point of Contact
POD	Port of Debarkation
POE	Port of Embarkation / Port of Entry
POL	Petroleum, Oil, and Lubricants
POM	Program Objective Memorandum
POMCUS	Prepositioned Material Configured to Unit Sets
POP	Post Office Protocol
POTUS	President of the United States
PPBS	Planning, Programming, and Budgeting System

PPP	Program Protection Plan
PQA	Procurement Quality Assurance
PQDR	Product Quality Deficiency Report
PR	Procurement Request
PRC	People's Republic of China
PROCAS	Process-Oriented Contract Administration Services
PROS	Parts and Repair Ordering System
PSI	Program Security Instruction
PSP	Program and Support Plan
PSVR	Payment Schedule Variance Report
PTC	Positive Transaction Control
PWD	Program Work Directive
PWRMS	Prepositioned War Reserve Materiel Stocks

Q

QA	Quality Assurance
QAT	Quality Assurance Team
QBR	Quarterly Billing Report
QC	Quality Control
QDR	Quality Deficiency Report
QRR	Quarterly Requisition Report
QTY	Quantity

R

R&D	Research & Development
R&M	Replacement and Modernization
R&R	Repair and Return / Repair and Replace
RAD	Required Availability Date / Request Authority to Develop
RAM	Random Access Memory
RCM	FMS Case Reconciliation and Closure Manual, DoD 5105.65-M
RCN	Record Control Number
RCO	Requisition Control Office (ILCO)
RCS	Report Control Symbol
RD&A	Research, Development and Acquisition
RDD	Required Delivery Date
RDO	Redistribution Order
RDT&E	Research, Development, Test, and Evaluation

RDT&E IA	Cooperative Research, Development, Tests, and Evaluation International Agreement
RDT&E PA	Cooperative Research, Development, Tests, and Evaluation Project Agreement
RECCE	Reconnaissance
RECON	Reconnaissance
RFI	Ready for Issue
RFID	Radio Frequency Identification
RFP	Request for Proposal
RFQ	Request for Quotation
RIC	Routing Identifier Code
RIK	Replacement in Kind
RIM	Retainable Instructional Material
RIRO	Repairable Item Replacement Option (USN)
RMS	Resource Management Systems
ROM	Rough Order of Magnitude
ROR	Repair of Repairables or Reparables
RRR	Return, Repair and Reshipment (USN)
RSI	Rationalization, Standardization, and Interoperability
RSN	Record Serial Number
RSAT	Office of Regional Security and Arms Transfer (DoS)
RSO	Regional Security Office (or Officer)
RTO	NATO Research and Technology Organization
RUIC	Routing Identifier (Communications)

S

S&TF	U.S.-Japan Systems and Technology Forum
SA	Security Assistance
SA3	Security Assistance Automation ñ Army
SAAL-ZN	Deputy Assistant Secretary of the Army for Defense Exports and Cooperation (also DASA/DEC)
SAAR	System Authorization Access Request (DD Form 2875)
SAARMS	Security Assistance Automated Resource Management Suite
SAC	Senate Appropriations Committee
SACAS	Security Assistance Central Accounting System
SACFO	Senate Appropriations Foreign Operations Subcommittee
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 [located within CONUS (USN)]
SALO	Security Assistance Liaison Officer (Army)
SAMAS	Security Assistance Manpower Accounting System
SAMD	Security Assistance Management Directorate (Army)
SAMIS	Security Assistance Management Information System (USAF)
SAMM	Security Assistance Management Manual (DoD 5105.38-M)
SAMR	Security Assistance Management Review
SAN	Security Assistance Network
SAO	Security Assistance Organization (or Office or Officer)
SAOTA	Security Assistance Officer Token Administrator
SAP	Security Assistance Program
SAPCO	Security Assistance Policy Coordinating Office (USA)
SAPM	Security Assistance Program Manager (USAF)
SAR	Security Assistance Request (obsolete, now LOR Advisory) / Security Assistance Review / Selected Acquisition Report / Search and Rescue
SAS	Security Assistance Survey
SASC	Senate Armed Services Committee
SAT	Security Assistance Team
SATFA	Security Assistance Training Field Activity (Army)
SATMO	Security Assistance Training Management Organization (Army) (see USASATMO)
SATODS	Security Assistance Technical Order Program (USAF)
SATP	Security Assistance Training Program
SATPMR	Security Assistance Training Program Management Review
SBA	Small Business Administration
SBLC	Stand By Letter of Credit
SC	Security Cooperation
SCA	Security Control Agreement
SCBCA	Small Claims Board of Contract Appeals
SCETC	Security Cooperation Education and Training Center (USMC)
SCETWG	Security Cooperation Education and Training Working Group (replaced TPMR)
SCIP	Security Cooperation Information Portal
SCIRMS	Security Cooperation Integrated Resource Management System
SC MAGTF	Security Cooperation Marine Air-Ground Task Force

SCN	Student Control Number
SCP-LOA	Security Cooperation Program Letter of Offer and Acceptance
SCR	System Change Request
SDAF	Special Defense Acquisition Fund
SDDC	Surface Deployment and Distribution Command (Army)
SDO/DATT	Senior Defense Official/Defense Attache
SDR	Supply Discrepancy Report, SF 364
SECDEF	Secretary of Defense
SECNAV	Secretary of the Navy
SECSTATE	Secretary of State
SED	Shippers Export Declaration (SED Form 7525-V)
SEED	Support for East European Democracy (SEED) Act of 1989
SET	Specialized English Training (see SR)
SF 361	Standard Form 361, Transportation Discrepancy Report (TDR)
SF 364	Standard Form 364, Report of Discrepancy [SDR (ROD)]
SFA	Security Force Assistance
SFM	Stock Fund Materiel
SFRC	Senate Foreign Relations Committee
SGML	Standard General Markup Language
SIGINT	Signals Intelligence
SII	Special Instructions Indicator
SIMPAC	Simplified Procurement Acquisition (USN)
SIPRI	Stockholm International Peace Research Institute
SIPRNET	Secure Internet Protocol Router Network
SL	Strategic List
SLC	Shelf Life Code
SLEP	Shelf Life Extension Program / Ship Life Extension Program
SLOC	Sea Lines or Lanes of Communication
SLS	Standard Level of Service
SM	System Manager
SMC	Space and Missile Systems Center (USAF)
SME	Significant Military Equipment
SM&R	Source, Maintenance and Recoverability
SMTP	Simple Mail Transfer Protocol
SNR	Senior National Representative

SNAP	Simplified Nonstandard Acquisition Process (Army)
SNLC	Senior NATO Logisticians Conference
SNSP	Saudi Naval Support Program
SOF	Special Operations Forces
SOFA	Status of Forces Agreement
SOLIC	Special Operations/Low-Intensity Conflict
SOO	Statement of Objective
SOP	Standard Operating Procedure
SOW	Statement of Work
SPAN	Security Policy Automation Network
SPAWAR	Space & Naval Warfare Systems Command (USN)
SPC	Strategy and Planning Committee
SPD	System Program Director (USAF)
SPM	System Program Manager
SPO	System Program Office (USAF)
SPOD	Surface (Sea) Port of Debarkation
SPOE	Surface (Sea) Port of Embarkation
SPP	State Partnership Program
SPT	System Planning Team (USAF)
SR	Specialized English Training Required
SSA	Source Selection Authority / Security Supporting Assistance / Special Security Agreement
SSBO	System Support Buy-out
SSC	System Sales Case / Supply Status Code / Supply and Services Complete / Shelf Life Code
SSP	Single Stock Point
SST	Site Survey Team
STANAG	Standardization Agreement (NATO)
STARS	Standard Accounting and Reporting System (USN)
STARR/PC	Supply Tracking and Repairable Return / Personal Computer
STATIS	Student Training Analysis and Tracking Information System
STL	Standardized Training List
SUPO	Supply Officer (USN)
SVC	Service(s)
SVI	Single Vendor Integrity
SYSCOM	Systems Command (Army/USN)

T

T&E	Test and Evaluation
TA	Type of Assistance (or Finance) / Technology Assessment
TAA	Technical Assistance Agreement / Trade Agreement Act
TAC	Type of Address Code / Type of Assistance (or Finance) Code
TACOM	Tank, Automotive, and Armaments Command (Army)
TA/CP	Technology Assessment/Control Plan
TACSAO	Tactical Air Command Security Assistance Office
TAD	Temporary Additional Duty (USN)
TAFT	Technical Assistance Field Team
TAPR	Training Activity Program/Report
TASA	Television-Audio Support Activity
TAT	Technical Assistance Team
TBA	To be announced
TBC	Transportation Bill Code
TBD	To be determined / To be developed
TCA	Traditional COCOM Activities (also TCCA)
TCCA	Traditional Combatant Commander Activities (also TCA)
TCG	Technical Coordination Group (USAF)
TCMD	Transportation Control and Movement Document
TCN	Transportation Control Number / Third Country National
TCO	Test Control Officer / Termination Contracting Officer
TCP	Technical Coordination Program / Technology Control Plan
TCTO	Time Compliance Technical Order
TD	Technical Data
TDP	Technical Data Package
TDR	Transportation Discrepancy Report, SF 361
TDY	Temporary Duty (Army & USAF)
TIFF	Tagged (or Tag) Image File Format
TIP	Trafficking in People
TL	Termination Liability
TL/TLW	Termination Liability / TL Worksheet
TLA	Temporary Living Allowance / Travel and Living Allowance
TLR	Termination Liability Reserve
TM	Training Module (DSAMS) / Training Manager

TMDE	Test Measurement and Diagnostic Equipment
TMS	Training Management System
TNG	Training
TO	Technical Order (USAF) / Training Officer
TOA	Total Obligational Authority / Transportation Operating Agency / Transfer of Authority
TOEFL	Test of English as a Foreign Language
TOR	Terms of Reference / Time of Release or Receipt (communications)
TP	Transportation Plan
TPA	Total Package Approach (also TPC)
TPC	Total Program Concept
TPFDL	Time-Phased Force Deployment List
TPMR	Training Program Management Review (obsolete, see SCETWG)
TPO	Technical Project Officer
TQL	Total Quality Leadership (USN)
TQM	Total Quality Management
TRACS	Training Control System (USAF)
TRADOC	Training and Doctrine Command (Army)
TRANSCOM	U.S. Transportation Command
TRG	Technical Review Groups / Training
TRIL	Tailored Repairable Items List
TRNG	Training
TSASS	Security Assistance Supporting System (Army)
TSC	Terrorist Screening Center
TSCS	Theater Security Cooperation Strategy (DoD)
TTA	Tailored Training Approach
TTCP	Technology Transfer Control Plan / The Technical Cooperation Program
TTIC	Terrorist Threat Integration Center
TTSARB	Technology Transfer and Security Assistance Review Board (USN)
TTWG	Technology Transfer Working Group

U

U/I	Unit of Issue
U/P	Unit Price
U/RM	Utilities/Recurring Maintenance (allowance)
UCA	Undefinitized Contractual Action (s)

UCI	Unclassified Controlled Information (USN)
UCMJ	U.S. Uniform Code of Military Justice
UDHR	Universal Declaration of Human Rights
UFR	Unfunded Requirement
UIC	Unit Identification Code
ULCC EUCOM	Logistics Coordination Cell
ULO	Unliquidated Obligation
UMMIPS	Uniform Materiel Movement and Issue Priority System
U.N.	United Nations
UNAMID	United Nations – African Union Mission in Darfur
UND	Urgency of Need Designator
UNDP	United Nations Development Program
UNFICYP	United Nations Forces in Cyprus
UNSCOM	United Nations Special Commission [Iraq]
UNTAES CIVPOL	United Nations Transitory Authority in East Slavonia-Civilian Police
UPS	United Parcel Service
URL	Uniform Resources Locator / User Requirements Language
U.S.	United States
USA	U.S. Army
USAF	U.S. Air Force
USAFE	U.S. Air Forces, Europe
USAID	U.S. Agency for International Development
USAMC	U.S. Army Materiel Command
USAREUR	U.S. Army, Europe
USASAC	U.S. Army Security Assistance Command
USASATMO SATMO)	U.S. Army Security Assistance Training Management Organization (also
USATCES	U.S. Army Technical Center for Explosives
U.S.C.	U.S. Code (as in law)
USCENTCOM	U.S. Central Command
USCG	U.S. Coast Guard
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology and Logistics
USD(C)	Under Secretary of Defense (Comptroller)
USD(I)	Under Secretary of Defense for Intelligence
USD(P)	Under Secretary of Defense for Policy
USDLO	U.S. Defense Liaison Office

USDP	U.S. Disclosure Policy / Under Secretary of Defense for Policy
USDR	U.S. Defense Representative (see SDO/DATT)
USERID	User Identification
USEUCOM	U.S. European Command
USG	U.S. Government
USICA	U.S. International Communications Agency
USJFCOM	U.S. Joint Forces Command
USLO	U.S. Liaison Office
USMC	U.S. Marine Corps
USML	U.S. Munitions List
USMTM	U.S. Military Training Mission (SAO in Saudi Arabia)
USN	U.S. Navy
USNORTHCOM	U.S. Northern Command
USPACOM	U.S. Pacific Command
USPS	U.S. Postal Service
USSOCOM	U.S. Special Operations Command
USSOUTHCOM	U.S. Southern Command
USTR	U.S. Trade Representative
USTRANSCOM	U.S. Transportation Command
UVS	U.S. Visits System

V

VFA	Visiting Forces Agreement
VMR	Volume Movement Reports
VRML	Virtual Reality Modeling Language
VT	Voting Trust

W

WCF	Working Capital Fund (see DWCF)
WCN	Worksheet Control Number
WEU	West European Union
WI	Warsaw Initiative
WIF	Warsaw Initiative Fund
WIP	Work in Progress
WMD	Weapons of Mass Destruction
WMEAT	World Military Expenditures and Arms Transfers
WPOD	Water Port of Discharge

WR-ALC	Warner-Robins Air Logistics Center (USAF)
WRA	Weapons Replacement Assembly
WRSA	War Reserve Stockpiles for Allies
WSD	Weapon System Designator
WSLO	Weapon System Logistics Office (or Officer)
WSP	Weapon System Package
WSSP	Weapon System Support Program (DLA)
WTO	World Trade Organization
WWRS	Worldwide Warehouse Redistribution Service (USAF)
WWW	World Wide Web

X - None

Y - None

Z - None

Annex

B GLOSSARY OF SELECTED TERMS

A

Above-the-line-cost (obsolete terminology). Costs and the related material/services that are the responsibility of the cognizant implementing agency during execution and closure of a foreign military sales (FMS) case. Specifically, line 21 of the DD Form 1513 (estimated costs) or line 8 of the Letter of Offer and Acceptance (LOA) (Net Estimated Cost) sometimes referred to as the "Net Estimated Case Value."

Acceptance. The act of an authorized representative of the government by which the government assumes for itself, or as agent of another, 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 which appears on the acceptance portion of the LOA and indicates the calendar date on which a foreign buyer agrees to accept the items and conditions contained in the FMS offer portion.

Accepted case. An FMS letter of offer and acceptance for definitized requirements that has been signed by the designated representative of the eligible recipient before the expiration date and has been received by DFAS-IN with any required initial deposit.

Accessorial cost. The cost of packing, crating, and handling (PC&H), and transportation which are incidental to issues, sales, and transfers of materiel and are not included in the standard price or contract cost of materiel. An exception to this is 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. Incurred costs represent disbursements for which no physical deliveries have yet occurred. Examples are: progress payments to contractors, GFM/GFE provided to contractors, and nonrecurring costs.

Acquisition process. The structured basis for managing a Department of Defense (DOD) acquisition program. Starts with identification of a mission need for a system, and involves five phases, each of which is preceded by a decision or milestone, as the system proceeds through research development, test and evaluation, and production. The phases are:

- Concept exploration
- Demonstration and validation
- Development
- Production and deployment
- Operations support

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.

Action officer (AO). The person responsible for taking action on a project, for coordination of all staff activities, and for assembling an action package for decision by higher authority.

Actual cost. A cost sustained in fact, on the basis of costs incurred, as distinguished from forecasted or estimated costs.

Actual cost of work performed. The costs actually incurred and recorded in accomplishing the work performed within a given time period.

Actual dollars. Expenditures as recorded in prior time periods.

Adjustment reply code (ARC). A code which identifies the type of action being taken in reply to the FMS customer supply discrepancy report [SDR (ROD)]. 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 agency. The military department charged with the responsibility for the provision of logistical and administrative support to a DOD element either in the U.S. or in a foreign country or international organization.

Administrative cost. The value of costs associated with the administration of the FMS Program. The prescribed administrative percentage cost for a case appears in the LOA. This percentage is applied against the case. Expenses charged directly to the FMS case (as prescribed by the LOA) are not included. May be commonly referred to by the generic code "L6A" for administrative costs.

Administrative lead-time. The time interval between the initiation of procurement action and the letting of a contract or the placing of an order.

Agency. Any department, office, commission, authority, administration, board, government owned corporation, or other independent establishment of any branch of the Government of the United States.

Aircraft replenishing. The refilling of aircraft with consumables such as fuel, oil, and compressed gases to predetermined levels, pressures, quantities, or weights. Rearming is excluded.

Allocable cost. A cost is allocable to a USG contract if it:

a. Is incurred specifically for the contract

b. Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received

c. Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.

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 which provides the funding authority for an official to accomplish a specific function or mission.

Allotment. [FMS] Authority issued to a DOD component to incur commitments and obligations within a specified amount. In the FMS program there are two types of allotments:

a. Allotment for actual administrative expenses - All of the actual cost incurred by DOD components in administering the FMS program are funded by this allotment.

   The allotment is issued on a quarterly basis and may not be exceeded.

b. Allotment for program implementation - An allotment of FMS case contract authority for use on a direct cite basis, citing the allotment holder's accounting station. This type of allotment is made when DFAS-IN determines it does not have the accounting capability to support detailed accounting requirements below the FMS case level, i.e., commitments, obligations and disbursements resulting

from contract award to implement individual FMS case line items. The amount released on each FMS case is a specific limitation and the monthly status- of-allotment report must show the status of each case.

Anticipated reimbursements. A term which refers to the dollar value of reimbursable orders that have been included in a DOD component's budget. Applicable amounts are not available for obligation until an actual customer order has been received.

Anti-Deficiency Act. The salient features of this statute include:

a. Prohibits government agencies and employees against authorizing or incurring obligations or expenditures in excess of amounts appropriated and apportioned by the OMB or in excess of amounts permitted by agency regulations;

b. Establishment of procedures for determining the responsibility for violations and for reporting violations to the president, through OMB and to the Congress [31 U.S.C. 1341-1351].

Apportionment. A determination made by the Office of Management and Budget which limits the amount of obligations or expenditures which may be incurred during a specified time period. An apportionment may limit all obligations to be incurred during the specified period or it may limit obligations to be incurred for a specific activity, function, project, or a combination thereof.

Appropriation. A part of an Appropriation Act providing a specified amount of funds to be used for designated purposes. Each appropriation has a finite period of time for incurring obligations.

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 Treasury for specified purposes. An appropriation act is the most common means of providing budget authority. There are thirteen regular appropriation acts for each fiscal year.

Armaments. Weapons with a lethal capability (i.e., missiles, ammunition, etc.).

Armed Services Board of Contract Appeals. A board established to act as the authorized representative of the Secretary of Defense (SECDEF) or department Secretaries, in deciding appeals under the provisions of the disputes clause contained in USG contracts.

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, defense 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 U.S.C. Sec. 2751 et seq.

Arms transfers. Involves the sale, lease, loan, or other transfer of defense articles and defense services such as arms, ammunition, and implements of war, including components thereof, and the training, manufacturing licenses, technical assistance, and technical data related thereto, provided by the USG under the authority of the Foreign Assistance Act (FAA) of 1961, as amended, or the Arms Export Control Act (AECA), as amended, or other statutory authority, or directly by commercial firms to foreign countries, foreign private firms, or to international organizations. See also conventional arms transfers.

Attrition. The loss of a resource due to natural causes in the normal course of events such as a turnover of employees or spoilage and obsolescence of material.

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:

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 term used to represent the cognizant audit office designated by the Defense Contract Audit Agency (DCAA) or military service audit activities for conducting audit reviews of the contractor's accounting system policies and procedures for compliance with the criteria.

Authorization accounting activity. A U.S. Navy activity tasked with maintaining the official financial records for a unit's appropriation.

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 which sanctions a particular type of obligation or expenditure. An authorization normally is a prerequisite for a subsequent appropriation but does not itself provide budget authority. Under the rules of both houses, the appropriation for a program or agency may not be considered until its authorization has been considered; however, failure to pass an authorization bill will not prevent enactment of an appropriations act. An authorization also may limit the amount of budget authority to be provided or may authorize the appropriation of "such sums as may be necessary." Authorizing legislation enacted by Congress that sets up or continues the operation of a Federal program or agency indefinitely or for a specific period of time. It may place a cap on the amount of budget authority that can be appropriated for a program or may authorize the appropriation of "such sums as necessary."

Automatic data processing equipment (ADPE)

a. A machine, or a group of inter-connected machines, consisting of input, storage, computing, control, and output services, which uses electronic circuitry in the main computing element to perform arithmetic and/or logical operations automatically by means of internally stored or externally controlled programmed instructions

b. The data processing equipment which directly supports or services the central computer operations

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 DISAM when making an example security assistance situation. This country is not located in any real region of the world nor is it modeled after any real country. For security assistance purposes, Bandaria's country code is BN.

Base year. (BY) A reference period which 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 (obsolete terminology). Costs identified on the DD Form 1513 on lines 22 through 25. Applicable costs are added to line 21, estimated costs, to arrive at line 26, estimated total costs. Normally, DFAS-IN retains the obligational authority necessary to execute applicable costs.

Best and final offer (BAFO). Upon completion of discussions during a conventional source selection, the contracting office shall issue to all offerors still within the competitive range a request for best and final offers. Following evaluation of the BAFOs, the Source Selection Authority shall select that source whose BAFO is most advantageous to the government.

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. This is a DFAS-IN country assigned code which 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. Basic alpha codes are derived from the LOA. The FMS customer should ensure that the proper bill code is indicated upon acceptance of an LOA.

Billing statement. The DD Form 645 Billing Statement represents the official claim for payment by the U.S. government referred to in Letters of Offer and Acceptance. It also furnishes an accounting to the FMS purchaser for all costs incurred on his behalf 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. The 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 insure 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.

Buy-American Act [41 U.S.C. 10]. This law provides that U.S. government agencies must generally give procurement preference to the purchase of domestic end products. This preference is accorded during the price evaluation process by applying a punitive evaluation factor to most foreign products. The FAR and DFARS authorize off-shore procurements of such items as sand, gravel, cement, and cement products for DOD use overseas.

C

Canceled case. An FMS case which was not accepted or funded within prescribed time limitations, or was accepted and subsequently canceled by the requesting country or the U.S. government. In the latter case, the U.S. government or purchaser electing to cancel all (or part) of a case prior to the delivery of defense articles or the performance of services shall be responsible for all (or associated) termination costs.

Case. An FMS contractual sales agreement between the U.S. and an eligible foreign country or international organization documented by a DD Form 1513 or an LOA. An FMS case identifier is assigned for the purpose of identification, accounting, and data processing for each offer.

Case amendment. An amendment of an FMS case documented by an LOA amendment which constitutes a contracted scope change to an existing LOA.

Case description. A short title specifically prepared for each FMS case by the implementing agency.

Case designator. An 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 identifier 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 designator for the implementing agency, and a three-letter case designator.

Case modification. Modification of a case documented by an LOA modification which constitutes an administrative or price change to an existing LOA, without revising the scope of the case.

Cash case [FMS]. An FMS case for which the source of funding is directly provided by the purchaser, i.e., not through a credit or grant agreement with the U.S. government.

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 sales [FMS]. See cash case.

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 [FMS financial]. Receipts in U.S. dollars, checks, or other negotiable instruments from a purchasing country to pay for defense articles, services, or military training based on accepted FMS cases.

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.

Commerce Business Daily. A publication of the Department of Commerce in which the U.S. government publicizes a potential procurement contract to notify interested contractors and vendors.

Commercial sale. A sale of defense articles or defense services made under a Department of State issued license by U.S. industry directly to a foreign buyer, and which is not administered by DOD through FMS procedures. Also referred to as a direct commercial sale.

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 which are, or can be, imported/exported through normal international trade channels.

Commitment. Any communication between a responsible U.S. official and a representative foreign official (including officials of any international organization or supra-national authority) which reasonably could be interpreted as being a promise that the U.S. will provide a foreign government (including international organizations or supra-national authorities) with either funds (including long term credit assignments), goods, services, or information.

Commitment [financial]. A firm administrative reservation of funds based upon firm procurement directives, orders, requisitions, authorizations to issue travel orders, or requests which 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. The effect of entering into a commitment and the recording of that commitment on the records of the allotment is to reserve funds for future obligations. A commitment is subject to cancellation by the approving authority if it is not already obligated. Commitments are not required under O&M appropriations.

Commodity group. A grouping or range of items which possess similar characteristics, have similar applications, or are susceptible to similar supply management methods.

Commonality. A quality that applies to materiel or systems possessing like and interchangeable characteristics enabling each to be used or operated and maintained by personnel trained on the other without additional specialized training, or having interchangeable repair parts or components, and applying to consumable items interchangeably equivalent without adjustment.

Compatibility. The characteristics or ability of two or more operational items/systems to coexist and function as elements of a larger operational system or operational environment without mutual interference. Applies also to multi-service or multi-national use.

Competitive proposals. A method for awarding a U.S. government contract on a basis other than low bid, whereby the best and final offer may be obtained after discussions are concluded.

Completed case. An FMS case for which all deliveries and collections have been completed, but for which a final accounting statement (DD Form 645) has not been furnished to the purchaser.

Concurrent resolution. A concurrent resolution, designated H. Con Res (House) or S. Con Res (Senate), must be adopted by both houses, but it is not sent to the president for his signature and therefore does not have the force of law. A concurrent resolution, for example, is used as the vehicle for expressing the sense of Congress on various foreign policy and domestic issues, and it serves as the vehicle for coordinated decisions on the federal budget under the Congressional Budget and Impoundment Control Act of 1974.

Concurrent resolution on the budget. A resolution passed by both Houses of Congress but not requiring the signature of the president, setting forth, reaffirming, or revising specified congressional budget totals for the federal government for a fiscal year.

Concurrent spare parts (CSP). These are 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 meeting between representatives of the House and the Senate to reconcile differences when each chamber passes dissimilar version of the same bill. Members of the conference committee are appointed formally by the Speaker of the House and the presiding officer of the Senate from the membership of the respective standing committees having cognizance over the subject 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 usually is 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 proposed annual Military Assistance, Foreign Military Sales programs, and related security assistance programs along with other foreign assistance programs for the next fiscal year (i.e., the budget year) for which Congressional authorizations and appropriations are requested. The document is jointly produced by DOD (DSCA) and DOS (PM) and serves as a supporting document and justification for the president's annual budget request for foreign assistance. In the past, referred to as the Congressional Presentation Document (CPD).

Congressional committee. A division of the House or Senate that prepares 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 a full committee. Only a full committee can report legislation to the House or Senate.

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 the North American Continent 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 prior to passage of the regular appropriations act, or in lieu of such an act. Normally, however, 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.

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 Office (CAO). Offices assigned to perform contract administration responsibilities at contractor facilities. It is a general term which formerly included AFPROs, ARPROs, NAVPROs, and DCS field offices. In 1990, all such offices were redesignated as Defense Plant Representative Offices (DPROs) under the consolidated authority of the Defense Contract Management Command, a component of the Defense Logistics Agency.

Contract administration services. All those actions accomplished in or near a contractor's plant for the benefit of the U.S. government which 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 surcharge [FMS]. A surcharge applied to all FMS purchases from procurement to cover the cost of contract administration, quality assurance and inspection, and contract audit. The surcharge percentage depends 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/budget authority [FMS]. Authority provided by law to enter into obligations in support of FMS cases without all of the cash necessary to liquidate the obligations. There are two basic types of budget authority resulting from the operation of the FMS program:

Contract/budget authority in the trust fund. This authority represents that portion of an FMS case which will be implemented in a current fiscal year. That portion of an FMS case that may not be implemented in a current fiscal year but is scheduled for a future year(s) is an uncommitted acceptance. Uncommitted acceptances are not budget authority but are reported in schedules attached to the DD Form 1176, "Report on Budget Execution."

Contract/budget authority in DOD appropriation/fund account. In the direct program portion of the budget, this authority results from the appropriation process. For the reimbursable portion of the budget, the authority results from the receipt of customer orders. In the case of the FMS program, the customer order (and hence budget authority) results from receipt by the implementing agency of a reimbursable order issued by the DFAS-IN for all or a portion of an FMS case.

Contract award. This occurs when a contracting officer has signed and distributed a contract to a contractor.

Contract categories. These are two general categories of contracts, which are sometimes called families: cost-reimbursement contracts (where the government pays the cost, subject to limitations), and fixed-price (where the government pays a price, subject to a maximum ceiling amount if a sharing incentive is used).

Contract, cost-plus-award-fee (CPAF). A cost-reimbursement type contract which provides for the payment of all or part of an award fee based on the subjective evaluation by the government of the contractor's performance. The amount of the award is unilaterally determined by the government and is not subject to the disputes clause in the contract.

Contract, cost-plus-fixed-fee (CPFF). A cost-reimbursement type contract which provides for the payment of a fixed fee to a contractor. Once negotiated, the fixed fee does not vary with actual cost, but may be adjusted as a result of any subsequent changes in the scope of work or services to be performed under the contract.

Contract, cost-plus-incentive-fee (CPIF). A cost-reimbursement type contract with a provision for a fee which is adjusted by a formula in accordance with the relationship which total allowable costs bear to target costs. The provision for an increase or decrease in the fee, depending upon allowable costs of contract performance, is designated as an incentive to the contractor to increase the efficiency of performance.

Contract field services (CFS). These are 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 requirements. In addition to specified performance requirements, contract requirements include those defined 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 government, or a foreign purchaser (FMS), or due to failure of the contractor to perform in accordance with the terms of the contract.

Contracting activity. Each service designates certain commands as contracting activities. The subordinate command is that in which a principal contracting office is located. It may include the program office, related functional support offices, and contracting offices. DOD FAR Supplement 2.1

lists the contracting activities. The Head of the contracting activity has certain approval and authority responsibilities.

Contracting officer (CO). A person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. The term includes certain authorized representatives of the CO acting within the limits of their authority as delegated by the CO. A CO whose primary responsibility is to enter into contracts is called a procuring contracting officer. One whose primary responsibility is to administer contracts is called an administrative contracting officer. One whose primary responsibility is to terminate contracts and/or settle terminated contracts is called a termination contracting officer. A single contracting officer may be responsible for duties in any or all of these areas.

Contractor acquired property. Property procured or otherwise provided by the contractor for the performance of a contract, title to which is vested in the government.

Contractor furnished equipment. Standard items of hardware, electrical equipment, and other standard production or commercial items furnished by a prime contractor as part of a larger assembly.

Contractor-owned, contractor-operated facility (COCO). A manufacturing facility owned and operated by a private contractor performing a service, under contract, for the USG.

Conventional arms transfers (CAT). The transfer of non-nuclear weapons, aircraft, equipment, and military services from supplier states to recipient states. The USG views arms transfers as a useful foreign policy instrument to strengthen collective defense arrangements, maintain regional military balances, secure U.S. bases, and compensate for the withdrawal of troops. U.S. arms may be transferred by grants, leases, loans, direct commercial sales, or government-to-government cash sales under FMS.

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. [Joint Pub 1-02]

Cooperative logistics sales. Sales pursuant to arrangements wherein continuing support is provided a foreign government through its participation in a U.S. Department of Defense logistics system with reimbursement to the USG for the support performed.

Cooperative logistics supply support arrangements (CLSSA). Military logistics support arrangements 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 which is in allied and friendly country inventories.

Cooperative logistics support arrangement. Procedural arrangements (cooperative logistics arrangements) and implementing procedures (supplementary procedures) which together support, define, or implement cooperative logistics understandings between the United States and a friendly foreign government.

Cooperative research and development. A method by which governments cooperate to make better use of their collective Research and Development resources, to include technical data exchanges and co-development of new weapons systems.

Coordinating Authority. A commander or individual assigned responsibility for coordinating specific functions or activities involving forces of two or more military departments, two or more joint force components, or two or more forces of the same service. The commander or individual has the authority to require consultation between the agencies involved, but does not have the authority to compel agreement. In the event that esential agreement cannot be obtained, the matter shall be

referred to the next senior in the reporting chain. This authority is given to the Senior Defense Official or the Defense Attache (SDO/DATT) by DODD 5105.75, Department of Defense Operations at U.S. Embassies, December 21, 2007.

Coproduction. A program implemented by a government-to-government or commercial licensing arrangement which enables a foreign government or firm to acquire the "know-how" to manufacture or assemble, repair, maintain and operate, in whole or in part, a defense item.

Cost estimate. A judgment or opinion regarding the anticipated cost of an object, commodity, or service. A cost estimate is the result of an estimating procedure which specifies the expected dollar cost required to perform a stipulated task or to acquire an item. A cost estimate may constitute a single value or a range of values.

Cost contract. A contract which provides for payment to the contractor of allowable costs, to the extent prescribed in the contract, incurred in performance of the contract.

Cost sharing contract. A cost reimbursement type contract under which the contractor receives no fee and is reimbursed only for an agreed portion of the allowable costs prescribed in the contract.

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 administer IMS from his or her home country. For administrative purposes, the CLO is considered in a student status. In State Department terms, the CLO is the Community Liaison Officer, similar to an MWR officer in the military.

Country team. Senior members of U.S. government agencies assigned to a U.S. diplomatic mission overseas, and subject to the direction and supervision of the Chief, U.S. Mission (Ambassador). Normally, such members meet regularly (i.e., weekly) to coordinate USG political, economic, and military activities and policies in the host country.

Credit. Transactions approved on a case-by-case basis by the Departments of State, Treasury, and Defense, which allow repayment of military export sales for periods beyond 120 days after delivery of materiel or performance of service. [Sections 23 and 24, AECA]

Credit arrangement. An arrangement with a foreign government that the USG will advance a stipulated amount of credit to be used for the financing of a Foreign Military Sale or a direct commercial sale to that government.

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 guaranty to any individual corporation, partnership or other judicial 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 their financing of credit sales of defense articles and defense services to eligible countries and international organizations.

Critical material. Materiel that has been classified as being essential to the U S. economy. There are approximately 40 minerals in this category. The U.S. is more than 50 percent dependent on foreign sources for over half of these. Also, more generally, an essential item which is in short supply or expected to be in short supply for an extended period.

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; e.g. between and including 1 October and 30 September.

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 or escalation 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

Debtor nation. A nation with a balance of payments deficit.

Defense article. As defined in Section 644(d), FAA and Section 47(3), AECA, includes any weapon, weapons system, munitions, aircraft, vessel, boat, or other implement of war; any property, installation, commodity, material, equipment, supply, or goods used for the purposes of furnishing military assistance or making military sales; any machinery, facility, tool, material, supply, or other item necessary for the manufacture, production, processing, repair, servicing, storage, construction, transportation, operation, or use of any other defense article or any component or part of any articles listed above, but shall not include merchant vessels, or as defined by the Atomic Energy Act of 1954, as amended (42 U.S. Code 2011), source material, byproduct material, special nuclear material, production facilities, utilization facilities, or atomic weapons or articles involving Restricted Data.

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. Several DAO's have been designated by the president as being responsible for security assistance functions in a host country.

Defense Automatic Addressing System (DAAS). The DAAS functions as an automated system for routing logistics data traffic and provides document processing and data information services.

Defense Contract Management Agency (DCMA). An agency under the direction of the Under Secretary of Defense for Acquisition, Technology and Logistics [USD(AT&L)], 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 information. As defined in Section 644(e), FAA, the term defense information includes any document, writing, sketch, photograph, plan, model, specification, design, prototype, or other recorded or oral information relating to any defense article or defense service, but shall not include Restricted Data as defined by the Atomic Energy Act of 1954, as amended, or data removed from the Restricted Data category under Section 142(d) of that Act.

Defense Institute of Security Assistance Management (DISAM). The centralized DOD school for the consolidated professional education of personnel involved in security assistance management. DISAM is located at 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 Security Cooperation Agency (DSCA). The agency that performs administrative management, program planning, and operations functions for U.S. military assistance programs at the DOD level under the policy direction of the Assistant Secretary of Defense (International Security Affairs).

Defense service. As defined in Section 644(f), FAA and Section 47(4), AECA, the term defense service includes any service, test, inspection, repair, training, publication, technical or other assistance, or defense information used for the purpose of furnishing military assistance or FMS, but does not

include military education and training activities or design and construction services under Section 29, AECA.

Defense stock. The term defense stock includes defense articles on hand which are available for prompt delivery. It also includes defense articles under contract and on order which 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. Any orders received from an eligible foreign government or international organization which cannot be filled in this manner fall within the provisions of Section 22, AECA, which requires such orders to be filled under new procurement contracts.

Deferral of budget authority. An action by the executive branch that delays the obligation of budget authority. Pursuant to the Congressional Budget and Impoundment Control Act of 1974, the president must provide advanced notice to the Congress of any proposed deferrals. A deferral may not extend beyond the end of the fiscal year in which the notification took place. Congress may overturn a deferral by passing disapproval legislation.

Defined order case. These are FMS cases characterized by orders for specific defense articles and services which are separately identified line items on the LOA.

Delivered case. See completed case.

Delivery. Includes constructive or actual delivery of defense articles; also, includes the performance of defense services for the customer or requisitioner, as well as accessorial services, when they are normally recorded in the billing and collection cycle immediately following performance.

Delivery forecasts. Periodic estimates of contract production deliveries 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. These forecasts provide estimates of deliveries under obligation against procurement from appropriated or other funds.

Dependable undertaking [FMS]. An excepted term and condition within the FMS case (or LOA). A 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 assure 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 and costs that may accrue from the cancellation of such a contract, provided that in the judgment of the DOD there is sufficient likelihood that the foreign government or international organization will have the economic resources 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. Provides 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 and intermediate level maintenance.

Designated government representative. A person or persons duly authorized by a foreign government to act on behalf of that government to negotiate, commit, sign contractual agreements, and/or accept delivery of materiel.

Direct cite. Citation of the FMS Trust Fund [Account 97-11X8242] as the financing source on documents leaving the DOD system, as well as 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 commercial sale. See commercial sale.

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 entry training. A military service training course that is entered directly by an international military student without first attending English language training at DLIELC.

Direct offset. A general type of industrial or commercial compensation practice required of a contractor by a purchasing government as a condition for the purchase of defense articles/services. The form of compensation, which generally offsets a specific percentage of the cost of the purchase, is directly associated with the items purchased, such as the production of components in the purchasing country for installation in the purchased end-item.

Disbursements [gross and net]. In budgetary usage, gross disbursements represent the amount of checks issued, 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 foreign nationals who are cleared by their governments to have access to classified information.

Disposable MAP property. MAP property determined to be no longer needed by the recipient country for the purpose initially furnished and for which no further MAP requirement exists, and MAP property which does not meet the criteria for utilization screening and is classified as disposable property by the in-country Security Assistance Organization (SAO) when initially reported by the foreign country.

Distributed costs. Costs which have been identified or allocated to an FMS case.

Department of Defense acquisition system. A single uniform system whereby all equipment, facilities, and services are planned, designed, developed, acquired, maintained, and disposed of within the Department of Defense. The system encompasses establishing and enforcing policies and practices that govern acquisitions, to include documenting mission needs and establishing performance goals and baselines; determining and prioritizing resource requirements for acquisition programs; planning and executing acquisition programs; directing and controlling the acquisition review process; developing and assessing logistics and implications; contracting; monitoring the execution status of approved programs; and reporting to Congress.

DOD Activity Address Directory System (DODAADS). The DODAADS provides data elements, identification codes, and clear text addresses of organizational activities needed for materiel requisitioning, marking, shipping document preparation, billing and similar applications.

DOD components. These include all of the following: 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 Inspector General, Department of Defense (DODIG); the Defense agencies, to include the Missile Defense Agency (MDA); and DOD field activities.

DOD direct credit [FMS]. A long-term credit for an FMS purchase which is directly financed from an appropriation or account available for that purpose. Authority is Section 23, AECA, or pertinent earlier legislation.

DOD field studies program. The DOD program that affords an opportunity for the International Military Student (IMS) to become familiar with the United States, the social, cultural, and political institutions of the U.S., and its people and their ways of life. The informational program (IP) further increases the IMSs' awareness of the U.S. commitment to basic principles of internationally recognized human rights. Formerly the DOD informational program.

Down payment. See Initial Deposit.

Dual production. This involves the joint production of a weapons system in the United States and in another country/countries. The term can refer not only to independent productions lines for the entire weapon system, but also to interdependent production whereby the participants produce parts or components of the system which they furnish to each other for final system assembly.

Dual source. A term for describing two separate contractors who produce the same components or end items for the same program.

E

Earmarking of stocks. The arrangement whereby nations agree, normally in peacetime, to identify a proportion of selected items of their war reserve stocks to be called for by specified NATO commanders under emergency conditions.

Earmarks [appropriations]. Minimum mandatory funding levels for countries/programs established by Congress in annual foreign assistance authorization and appropriations bills. Earmarks provide Congress a means for establishing its priorities in the allocation of U.S. foreign assistance resources. Since fiscal year 1987, Congress annually earmarked over 90 percent of the FMFP appropriations for a limited number of countries. Such high levels of earmarking restrict the flexibility and discretion of an Administration in funding assistance requirements for the many countries which do not benefit from such congressional earmarking.

Economic lot size. That number of units of material or a manufactured item that can be purchased or produced within the lowest unit-cost range. Its determination involves reconciling the decreasing trend in unit preparation cost and the increasing trend in unit costs of storage, interest, insurance, depreciation, and other costs incident to ownership, as the size of the lot is increased.

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 production rate. The most economically feasible rate at which an end item can be manufactured.

Economic support fund (ESF). A USG security assistance program through which economic assistance is provided on a grant basis, to selected foreign governments significantly 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; counterpart funds thereby generated may be used as budgetary support. These funds enable a recipient to devote more of its own resources to defense and security purposes than it otherwise could do without serious economic or political consequences. (Formerly termed "Security Supporting Assistance.")

Economies of scale. Reductions in the unit cost of output resulting from the production of additional units. Such economies stems from:

a. An increased specialization of labor as the volume of output increases

b. Decreased unit costs of materials

c. Better utilization of management

d. The acquisition of more efficient equipment

e. A greater use of byproducts

Eligible recipient [security assistance]. Any friendly foreign country or international organization determined by the president to be eligible to purchase or receive (on a grant basis) U.S. defense articles and defense services, 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., aircraft, ship, tank, mobile machine shop.

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 of the overall proficiency of foreign military students in English language listening and reading. A minimum entry level for each DOD course of instruction is set by the military departments (MILDEPs) on the basis of course level difficulty and hazard factors.

Environmental and morale leave. A type of leave granted to DOD personnel stationed in remote locations.

Equipment. A major subdivision of a weapon system or subsystem that performs a function impacting the operational capability and readiness of the weapon system/subsystem. It is grouped into two general categories, mission equipment and support equipment. Equipment does not denote bit-part pieces, components, or elements that comprise an equipment entity.

Escalated dollars. See current year dollars.

Escalation. An increase in costs due to inflation. A price index may be used to determine escalation by converting past to present prices or by converting present to future prices.

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 the procedure is 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. EDA are items (except construction equipment) which 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 for delivery to countries or international organizations.

Exclusive license. A license covering a patent(s), technical or proprietary data, technical assistance, know-how, or any combination of these, granted by a U.S. firm to a foreign firm or government to produce, co-produce or sell a defense article or service within a given sales territory without competition from any other licenses or from the licensor. A non-exclusive license is a license as described above, except that competition may be permitted with other licensees and/or the licensor.

Execution. The operation of carrying out a program as contained in the approved budget. Often referred to as budget execution.

Executive agreement. An international agreement, reached by the president with foreign heads of state, that does not require Senatorial approval. Such agreements are concluded under the president's constitutional powers as Commander-in-Chief and his general authority in foreign relations, or under powers delegated to him by Congress. Executive agreements may be nullified by Congressional action and are not binding on future presidents without their consent.

Executive Order. A rule or regulation, issued by the president, a governor, or some other administrative authority, that has the effect of law. Executive orders are used to implement and give administrative effect to provisions of the Constitution, to treaties, and to statutes. They may be used to create or modify the organization or procedures of administrative agencies or may have general applicability as law. 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 to 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 [Sec.541, FAA]. Only courses found in the Expanded IMET Handbook qualify for consideration in the Expanded IMET portion of a country's training program.

Expendable supplies and material. Supplies which are consumed in use, such as ammunition, paint, fuel, cleaning and preserving materials, surgical dressings, drugs, medicines, etc., or which lose their identity, such as spare parts, etc. 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 DOD component which allows expenditures against obligations previously recorded against an FMS case. The disbursing activity must ensure that cash is available prior to processing the disbursement.

Expenditures. The actual spending of money as distinguished from the appropriation of funds. Expenditures are made by the executive branch; appropriations are made only by Congress. The two rarely are identical in any fiscal year. In addition to some current budget authority, expenditures may represent prior budget authority made available one, two, or more years earlier. See also disbursements.

Extended offer [FMS]. An FMS offer for which a reply from the buyer has not been received within the time limit specified on the letter of offer and acceptance (LOA) but which remains in effect pending clarification of its status.

Extended training service specialists (ETSS). ETSS are DOD military and civilian personnel technically qualified to provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems. ETSS are attached to an overseas SAO rather than assigned, and they are carried on the Joint Table of Distribution (JTD), but are not provided as an augmentation to the SAO staff. ETSS may be provided for overseas assignments for periods of up to but not exceeding one year, unless specifically approved by DSCA.

F

Familiarization training. Practical experience and job-related training for specific systems, subsystems, functional areas, or other operations that require hands-on experience, to include maintenance training conducted at the depot level. This training does not provide for skill-level upgrading, which is provided under OJT when special procedures are required.

Feasibility study. A feasibility study is carried out by industry or government agencies, or a combination of both, with the object of providing a technical appraisal of the feasibility of developing and producing some type of equipment with the performance required. The study identifies areas of technical risk, recommends characteristics of the system(s), and identifies the optimum balance between performance, cost, and development time. The study also indicates areas where considerable advances on the existing state of knowledge are likely to prove necessary for successful development. It further indicates the means by which the recommended solution will be achieved, suggests a program for project definition, development, and production, and provides a preliminary estimate of the costs for these stages.

Federal Acquisition Regulation (FAR). The FAR is the primary regulation for use by federal executive agencies for the acquisition of supplies and services with appropriated funds. The document, published in 1984, consolidated the major procurement regulations of various departments and agencies. The intent of the FAR is to standardize the content, decrease the volume of documents, and to achieve consistency throughout government. The principal agencies involved in putting together the FAR were DOD, the General Services Administration, and the National Aeronautics and Space Administration, the three largest buyers. The FAR is broader than just contracting and applies to all goods and services. It directs the defense program manager in many ways, including contract award procedures, acquisition planning, warranties, and establishing guidelines for competition. Besides the FAR, each agency has

its supplement to describe its own particular way of doing business. The DOD supplement is called Defense FAR Supplement (DFARS).

Federal budget. The federal government's budget for a particular fiscal year transmitted in January (first Monday after January 3rd) to the Congress by the president in accordance with the Budget and Accounting Act of 1921. Includes funding requests for all agencies and activities of the executive, legislative, and judicial branches. Also termed president's budget.

Federal Financing Bank (FFB) financed sale. The sale of defense items or services financed by credit supplied by the Federal Financing Bank, an agency of the Department of the Treasury. The sale may be made by DOD or by U.S. industry directly to the foreign buyer. Such U.S. industry direct sales are subject to DOS approval.

Federal Logistics Data (FED LOG). Federal Logistics Data on compact disc - read only memory (CD-ROM). Provides important logistics catalog data on items used by the USG.

Fences. Explicit limitations (ceilings and floors) established by Congress on the use of funds provided in an appropriations act. See also earmarks.

Field training services (FTS). A generic term that refers to either engineering and technical services, contract field services, or both.

Financing appropriation. The appropriation account originally increased as a result of the performing DOD Component's acceptance of a reimbursable order from the DFAS-IN. This activity is reflected as "FMS reimbursables."

Financing, type of [FMS]. The method by which the U.S. government is authorized to sell defense articles and services under the AECA (e.g., cash with acceptance, dependable undertaking, credit etc.). The type of financing is reflected through an entry of the proper term(s) of sale on the LOA.

Fiscal year [FY]. 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. Fiscal year 1995 begins on 1 October 1994 and ends 30 September 1995.

Five-year defense program (FYDP). The official program summarizing the Secretary of Defense approved plans and programs for the Department of Defense.

Fixed costs. Costs that do not vary with the volume of business, such as property taxes, insurance, depreciation, security, and minimum water and utility fees.

Fixed price incentive contract (FPI). A fixed price type of contract with provision for the adjustment of profit and price by a formula based on the relationship that final negotiated total cost bears to negotiated target cost, as adjusted by approved changes.

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.

Fixed price with economic price adjustment contract (FP-EPA). A fixed price type of contract with provision for adjustment of the price paid by the government if certain contingencies occur.

Flyaway costs. The costs related to the production of a usable end item of military hardware. Flyaway cost include the cost of procuring the basic unit (airframe, hull, chassis, etc.), a percentage of basic unit for changes allowance, propulsion equipment, electronics, armament, and other installed government-furnished equipment, and nonrecurring production costs. Flyaway cost equates to rollaway and sail-away costs.

Follow-on training. Sequential training following an initial course of training.

Foreign affairs administrative support (FAAS). The purpose of the Foreign Affairs Administrative Support (FAAS) system is to provide, on a reimbursable basis, needed administrative services to U.S. government offices located overseas. The administrative support services are provided by FAAS personnel of the Department of State stationed at overseas U.S. embassies, consulates, etc. Normally, such personnel perform a variety of services including: personnel, budget and fiscal, general services, communications, security and guard, and management services. The specific services required are the basis of an agreement between State and the requesting agency. Charges are based on the amount of services received, with each agency, including State, paying its share. The FAAS system provides an equitable method of sharing the costs of providing "common type" administrative support to the SAO and other agencies at the post.

Foreign Assistance Act (FAA) of 1961. 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 U.S.C. Sec. 2151 et seq.

Foreign exchange. Foreign exchange refers to a system whereby the national currency of one country may be exchanged for the currency of another country, thereby facilitating trade between countries. The international foreign exchange system also permits a country to settle monetary claims it has on other countries. The price, or exchange ratio, for national currencies is determined by the forces of supply and demand in the international money market or by an arbitrary fixing of the rate of exchange through a national system of exchange.

Foreign internal defense (FID). Participation by civilian and military agencies of one government in any of the programs conducted by another government to free and protect its society from subversion, lawlessness, and insurgency.

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 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. FMS includes government-to-government sales of defense articles or defense services, from DOD stocks or through new procurements under DOD-managed contracts, regardless of the source of financing.

Foreign military sales (FMS) case. A United States of America Letter of Offer and Acceptance (LOA) or a "United States Department of Defense Offer and Acceptance," which has been accepted by a foreign country.

Foreign service national (FSN). A local hire U.S. embassy employee, usually of the same nationality as the host country, but sometimes a third country national (TCN). The FSN fills a billet with a formal position description and is paid according to a local compensation plan developed by the embassy. FSNs are hired and employed by either State Department directly or any other embassy agency (e.g., SAO) with a validated need and billet. Typical jobs for FSNs within a SAO include budget analyst, SA training manager, administrative assistant, and vehicle driver.

Financial Management Regulation (FMR) [DOD 7000.14-R, Volume 15, Security Assistance Policy and Procedures]. A manual published by the Defense Finance and Accounting Service under the authority of DODI 7000.14. It establishes basic financial procedures for security assistance activities involving management, fiscal matters, accounting, pricing, budgeting for reimbursements to DOD appropriations accounts and revolving funds, auditing, international balance of payments, and matters affecting the DOD budget.

Foreign Military Sales Order (FMSO). A term used to describe DD Forms 1513 or LOAs which implement Cooperative Logistics Supply Support Arrangements. Two DD Forms 1513/LOAs are written: a FMSO I and a FMSO II.

Foreign Military Sales Order No. I (FMSO No. I). Provides for the pipeline capitalization of a cooperative logistics support arrangement, which consists of stocks on hand and replenishment of stocks on order in which the participating country buys equity in the U.S. supply system for the support of a specific weapons system. Even though stocks are not moved to a foreign country, delivery (equity) does in effect take place when the country pays for the case.

Foreign Military Sales Order No. II (FMSO No. II). Provides for the replenishment of withdrawals of consumption-type items (repair parts, primarily) from the DOD supply system to include charges for accessorial costs and a systems service charge.

Foreign Military Sales Planning Directive (DD Form 2061). A working paper that provides an identification of the cost elements included in the prices on a DD Form 1513/LOA; provides a time-phased plan for the execution of a DD Form 1513/LOA; and, identifies procurement/ reimbursement appropriations/ funds.

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.

Full and open competition. A term associated with procurement contracting whereby all responsible sources are eligible to compete for a contract. This is a standard procedure for competition in contracting, and it is required in DOD procurements under the provisions of the Competition in Contracting Act (1984).

Full value for DOD stocks and services. A selling price computed in accordance with DOD 5105.38M, Security Assistance Management Manual (SAMM), Chapter 7.

G

General provisions. The mandatory (by law or regulation) clauses for all DOD contracts for the type of procurement involved sometimes called boiler plate. The clauses devised for a particular procurement are called the Special Provisions.

Generic code (GC). A three-digit code identified in the Military Articles and Services List (MASL) and in Appendix D 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 functions to audit all negotiated government contracts and investigate all matters relating to the receipt, disbursement, and application of public funds. The GAO determines whether public funds are expended in accordance with appropriations, and recommends to Congress various policies and procedures to be enacted into law to provide oversight and governance of government spending. Formerly, the General Accounting Office.

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 which may be incorporated into, or attached to an end item to be delivered under a contract or which 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.

Government furnished property (GFP). Property in the possession of, or acquired directly by the USG, and subsequently delivered to or otherwise made available to the contractor.

Government-owned, contractor-operated (GOCO) facility. A manufacturing plant that is owned by the government and operated under contract by a non-government, private firm.

Government-owned, government-operated (GOGO) facility. A manufacturing plant that is both owned and operated by the government.

Grant. A form of assistance involving a gift of funds, equipment, and/or services which is furnished by the U.S. government to selected recipient nations on a free, nonrepayable basis.

Grant aid (GA). Military assistance rendered under the authority of the FAA for which the United States receives no dollar reimbursement. Such assistance currently consists of the international military education and training program (IMET), and pre- 1990 MAP funding.

Gross domestic product (GDP). Measures the total final outputs of goods and services produced by a country's economy within a country's territory by residents and nonresidents, regardless of its allocation between domestic and foreign claims.

Gross national product (GNP). Measures the total domestic and foreign output claimed by residents of a country. It comprises gross domestic product plus incomes accruing to residents from abroad, less the income earned in the domestic economy accruing to persons abroad.

H

Harmonization. The process and/or results of adjusting differences or inconsistencies to bring significant features into agreement.

HJ Res or SJ Res. See Joint Resolution.

Holding account. An account established for each FMS country/international organization 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 in peace, transition to war, and wartime.

Human rights. As defined in Section 116(a), FAA, the term "internationally recognized human rights" includes: freedom from torture or other cruel, inhuman, or degrading treatment or punishment; prolonged detention without charges; disappearances due to abduction or clandestine detention and other flagrant denial of the rights to life, liberty, and the security of the person. Other internationally recognized human rights, as examined by the U.S. Department of State in the annual Country Reports on Human Rights Practices for 199X, include: the right of self government; the right to be free of governmental violations of the integrity of the person; the right to enjoy civil liberties, such as freedom of expression, assembly, religion, and movement, without discrimination based on race, ancestry, or sex; and the right to change one's government by peaceful means. Sec. 502B(2), FAA, prohibits the provision of security assistance to "any county the government of which engages in a consistent pattern of gross violations of internationally recognized human rights."

I

Implementation date [FMS]. The date when supply action on an FMS case is initiated or directed by an implementing agency.

Implementing agency (IA). The 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 prepare an LOA and to implement an FMS case. The implementing agency is responsible for the overall management of the actions which will result in delivery of the materials or services set forth in the Letter of Offer and Acceptance which was accepted by a foreign country or international organization.

Impoundment. Any executive action to withhold or delay spending appropriated funds as intended by the Congress. There are two kinds of impoundments: deferrals and rescissions.

Incentive payment. Direct monetary compensation made by a U.S. supplier of defense articles or services or by any employee, agent, or subcontractor thereof to any U.S. person to induce or persuade that U.S. person to purchase or acquire goods or services produced, manufactured, grown, or extracted, in whole or part, in the foreign country which is purchasing those defense articles or services from the U.S. suppliers [Sec. 39A(d)(2), AECA].

Incentive type contract. A contract that may be of either a fixed price or cost reimbursement nature, with a special provision for adjustment of the fixed price or fee. It provides for a tentative target price and a maximum price or maximum fee, with price or fee adjustment after completion of the contract for the purpose of establishing a final price or fee based on the contractor's actual costs plus a sliding scale of profit or fee that varies inversely with the cost but which in no event shall permit the final price or fee to exceed the maximum price or fee stated in the contract.

In-country training. Training offered within the geographic boundaries of a recipient purchaser country, and conducted by members of DOD, other USG organizations, or contractors.

Indirect cost. Costs which are incurred for common or joint objectives, and which 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 of a contractor by a purchasing government as a condition for the purchase of defense articles/services. The form of compensation, which generally offsets a specific percentage of the cost of the purchase, is unrelated to the items purchased, and may include contractor purchases of commodities and manufactured goods produced in the purchasing country.

Industrial base. The capability of U.S. industry to respond to the needs of and produce end items for the DOD. Also, that part of the total privately-owned and government-owned industrial production and maintenance capacity located in Canada expected to be available during emergencies to manufacture and repair items required by the U.S. military services.

Industrial mobilization. The transformation of industry from its peacetime activity to the fulfillment of the military program necessary to support national military objectives. It includes the mobilization of materials, labor, capital, productive facilities, and contributory items and services essential to military programs.

Industrial modernization incentive programs. Provides government incentives to a contractor to motivate investment of his own funds in improvements which result in reducing acquisition cost.

Information system. A combination of personnel efforts, forms, instructions, procedures, data, communication facilities, and equipment that provide an organized and interconnected means for displaying information in support of specific functions.

Initial deposit [FMS]. Money transferred to the credit of the Treasurer of the United States or other authorized officer at the time of acceptance of an LOA as full or partial payment for defense articles, services, or training contracted for by an eligible foreign country.

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. Usually a target year or period of a year established early-on which drives the development and production schedule. Normally, the IOC objective is based on the threat.

Initial provisioning. The process of determining 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. Spare parts procured for the logistics support of a system during its initial period of operation.

Integrated logistics support (ILS). A composite of all the support considerations necessary to assure the effective and economical support of a system throughout its programmed life cycle. It is an integral part of all other aspects of system acquisition and operation. ILS is characterized by harmony and coherence among all the logistics elements. The principal elements of ILS include:

a. Maintenance planning
b. Supply support
c. Technical data
d. Facilities
e. Manpower and personnel
f. Training and training support
g. Support equipment
h. Computer resources support
i. Packaging, handling, storage, and transportation
j. Design interface.

Integrated materiel management. The exercise of total DOD management responsibility for a federal supply group and class, commodity, or item by a single agency. Includes requirements, funding, budgeting, storage, issuing, cataloging, standardizing, and procurement.

Interchangeability. A 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). Under IBS, a selling activity will credit the appropriation or fund which owns the materiel and/or finances the accessorial charges at the time of billing the ordering activity, and will charge the appropriations/funds of the ordering activity. IBS normally encompasses all supply system sales and purchases of materiel, including perishable substances, bulk petroleum, oil, lubricants, and aviation fuel. Reimbursable sales will be billed at the time items are dropped from inventory except that billings for sales under FMS and MAP will be based on constructive delivery. [DODI 7420.12]

Internal defense. The full range of measures taken by a government to free and protect its society from subversion, lawlessness, and insurgency.

Internal security. The state of law and order prevailing within a nation.

International armaments cooperation programs (IACP). Programs that promote rationalization, standardization and interoperability (RSI) and comprise one or more specific cooperative projects whose arrangements are defined in a written agreement between DOD and one or more countries, and which are conducted in the following areas:

a. Research, development, testing, and evaluation (RDT&E) as well as joint production and procurement
b. Data, information, and personnel exchange activities conducted under approved DOD programs

c. Testing and evaluation of conventional defense equipment, munitions technologies. Also known as defense cooperation in armaments (DCA) or international cooperative programs (ICP).

International logistics. The planning, negotiating, and implementation of supporting logistics arrangements between nations, their forces and agencies. It includes furnishing logistics support (major end items, materiel, and/or services) to, or receiving logistics support from, one or more friendly foreign governments, international organizations, or military forces, with or without reimbursement. It also includes planning and actions related to the intermeshing of a significant element, activity, or component of the military logistics systems or procedures of the United States with those of one or more foreign governments, international organizations, or military forces on a temporary or permanent basis. International logistics involves planning and actions related to the utilization of United States logistics, policies, systems, and/or procedures to meet requirements of one or more foreign governments, international organizations, or forces.

International logistics support. The provision of military logistics support by one participating nation to one or more participating nations, whether with or without reimbursement.

International military education and training (IMET) program. That component of the U.S. security assistance program which provides training to selected foreign military and defense associated civilian personnel on a grant basis. Training is provided at U.S. military facilities and with U.S. Armed Forces in the U.S. and overseas, and through the use of Mobile Training Teams. Training also may be provided by contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses. The IMET Program is authorized by the FAA.

International military student (IMS). A national of a foreign government, with military or civilian status of that government, who is receiving education or training or is touring USG activities under the sponsorship of the security assistance training program (SATP).

International military student office/manager (IMSO/IMSM). A U.S. military office that is designated to coordinate and monitor the local SA training program and provide required administrative support for international military students in training at that activity. Also responsible for the conduct of the DOD Informational Program.

International narcotics and law enforcement affairs (INL). Counter drug bureau/programs managed by DOS, but can have materiel, services, and training support provided and managed by DOD using SA assets and procedures.

International Traffic in Arms Regulation (ITAR). A document prepared by the Directorate of Defense Trade Control (DDTC), Bureau of Political-Military Affairs, Department of State, providing licensing and regulatory provisions for the import and export of defense articles, technical data, and services. The ITAR also includes the U.S. Munitions List. Published in the Federal Register as 22 CFR 120-130.

Internationally recognized human rights. See human rights.

Interoperability. The ability of systems, units, or forces to provide services to and accept services from other systems, units or forces, and to use the services so exchanged to enable them to operate effectively together. Also, the condition achieved among communications-electronic systems or items of communications-electronics equipment when information or services can be exchanged directly and satisfactorily between them and/or their users.

Inventory control. That phase of military logistics which includes managing, cataloging, requirements determinations, procurement, distribution, overhaul, and disposal of materiel.

Inventory control point (ICP). The organizational element within a DOD system which is assigned responsibility for materiel management of a group of items including such management functions

as the computation of requirements, the initiation of procurement or disposal actions, distribution management, and rebuild direction.

Investment cost. The cost of equipment, supplies and services that improve the capability of a force, including initial unit equipment, war reserves of equipment and ammunition, concurrent spare parts, and initial spare parts stockage levels. Also includes replacement costs for obsolescent and attrited equipment, rebuild and modernization costs for newly provided equipment, projects programmed as dollar value lines to facilitate administration, and training costs associated with the introduction of new equipment or an improved capability.

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 Military Articles and Services List (MASL). The first character is a letter which identifies the MILDEP offering the training (B Army, P-Navy, D-Air Force). The following six characters are numbers that identify the specific item of training. The 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

Joint resolution. A legislative resolution, designated H J Res (House) or S J Res (Senate) which requires the approval of both houses and the signature of the president, just as a bill does, and which has the force of law if approved. There is no practical difference between a bill and a joint resolution. A joint resolution generally is used to deal with a limited matter such as a single appropriation. Congressional rejection of a proposed arms transfer, lease, third country transfer, or a proposed international cooperative project takes the form of a joint resolution of disapproval.

Joint Security Assistance Training (JSAT) Regulation. The joint military service regulation that prescribes policies, responsibilities, procedures, and administration for the education and training of international military students as authorized by SA legislation. It deals specifically with training under the IMET and FMS programs and contains instructions on the DOD Informational Program. This regulation applies to active and reserve components of the Army, Navy, Air Force, Marine Corps, Air National Guard, and Coast Guard, and DOD agencies.

L

Language training detachment (LTD). A group of personnel from the Defense Language Institute, English Language Center (DLIELC), Lackland Air Force Base, Texas, performing duty in a foreign country or in CONUS on a military installation away from DLIELC. They serve as consultants or instructors in English as a foreign language.

Lease (security assistance). An agreement for the temporary transfer of the right of 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 leasing such articles, and to maintain, protect, repair, or restore the article(s), subject to and under the authority of Section 61, AECA (Title 22 U.S.C 2796).

Leader-follower concept. A government contractual relationship for the delivery of an end item through a prime or subcontract relationship or to provide assistance to another company.

a. Prime contract awarded to established source (leader) who is obligated to subcontract to and assist another source (follower).

b. A contract is awarded to a leader requiring him to assist the follower who has a prime contract for production.

c. Prime contract awarded to the follower for production; follower is obligated to subcontractor with a designated leader for assistance. In this case, the leader may be producing the end item under another contract.

Letter of offer and acceptance (LOA). U.S. Department of Defense letter by which the U.S. government offers to sell to a foreign government or international organization U.S. defense articles and defense services pursuant to the Arms Export Control Act, as amended. The LOA lists the items and/or services, estimated costs, and the terms and conditions of sale; it also provides for the signature of an appropriate foreign government official to indicate acceptance.

Letter of request (LOR). The term used to identify a request from an eligible FMS participant country for the purchase of U.S. defense articles and services. The request may be in message or letter format.

Liabilities. Amounts of money owed to others for goods and services received, or for assets acquired. Liabilities include accrued amounts earned but not yet due for payment, and progress payments due to contractors.

Licensed production. Licensed production involves agreements made by U.S. commercial firms with international organizations, foreign governments, or foreign commercial firms to produce weapon systems. USG involvement is limited to the approval by DSCA of any applicable FMS case and approval of applicable type of export license. Such agreements generally establish quantitative limits on production, and prohibit third country transfers of the manufactured items.

Life cycle. The total phases through which an item/system passes from the time it is initially developed until disposal.

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.

Limited rights. Involves the rights to use, duplicate, or disclose technical data (TD) in whole or in part, by or for the government, with the express written permission of the party furnishing the TD to be:

a. Released or disclosed outside the government

b. Used by the government for manufacture (or if software documentation, for preparing the same or similar software)

c. Used by a party other than the government except under certain restricted circumstances

Line item number. A three digit alpha/numeric code which identifies a detail line item on the LOA. This code is perpetuated on the customer's bill.

Living allowance. An authorized allowance paid to an international military student while in training under the IMET program.

Loan. An agreement for the temporary transfer of the right of possession and use of a defense article or articles not acquired with military assistance funds to a foreign government or international organization, at no rental charge to the transferee, with the transferring U.S. military department being reimbursed from Military Assistance Program (MAP) funds, subject to and under authority of Section 503, FAA. Also, applies to loans to a NATO or major non-NATO ally of materials, supplies, or equipment for the purpose of carrying out a program of cooperative research, development, testing, or evaluation subject to and under the authority of Section 65, AECA. Also involves the transfer of funds from one economic entity to another (e.g., government-to-government, individual-to-individual, or bank-to-individual) which must be repaid with interest over a prescribed period of

time. “Hard” loans refer to those given at “market” rates of interest, whereas “soft” loans are given at “concessionary” or low rates of interest.

Logistics interoperability. A form of interoperability in which the commodities to be exchanged are assembled, components, spares or repair parts. Logistic interoperability will often be achieved by making such assemblies, components, spares, or repair parts interchangeable, but can sometimes be a capability less than interchangeability when a degradation of performance of some limitations are operationally acceptable.

Logistics. The science of planning and carrying out the movement and maintenance of forces. In its most comprehensive sense, involves those aspects of military operations which deal with:

a. Design and development, acquisition storage, movement, distribution, maintenance, evacuation, and disposition of materials

b. Movement, evacuation, and hospitalization of personnel

c. Acquisition or construction, maintenance, operation, and disposition of facilities

d. Acquisitioning or furnishing of services

Logistics support charge (LSC). A charge based on the AECA requirement for full cost recovery. This charge is intended to recover the cost of logistics support involved in providing the spares and other items required to maintain a weapon system. These support costs are associated with production control, requisition processing, inventory maintenance, administration of Supply Discrepancy Reports (SDRs), and logistics management. The LSC is applied by the DFAS-IN to delivery costs for those lines in FMS cases which have been identified as support lines based on the generic code included in the LOA.

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. Might be ordered during full scale development (FSD) to arrive in time for production start. For FMS, such components may be ordered by a foreign purchaser through a letter of intent (either prior to or after issue of the LOA) to expedite availability for incorporation into a major end item.

M

Maintainability. The ability of an item to be retained in or restored to specified conditions when maintenance is performed by personnel having specified skill levels, using prescribed procedures and resources, at each prescribed level of maintenance and repair.

Maintenance. The upkeep of property, necessitated by wear and tear, which neither adds to the permanent value of the property nor appreciably prolongs its intended life, but keeps it in efficient operating condition. Normally includes “repair” but in Defense, in the case of real property, is distinguished from repair through being limited to the recurrent, day-to-day periodic, or scheduled work required to preserve or restore a real-property facility to such condition that it may be effectively utilized for its designated purpose. The term “preventive maintenance” involves deterring something from going wrong; the term “corrective maintenance” involves restoring something to its proper condition.

Maintenance concept/plan. A description of maintenance considerations and constraints for system/equipment under development. A preliminary maintenance concept is developed and submitted by the operating command as part of the preliminary system operational concept for each alternative solution candidate; the implementing and supporting commands provide inputs to the concept/plan.

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. Also defined in Section 47 (6), AECA.

Major line item. A program line for which the requirement is expressed quantitatively as well as in dollars. These lines are identified in the military articles and services list(s) (MASL) by a unit of issue (XX) other than dollars.

Major item material excess (MIMEX) offers. Involves major items of MAP equipment declared excess by the original recipient and which are offered to eligible MAP materiel recipients for application against funded current year and prior year undelivered MAP program balances.

Major non-NATO allies. Designated as Argentina, Australia, Bahrain, Egypt, Israel, Japan, Jordan, Kuwait, Morocco, New Zealand, Pakistan, Philippines, Republic of Korea, Taiwan, and Thailand [Sec. 517, FAA].

Management information system. An orderly and disciplined accounting and reporting methodology, usually mechanized, which provides for the accurate recording of data, and the timely extrapolation and transmission of management information used in the decision-making processes.

Man hour/month/year. The effort equal to that of one person during one hour/month/year.

Market survey. An attempt to ascertain whether other qualified sources exist which may be capable of satisfying a U.S. government requirement. This testing of the marketplace may range from written or telephone contacts with knowledgeable federal and non-federal experts regarding similar or duplicate requirements, and the results of any market test recently undertaken, an announcement in pertinent publications (e.g., technical/scientific journals, or the Commerce Business Daily), or solicitation for information or planning purposes.

Materiel management. Direction and control of those aspects of logistics which 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 catalogue of materiel, services, and training used in the planning and programming of Military Assistance Program (MAP), International Military Education and Training (IMET), and Foreign Military Sales (FMS). Separate MASLs are maintained for IMET and FMS training which provide data on course identification, course availability, price, and duration of training.

Military Assistance Advisory Group (MAAG). A joint service group based overseas which primarily administers United States military assistance planning and programming in a host country. The term MAAG encompasses Joint U.S. Military Advisory Groups, Military Missions, Military Assistance Groups, U.S. Military Groups, and U.S. Military Representatives exercising responsibility within a U.S. Diplomatic Mission for security assistance and other related DOD matters. Defense Attachés are included only when specifically designated as having security assistance functions. See also security assistance organization.

Military assistance program (MAP). That portion of the United States security assistance program authorized by the Foreign Assistance Act of 1961, as amended, which provides defense articles and services to 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). The MAPAD provides clear text addresses of country representatives, freight forwarders, and customers-within-country required for

releasing FMS and MAP shipments processed in accordance with military standard requisitioning and issuing procedures (MILSTRIP), and addresses required for the forwarding of related documentation.

Military assistance service funded (MASF). All defense articles and defense services transferred to foreign countries under the authority contained in a Department of Defense Appropriations Act rather than through a Foreign Assistance Appropriations Act.

Military civic action. The use of preponderantly indigenous military forces on projects useful to the local population at all levels in such fields as education, training, public works, agriculture, transportation, communications, health sanitation, and others contributing to economic and social development, which would also serve to improve the standing of the military forces with the population. (U.S. forces may at times advise or engage in military civic action in overseas areas.)

Military Department (MILDEP). One of the departments within the Department of Defense created by the National Security Act of 1947, as amended. The Military Departments are: the Department of the Air Force, the Department of the Army, and the Department of the Navy.

Military export sales. All sales of defense articles and defense services made from U.S. sources to foreign governments, foreign private firms, and international organizations, whether made by DOD or by U.S. industry directly to a foreign buyer. Such sales fall into two major categories: Foreign Military Sales and Commercial Sales.

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, and which operates and is administered within a military or executive department. The Military Services are: the United States Army, the United States Navy, the United States Air Force, the United States Marine Corps, and the United States Coast Guard.

Military standard billing system (MILSBILLS). This system provides data elements, codes, standard mechanized procedures, and formats for use by DOD components for billing, collecting and related accounting for sales from system stocks, including direct deliveries. The mechanized procedures apply to MAP and FMS as outlined in DODI 7420.12 (regarding Interfund Billing System).

Military standard contract administration procedures (MILSCAP). Provides uniform procedures, rules, formats, time standards and standard data elements and codes for the interchange of contract-related information between and among DOD components and contractors.

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.

Mission analysis. A process to determine the operational capabilities of military forces that are required to carry out assigned missions, roles, and tasks in the face of the existing and/or postulated threat, with an acceptable degree of risk. Having ascertained the quality and quantity of the military forces required, a comparative assessment is made between those available and those required in order to identify the qualitative and quantitative deficiencies that may be related to the element of risk involved.

Mission area. A mission area is a grouping of military activities by mission-related functions.

Mission need. A statement based on a mission analysis identifying in broad outline a quantitative or qualitative operational deficiency that cannot be solved satisfactorily with existing or planned forces and/or equipment.

Mission Strategic Plan. The annual submission by a U.S. mission abroad to the Department of State which defines U.S. interests, goals, and objectives for the host nation. The MSP is submitted by an ambassador with input from all members of the embassy country team, including the SAO, and serves, when approved, as the U.S. mission's roadmap for implementing the Department of State and USAID

Strategic Plan. The MSP is the key planning document for the entire U.S. government concerning relations and engagement with any given host nation.

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 in resource management. Such teams are normally funded from Expanded IMET Program 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 in the operation, maintenance, or other support of weapon systems and support equipment, as well as training for general military operations. MTTs may be funded from either FMS or IMET Programs.

Mobilization base. The total of all resources available, or which can be made available, to meet foreseeable wartime needs.

Munitions List. The U.S. Munitions List is an enumeration of defense articles and defense services and is published in the Department of State's International Traffic in Arms Regulations.

N

National Policy and Procedures for the Disclosure of Classified Military Information to Foreign Governments and International Organizations (U) [Short Title: National Disclosure Policy (NDP-1)]. Promulgates national policy and procedures in the form of specific disclosure criteria and limitations, definitions of terms, release arrangements, and other guidance required by U.S. departments and agencies having occasion to release classified U.S. military information to foreign governments and international organizations. In addition it establishes and provides for the management of an interagency mechanism, and includes procedures that are required for the effective implementation of that policy.

National stock number. A 13-digit stock number consisting of a 4-digit federal supply classification and a 9-digit national item identification number.

Net case value. Total amount of the cost reflected on line 21 of the DD Form 1513 or line 8 of the LOA.

Nonexpendable supplies and materiel. Supplies which are 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 product or technology either through contract or in-house effort. Also, those one-time costs incurred in support of previous production of a specified model and those costs incurred in support of a total projected production run.

Nonrecurring demands. A one-time requisition from a customer which is not used to compute demand-based requirements.

Nonrepayable credits/loans. Grant funds appropriated by Congress for use in the Foreign Military Financing Program under Title III of the annual Foreign Operations Appropriations Act. Formerly termed "forgiven credits/loans," these grant funds are allocated to selected countries for their use in financing FMS acquisitions of defense articles, defense services, and training under the authority of Section 23, AECA. Additionally, certain countries may be authorized these grant funds to finance direct commercial sales.

Nonstandard article. For FMS purposes, a nonstandard article is one that the DOD does not manage, either because an applicable end item has been retired or because it was never purchased for DOD components.

Nonstandard item. An item of supply determined by standardization action as not authorized for procurement.

Nonstandard service. For FMS purposes a nonstandard service is a service that the DOD does not routinely provide for itself or for purchase.

O

Obligation. A duty to make a future payment of money. The duty is incurred as soon as an order is placed, or a contract is awarded for the delivery of goods and the performance of services. It is not necessary that goods actually be delivered, or services actually performed, before the obligation is created; neither is it necessary that a bill, or invoice be received first. The placement of an order is sufficient. 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). A document or authority passed from DFAS-IN via a DD Form 2060 (or automated equivalent) to an implementing DOD component which allows obligations to be incurred against a given FMS case in an amount not to exceed the value specified in the obligational authority. The total authority received through use of the DD Form 2060 (or automated equivalent) includes column 11 authority to incur commitments and obligations directly against a country's trust fund, and column 10 reimbursable orders.

Obligations. Amounts of orders placed, contracts awarded, services received, and similar transactions during a given period requiring the future payment of money. Such amounts include adjustments for differences between obligations previously recorded and accrued expenditures of actual payments.

Observer training (OBT). Special training conducted to permit international military students to observe U.S. military techniques and procedures.

Offer date. The date which appears on the offer portion of an LOA and which indicates the date on which an FMS offer is made to a foreign buyer.

Offset agreement. An agreement, arrangement, or understanding between a U.S. supplier of defense articles or services and a foreign country under which the supplier agrees to purchase or acquire, to promote the purchase or acquisition by other U.S. persons, 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 [Sec. 39A(d)(1), AECA]. See also direct offset and indirect offset.

Omnibus billing statement of account. A statement of additional charges or credits to cases that have been recategorized from active to inactive status.

On-the-job training (OJT). A training program whereby international military students (IMSs) acquire knowledge and skills through the actual performance of duties under competent supervision in accordance with an approved, planned program.

Open sales case. An FMS case which is designated as open as long as any portion of the transaction is incomplete, i.e., delivery of materiel, performance of services, financial transactions, or rendering of the final statement of accounts.

Open sales offer. An FMS offer made to a foreign purchaser which is pending acceptance.

Operation and maintenance (O&M) costs. Costs associated with equipment, supplies, and services required to train, operate, and maintain forces in a recipient country, including the cost of spare parts other than concurrent spares and initial stockages, ammunition and missiles used in training or replacements for such items expended in training or operations, rebuild and overhaul costs (excluding modernization) of equipment subsequent to initial issue, training and other services that do not constitute investment costs, and administrative costs associated with overall program management and administration.

Ordering activity. An activity which originates a requisition or order for procurement, production, or performance of work or service by another activity.

Ordnance. Explosives, chemicals, pyrotechnic and similar stores, e.g., bombs, guns, ammunition, flares, smoke, and napalm.

Orientation tour (OT). A tour arranged for key foreign personnel that may be funded under FMS or IMET to acquaint them with U.S. organizations, equipment, facilities, or methods of operation at various locations.

Outlays. Actual expenditures. Checks issued, interest occurred on the public debt, or other payments. 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 CONUS. All geographic areas not within the territorial boundaries of the continental United States. OCONUS includes Hawaii and Alaska.

Overhead costs. See indirect costs.

Overseas training. Training provided foreign nationals at training installations outside the U.S.

Oversight. Review activity by Congressional committees of DOD programs to determine:

a. Program status

b. If the law is being followed

c. The basis for possible future legislation

P

Packing, handling, storage, & transportation (PHS&T). The resources, processes, procedures, design considerations, and methods to ensure that all system, equipment, and support items are preserved, packaged, handled, and transported properly, including: environmental considerations, equipment preservation requirements for short-and-long-term storage, and transportability. One of the principal elements of integrated logistics support (ILS).

Paramilitary forces. Forces or groups which are distinct from the regular armed forces of any country, but resemble them in organization, equipment, training, or mission.

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 from DOD resources. This term may only be used pursuant to a written statutory determination by the Director, DSCA, who may find it in the national interest to authorize such payment. Based on presidential action, this term may also be modified to read "Payment 120 Days After Delivery."

Payment schedule. List of dollar amounts and when they are due from the foreign customer. The payment schedule supplements the Letter of Offer and Acceptance (LOA) presented to the customer. After acceptance of the LOA, the payment schedule generally serves as the basis for billing to the customer. Changes in the estimated costs of an FMS case may require changes in the accompanying payment schedule.

Performing activity. An activity which is responsible for performing work or service, including the production of material and/or the procurement of goods and services from other contractors and activities.

Pipeline. That portion of:

a. Approved and funded MAP articles and services

b. Accepted FMS orders for defense articles and services, for which delivery, either constructive or actual, has not occurred, or services have not been rendered

Planning, programming, and budgeting system (PPBS). An integrated system for the establishment, maintenance, and revision of the Five-Year Defense Plan (FYDP) and the DOD budget.

Plant representatives office (PRO). See contract administration office.

President's budget. See federal budget.

Price and availability (P&A) data. Prepared by the MILDEPs, DSAA, and other DOD components in response to a foreign government's request for preliminary data for the possible purchase of a defense article or service. P&A data are not considered valid for the preparation of an LOA. Furnishing of this data does not constitute a commitment for the USG to offer for sale the articles and services for which the data are provided.

Process-oriented contract administration services (PROCAS). A business philosophy instituted by the Defense Contract Management Command to move contract processes from the traditional position of detection and correction of contract administration problems, to prevention and improvement of the same. Consists of eight steps: government planning; teaming agreement between government and contractor; team planning, process selection; understanding the process; selection of proper metrics to measure the health of the process; measure, analyze and manage contract administrative processes; and adjust the oversight management by decreasing oversight of processes under control.

Procurement. Act of buying goods and services for the government.

Procuring activity. See contracting activity.

Procurement lead time. The interval 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). The individual authorized to enter into contracts for supplies and services on behalf of the government by detailed bids or negotiations and who 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 leadership and the recipient force's capabilities to conduct military planning, programming, management, budgeting, and force development to the level of sophistication appropriate to that force.

Program management review (PMR). A management level review held by a Systems Program Office or Systems Program Manager for the purpose of determining 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 as work progresses under a contract; payments are made on the basis of cost incurred or percentage of work completed, or of a particular stage of completion accomplished prior to actual delivery and acceptance of contract items.

Provisioning. See initial provisioning.

Public Law 480 Funds. Foreign currencies derived from the sale of surplus agricultural commodities under Title I, P.L. 480, Agricultural Trade and Development Act of 1954, as amended. Section 104(c) authorizes these foreign currencies to be used for procuring equipment, materials, facilities, and services for the common defense, including internal security.

Q

Quality assurance (QA). A planned and systematic pattern of all actions necessary to provide confidence that adequate technical requirements are established, that products and services conform to established technical requirements, and that satisfactory performance is achieved.

R

Ratification. The formal action of the president in giving effect to a treaty that has been approved by the Senate. The president or his representative meets with representatives of the other signatory parties and exchanges ratifications with them. The treaty then is officially proclaimed and becomes legally enforceable.

Rationalization. Any action that increases the effectiveness of allied forces through more efficient or effective use of defense resources committed to the alliance. Rationalization includes consolidation, reassignment of national priorities to higher alliance needs, standardization, specialization, mutual support or improved interoperability, and greater cooperation. Rationalization applies to both weapons/materiel resources and non-weapons military matters.

Rationalization, standardization and interoperability (RSI). Any action that increases the effectiveness of NATO Forces through more efficient or effective use of defense resources committed to the Alliance.

Readiness. A state of preparedness of

a. Forces

b. Weapon system or systems to meet a mission or to be employed in warfare. Based on adequate and trained personnel, materiel condition, supplies/reserves of support systems and ammunition, numbers of units available, etc.

Reapportionment. A revision of an annual apportionment of funds either upwards or downwards, accomplished within the fiscal year for which the original apportionment applied.

Reappropriation. The congressional carrying over of funds unused in one year to the following year. For example, ESF or IMET funds which at the end of the fiscal year are not reserved or obligated, are customarily made available by the Congress for use in the subsequent fiscal year.

Reciprocal defense procurement. Procurement actions which are implemented under memoranda of understanding/memoranda of agreement (MOU/MOA) between the U.S. and various participating nations whereby the participants agree to effect complementary acquisitions of defense articles from each other's country.

Recoverable item. An item which normally is not consumed in use and is subject to return for repair or disposal. See also reparable item.

Recoupments. Adjustments or cancellations of outstanding MAP orders in prior year program accounts which generate additional funds for the current year operations.

Redistributable MAP property. All MAP personal property which has been declared by the recipient government to the United States as being no longer needed for the purposes for which it was originally furnished.

Reimbursable expenditure. An expenditure made for another agency, fund, appropriation, or for a private individual, firm or corporation, which subsequently will be recovered.

Reimbursable order. An approved DD Form 2060 with a dollar value in column 10. Applicable amounts must be reflected in reimbursement reports as an FMS Trust Fund reimbursable activity.

Reimbursements. Amounts received by an activity for the cost of material, work, or services furnished to others, for credit to an appropriation or their fund account.

Reliability. A fundamental characteristic of an item of material expressed as the probability that it will perform its intended function for a specified period of time under stated conditions.

Reorder point. The point at which time a stock replenishment requisition is submitted to maintain the predetermined stock age objective.

Repair and replace [FMS]. Programs by which eligible Cooperative Logistics Supply Support Arrangement (CLSSA) customers return repairable carcasses to the U.S. and receive a serviceable item without awaiting the normal repair cycle time frame. The concept is that the replacement involves an exchange of CLSSA customer-owned stocks in the customer's hands and the CLSSA customer-owned stocks in the U.S. government inventory in the U.S. Countries are initially charged the estimated repair cost, with adjustment to the actual repair cost upon completion of repair of the carcass.

Repair and return. Programs by which eligible foreign countries return unserviceable repairable items for entry into the U.S. military department repair cycle. 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. The purchase of items following the initial purchase, whether bought for the initial support of additional end items, stock replenishment, or other purposes.

Replenishment spare parts. Items and equipment, both repairable and consumable, purchased as spares by inventory control points and which are required to replenish stocks for use in the maintenance, overhaul, and repair of equipment, such as ships, tanks, guns, aircraft, engines, etc.

Reprogramming. The transfer of funds between program elements or line items within an appropriation.

Request for sealed bid. The formal document used in sealed bidding acquisitions to communicate government requirements to prospective contractors and to solicit bids.

Request for quotation (RFQ). A solicitation used in negotiated acquisitions to communicate government requirements to prospective contractors and to solicit a quotation. A response to an RFQ is not an offer, it is informational in character.

Rescission of budget authority. The permanent cancellation of budget authority prior to the time when the authority officially terminates. The rescission process begins when the president proposes a Rescission to the Congress for fiscal or policy reasons. Unlike the deferral of budget authority-which occurs unless Congress acts to disapprove the deferral-rescission of budget authority occurs only if both Houses of Congress approve, by simple majority, the rescission within 45 days of continuous session.

Research and development. Those program costs primarily associated with research and development efforts, including the development of a new or improved capability to the point where it is ready for operational use. These costs include equipment cost funded under the RDT&E appropriation and related military construction appropriation costs. They exclude costs which appear in the military personnel, operation and maintenance, and procurement appropriations.

Research objective. A result to be obtained by a research activity, stated in operational and scientific or technological terms.

Research requirement. A research rationale to justify the decision to start the relevant research activity.

Resolution. A "simple" Congressional resolution, designated H. Res (House) or S. Res (Senate), deals with matters entirely within the prerogatives of one house or the other. It requires neither passage by the other chamber nor approval by the president, and it does not have the force of law. Most such resolutions deal with the rules or procedures of one house. They also are used to express the sentiments of a single house, such as condolence to the family of a deceased member, or to comment on foreign policy or executive business. A simple resolution is the vehicle for a "rule" from the House Rules Committee. See also Concurrent Resolution and Joint Resolution.

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 funds and industrial funds.

Rollaway costs. See flyaway costs.

S

Safety level. The quantity of materiel, in addition to the operating level of supply required to be on hand to permit continuous operations.

Sail-away costs. See flyaway costs.

Sealed bidding. Replaces "formal advertising" in the contracting process in title only; the process remains the same.

Secondary appropriation. An appropriation account increased as a result of reimbursable orders from an implementing agency which cites one of the implementing agency's appropriations accounts. Activity in a secondary appropriation is not categorized as an FMS reimbursable.

Second source. Execution of established acquisition strategy to qualify two producers for the part or system. Sometimes called dual sourcing.

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, by grant, loan, cash sale, or lease, in furtherance of national policies and objectives [Joint Pub 1-02, as amended through 14 April 2006]. Table C1.T1, SAMM, provides a listing of twelve major security assistance programs, of which seven are administered by DOD and five are administered by DOS. The seven programs managed by DOD are included in the DOD-defined security cooperation program.

Security Assistance Management Manual (SAMM) [DOD 5105.38M]. A manual published by the Defense Security Cooperation Agency under authority of DOD Directive 5105.38. It sets forth the responsibilities, policies, and procedures governing the administration of security assistance within the Department of Defense [Available at http://www.dsca.mil/samm/].

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. Such reviews may include the entire range of a purchaser's security assistance program.

Security assistance network (SAN). An internet based network developed for the SA community to provide typical wide area network functionality for world wide SA users. The SAN Web system provides: access to the world wide web, identification of web sites of interest to the SA community, an E-mail system (primarily for overseas users), a library function for the storage and conveyance of large data files, a bulletin board function for viewing SA documents, and the hosting of SA training and budgetary data. The SAN is managed by DISAM and is hosted by the Institute for Defense Analyses (IDA) in Alexandria, Virginia. It uses Netscape Navigator as a browser.Security cooperation. 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. [Joint Pub 1-02, as amended through 14 April 2006]. This also includes the seven FAA/AECA-authorized security assistance programs administered by DOD.

Security Assistance Officer Token Administrator. The individual designated in writing by the Security Cooperation Office Chief to oversee and maintain the custody of each SCIP token within the Security Cooperation Office.

Security cooperation organization (SCO). Those DOD organizations permanently located in a foreign country and assigned responsibilities for carrying out of security cooperation management functions under section 515 of the Foreign Assistance Act and under Joint Publication 1-02, regardless of the actual name given to such DOD Component. SCOs include military assistance advisory groups, military missions and groups, offices of defense and military cooperation, liaison groups, and Defense Attache personnel designated to perform security cooperation functions. The term "SCO" does not include units, formations, or other ad hock organizations that conduct security cooperation activities such a mobile training teams, mobile education teams, or operational units conducting security cooperation activities. The generic term SCO replaces the former term security assistance office (SAO).

Security force assistance (SFA). The unified action to generate, employ, and sustain local, host-nation or regional security forces in support of a legitimate authority. Security cooperation may support or be supported by SFA. (Chapter One, U.S. Army FM 3-07.1, May 2009)

Security supporting assistance. See Economic Support Fund.

Senior Defense Official (SDO) and Defense Attache (DATT). Principal DOD official in a U.S. embassy, as designated by the Secretary of Defense. The SDO or DATT is the Chief of Mission's principal military advisor on defense and national security issues, the senior diplomatically accredited DOD military officer assigned to a diplomatic mission, and the single point of contact for all DOD matters involving the embassy or DOD elements assigned to or working from the embassy. The SDO or DATT is considered the dual-hatted chief of both the security cooperation organization (SCO) and defense attache office (DAO) in the embassy. This position was established by DODD 5105.75, Department of Defense Operations at U.S. Embassies, December 21, 2007 The same document gives coordinating authority (see glossary definition) to the SDO or DATT for the purpose of ensuring that all DOD elements in a country are working in consonance with each other and under the guidance of the Chief of Mission. The SDO or DATT program replaces the now defunct U.S. Defense Representative (USDR) model.

Sequestration. Refers to the issuance of a presidential order canceling budgetary spending in order to reduce the deficit by the required amount for that year.

Service contract. A contract which calls directly for a contractor's time and effort rather than for a concrete end product.

Services. Includes any service, test, inspection, repair, training, publication, technical or other assistance, or defense information furnished as military assistance under the FAA, or furnished through FMS under the AECA.

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.

Shipping designator. A code word assigned to a particular overseas base, port, or area, for specific use as an address for shipments to the overseas location concerned. The code word is usually four letters and may be followed by a number to indicate a particular addressee.

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. The formal document used in negotiating acquisitions to communicate government requirements to prospective contractors and to solicit proposals.

Source selection. The 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.

Spares/spare parts. An individual part, subassembly, or assembly supplied for the maintenance or repair of systems or equipment.

Special provisions. See general provisions.

Specialized English training (SET). Instruction conducted at DLIELC for international military students (IMSs) who have attained the required ECL to develop vocabulary skills for entry into both hazardous and highly technical courses.

Staging cost. The cost incurred by the Department of Defense in consolidation of materiel before shipment to an FMS customer. Includes costs incident to storage and control of inventory, consolidation of incoming articles into a single shipment, and a break in CONUS transportation.

Standardization. The process by which DOD achieves the closest practicable cooperation among the military services and defense agencies for the most efficient use of research, development, and production resources, and agrees to adopt on the broadest possible basis the use of:

a. Common or compatible operational, administrative, and logistic procedures

b. Common or compatible technical procedures

c. Common, compatible, or interchangeable supplies, components, weapons, or equipment

d. Common or compatible tactical doctrine with corresponding organizational compatibility. As applied to NATO and to non-NATO countries, standardization involves the process of developing concepts, doctrines, procedures and designs to achieve and maintain the most effective levels of compatibility, interoperability, interchangeability and commonality in the fields of operations, administration, and materiel.

Standardization agreement [NATO]. The record of an agreement among several or all of the members nations of NATO to adopt like or similar military equipment, ammunition, supplies and stores; and operational, logistics, and administrative procedures. National acceptance of a NATO allied publication issued by the Military Agency for Standardization may be recorded as a Standardization agreement.

Standardized training list (STL). A data table used in SA training programs that actually represents the IMET, FMS, and other training that has been requested and approved for that country. The term STL comes from the title of a manual report that used to be provided to the SAO by the MILDEP training agencies. The STL data for a given country is now downloaded from the SA Network and used in TMS to manage the country's training program.

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.

Supplemental appropriations bill. Legislation appropriating funds after the regular annual appropriations bill for a federal department or agency has been enacted. A supplemental appropriations bill provides additional budget authority beyond original estimates for programs or activities, including new programs authorized after the enactment of the regular appropriations act. Such bills are often

passed in response to emergency or otherwise urgent requirements which are too important to be postponed until passage of the next regular appropriations bill.

Survivability. The degree to which a system is able to avoid or withstand a man-made hostile environment without suffering an abortive impairment of its ability to accomplish its designated mission.

Supply operation costs. Those costs which are related to the procurement and issue of material and excess articles delivered to FMS recipients but which are not included in the standard prices of the material. These costs include packing, crating, handling, and transportation expenses incurred in the issue and transfer of material; and logistics management expenses (exclusive of military pay and allowances in the instance of wholly grant-funded transactions) incurred by activities in the areas of procurement operations, supply management, requisition control, and processing, and related services.

Sustainability. The ability to maintain the necessary level and duration of combat activity to achieve national objectives. Sustainability is a function of providing and maintaining those levels of force, materiel, and consumables necessary to support a military effort.

Systems acquisition process. The sequence of acquisition activities starting from an agency's reconciliation of its mission needs with its capabilities, priorities, and resources, and extending through the introduction of a system into operational use or the otherwise successful achievement of program objectives.

System program office. The office of the program manager and the single point of contact with industry, government agencies, and other activities participating in the system acquisition process.

T

Teaming/teaming arrangements. An agreement of two or more firms to form a partnership or joint venture to act as a potential prime contractor; or an agreement by a potential prime contractor to act as a subcontractor under a specified acquisition program; or an agreement for a joint proposal resulting from a normal prime contractor-subcontractor, licensee-licensor, or leader company relationship.

Technical assistance field team (TAFT). A team of U.S. DOD personnel deployed on PCS status, normally for one year or longer, to a foreign country to provide technical assistance and training to foreign military personnel in the operation, maintenance, and employment of specific equipment, technology, weapons, supporting systems, or in other special skills related to military functions.

Technical assistance team (TAT). A team of U.S. DOD personnel deployed to a foreign country on TDY status (i.e., up to 179 days) to place into operation, operate, maintain, and repair equipment provided under the FMS or MAP programs.

Technical data (TD). Recorded information, regardless of form or characteristic, of a scientific or technical nature. 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). Normally includes technical design and manufacturing information sufficient to enable the construction or manufacture of a defense item component modification, or to enable 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). U.S. military or civilian personnel designated to administer, supervise, and control ECL testing and test materials. Must be a U.S. citizen, not a foreign national "local hire" civilian, or foreign military officer or NCO.

Theater Campaign Plans. Plans developed by geographic combatant commands that focus on the command's steady-state activities, which include operations, security cooperation, and other activities designed to achieve theater strategic end states. It is incumbent upon geographic Combatant Commanders to ensure any supporting campaign plans address objectives in the Global Environmental Fund global planning effort and their respective theater campaign plans. Contingency plans for responding to crisis scenarios are treated as branch plans to the campaign plan.

Theater Security Cooperation Strategy. The document of a geographic combatant commander which plans, prioritizes, and proposes allocation of DOD resources across the full spectrum of military engagement within an area of operations. Normally, the TSCS is augmented by individual plans for each country, routinely termed country campaign plans. The TSCS responds to the OSD-level Security Cooperation Guidance and, when approved, serves as the roadmap for the execution of security cooperation activities by the combatant command staff, the component commands, and the assigned SAOs.

The Management of Security Assistance. The basic textbook employed by the Defense Institute of Security Assistance Management (DISAM) for instruction covering the full range of security assistance activities. The text is revised annually and commonly referred to as the "Green Book" as it is bound in a green cover.

Then-year dollars. See current-year dollars.

Third country/party transfers. The transfer of U.S. defense articles, services, and training to a country (a third country) from a country which originally acquired such items from the United States. As a condition of the original sale or transfer, the recipient government must obtain the consent of the President of the United States for any proposed third country/party transfer. Also, when such proposed transfers involve items valued at $50 million or more, or $14 million or more of MDE, they must be reported to Congress and are subject to a joint resolution of disapproval. Finally, as a condition of such transfers, the country acquiring the items must agree to obtain the consent of the president in the event of a future sale to yet another country.

Third world. Refers to those countries with under-developed but growing economies, often with colonial pasts, and low per capita incomes (less than $5000/yr). Third world is often used interchangeably with or as a synonym for "LDC's" (less developed countries), "the South," "the Group of 77," "developing countries," or "underdeveloped countries." Generally includes approximately 127 countries comprising Latin America, the Middle East, Africa, and Asia.

Total obligational authority (TOA). TOA is 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 means of ensuring that FMS customers are aware of and are given the opportunity to plan for and obtain needed support items, training, and services from the U.S. government contractors, or from within the foreign country's resources which are required to introduce and operationally sustain major items of equipment or systems.

Training management system (TMS). A MS Access computer program developed by DISAM for use in the SAO to manage the SA training program. TMS uses STL and MASL data downloaded from the SA Network to produce IMET and FMS management reports, invitational travel orders, and other

training management documents. Versions of TMS are also available for use by international military student offices at training activities and at the annual training program management review.

Training/training support. Formal or informal instruction of IMSs in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational or information publications and media of all kinds, training aids, orientations, training exercises, and military advice to foreign military units and forces. [Sec. 47(5), AECA]

Training program management review (TPMR). An annual unified command conference conducted for the purpose of establishing the SA training program for each country. Attendees are the SAO training manager and representatives from DSCA, the MILDEP, training agencies, and other key SA training management personnel. Actual IMET and FMS training programs are submitted, reviewed and determinations made as to training availability. This working conference was identified by the GAO as one of the most valuable planning tools used in the SA community.

Tranche. A portion of an appropriation to be allocated to a foreign country. At times, Congress will direct that security assistance funds for a particular country or program be allocated in two or more portions (i.e., tranches), and will generally specify the timing of such allocations as well as the conditions which must be met before the sequential tranches may be allocated.

Travel and living allowance (TLA). Those costs associated with transportation, excess baggage, and living allowances (per diem) of IMSs which are authorized for payment under the IMET Program.

Treaty. A formal agreement entered into between two or more countries. The treaty process includes negotiation, signing, ratification, exchange of ratifications, publishing and proclamation, and treaty execution. Treaties having only two signatory states are called bilateral, whereas those with more than two parties are multilateral. Treaties may expire at the end of a specified time period, when certain conditions have been met, or by mutual agreement. Renunciation of a treaty by one of its parties may occur when a state of war exists or when conditions have been substantially altered (rebus sic statibus). In the United States, all treaties are negotiated under the direction of the president, with the Senate Foreign Relations Committee participating under the constitutional provision that treaties be made "by and with the advice and consent of the Senate. A treaty must be approved by a two-thirds vote of the Senators present and voting, followed by presidential ratification if the Senate's version is acceptable. Unlike joint resolutions, treaties do not die at the end of a Congressional term, but remain "live" proposals until acted upon by the Senate or withdrawn by the president. See also Executive Agreement.

Trust fund (FMS). 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.

Two-way street. A procurement philosophy encouraging the U.S. to buy arms from NATO countries in addition to selling arms to such countries.

Type of address code. One of several codes used in the MAPAD to identify a plain language address to which to ship 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 on the Letter of Offer and Acceptance. Also known as a type of finance code.

U

Unaccepted case. An FMS letter of offer which was not accepted or funded within the prescribed time shown on the LOA.

Undistributed cost. A cost or disbursement to a budget authority which has not been allocated to a specific case.

Unified command (UCOM). A command with a broad continuing mission under a single commander and composed of significant assigned components of two or more U.S. services, and which is established and so designated by the president, through the secretary of defense with the advice and assistance of the Joint Chiefs of Staff, or, when so authorized by the Joint Chiefs of Staff, by a commander of an existing unified command established by the president. Now referred to as combatant commands.

United States Code (U.S.C.). A consolidation and codification of the general and permanent laws of the United States arranged according to subject matter under 50 title headings. The U.S.C. sets out the current status of the laws, as amended. It presents the laws in a concise and usable form without requiring recourse to the many volumes of the Statutes at Large containing the individual amendments.

Unlimited rights. Rights to use, duplicate, release, or disclose technical data or computer software in whole or in part in any manner and for any purpose, and to have or permit others to do so.

V

Value.

a. With respect to an excess defense article, the actual value of the article plus the gross cost incurred by the United States Government in repairing, rehabilitating, or modifying the article, except that for purposes of Section 632(d), FAA, such actual value shall not be taken into account:

   1. For major items for which the pricing guidance contained in DOD Instruction 2140.1 may be used to determine the value of EDA;

   2. For secondary items, the inventory standard stock price is to be used.

b. With respect to a non-excess defense article delivered from inventory to foreign countries or international organizations under the FAA, value consists of, the acquisition cost to the United States Government of the article, adjusted as appropriate for condition and market value.

c. With respect to a non-excess defense article delivered from new procurement to foreign countries or international organizations under this Act, value consists of the contract or production costs of such article.

d. With respect to a defense service, value consists of the cost to the United States Government of such service.

e. For purposes of the AECA, value means, in the case of an excess defense article, not less than the greater of:

   1. The gross cost incurred by the USG in repairing, rehabilitating, or modifying such articles, plus the scrap value

   2. The market value, if ascertainable

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 for allies. A DOD program whereby the services procure or retain in their inventories those minimum stockpiles of materiel such as munitions, equipment, and combat essential

consumables to ensure support for selected allied forces in time of war, until future in-country production and external resupply can meet the estimated combat consumption.

Weapon system life cycle cost. A period divided into phases, ranging from the first consideration of the need for a weapon system through the development and in-service stages down to system phase-out and disposal.

Widget. An imaginary end item or repair part used by DISAM as an example to illustrate a point in the classroom. It is not real nor is it modeled to represent anything real.

X, Y, AND Z
[NONE AT THIS TIME]

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