



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, D. C. 20301

1 February 1978

In reply refer to:
Transmittal No. 17
DOD 5105.38-M

MEMORANDUM FOR RECIPIENTS OF DOD 5105.38-M, MILITARY ASSISTANCE AND
SALES MANUAL - PARTS I, II, AND III

SUBJECT: MASM I, II, and III Transmittal

Attached is MASM Transmittal No. 17 which updates the procedures to
1 February 1978.

Highlights of this transmittal include (Part I) DOD Directives and
Instructions; Responsibilities and Relationships; (Part II) Military
Education and Training; (Part III) Eligibility for Foreign Military
Sales; Preparation and Processing of Foreign Military Sales Transac-
tions; Implementation of FMS; Financial Procedures; Foreign Military
Sales Training (FMST); and Machine Readable Codes.

Update the portions of your current MASM in accordance with the List
of Changes. Specific changes are indicated by a broken line in the
margin of the chapter.

This transmittal supersedes the following correspondence/messages:

Messages

SECDEF 1595/DTG 172232Z NOV 77, subject: Change to MASM, Part III,
Chapter J (Foreign Military Sales Training (FMST))
SECDEF 2755/DTG 092210Z JAN 78, subject: Chapter C, Part II,
Articles and Services

Correspondence

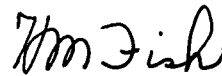
DSAA Memorandum I-7980/77 dated 27 September 1977, subject: Revision
of Terms of Sale and of Type of Assistance Codes in Military Assis-
tance and Sales Manual (MASM)
DSAA Memorandum I-11023/77 dated 17 October 1977, subject: Revision
of the Military Assistance and Sales Manual, Part III, Chapter A,
Eligibility for Foreign Military Sales



DSAA Memorandum I-12194/77 dated 7 November 1977, subject: Revision of the Military Assistance and Sales Manual, Chapter D, Part III, Preparation and Processing of FMS Transactions

DSAA Memorandum I-12592/77 dated 12 December 1977, subject: Guidance on Orientation Tours Programmed Under International Military Education and Training (IMET)

DSAA Memorandum I-13153/77 dated 8 December 1977, subject: Revision to the Military Assistance and Sales Manual, Part I (Chapter B) Responsibilities and Relationships and Part III (Chapter F) Implementation of FMS



H. M. FISH
Lieutenant General, USAF
Director,
Defense Security Assistance Agency

Attachments

- (1) List of Changes
- (2) MASM Update Materiel

LIST OF CHANGES

Remove and insert the following portions of your current MASM:

Remove

List of Effective Pages

Table of Contents -

pages xvii - xix

PART I -

DOD Directives and Instructions -

pages 1 - 8

B-1 - B-2

PART II -

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PART III -

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Chapter G

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Insert

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F-5 - F-10b

Chapter G

Chapter J

App A-13 - App A-18

In addition to the above, post the following pen and ink changes:

Part II -

(1) Chapter C - Page C-2 - para 3.c. and 3.d. - eliminate in their entirety. Para 3.e. - change to para 3.c.

Part III -

(1) Chapter A - Page A-2 - Table A-1 - add "Chad" under "*Africa*". Change date at bottom of page from "9 August 1977" to "17 October 1977". Page A-5 - add "Chad A B — — —" after "Cameroon".

(2) Chapter C - Page C-6a - para 8 - 2nd line from top of para - change "17 June 1975" to "9 March 1977". Page C-8 - para 9.b. - 2nd para - 3rd line from top of para - change "17 June 1975" to "9 March 1977". Page C-9 - para 12.c. - 5th line from top of para - insert the following after "placement": "should be made no later than the time of the formal request for preparation". Page C-16b - para 17.e. - 3rd line from top of para - insert "Egypt" after "Australia".

(3) Chapter D - Page D-2 - para 4.c. - eliminate in its entirety and change para 4.d. and 4.e. to 4.c. and 4.d., respectively. Page D-8 - para 9.a. - 4th line from top of para - change "1513-1" to "1513".

(4) Chapter H - Page H-2 - para 4.b.(4) - 2nd line from bottom of para - change "providing" to "provided".

(5) Chapter K - Pages K-2 and K-3 - eliminate para 6. in its entirety and change para 7. to para 6. Pages K-12 through K-14a - change paras 8. through 14. to paras 7. through 13.

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LIST OF EFFECTIVE PAGES

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B	B-1 and B-3	1 February 1978
C	C-1 through C-3	15 December 1977
D	D-1 through D-11	15 December 1977
E	E-1 and E-2	15 December 1977
F	F-1 through F-3	15 December 1977
G	G-1 through G-5	15 January 1977
PART II—GRANT AID		
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B	B-1 through B-3	Deleted
C	C-1 through C-28	1 February 1978
D	D-1 through D-15	15 December 1977
E	E-1 through E-48	1 February 1978
Appendix I-E	App 1E-1 through App 1E-7	1 October 1977
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H	H-1 through H-4	15 December 1977
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L	L-1 through L-23	15 January 1977
Appendix A	App A-1 through App A-18	1 February 1978
Appendix B	App B-1 through App B-5	15 January 1977
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DOD DIRECTIVES AND INSTRUCTIONS

Significant DOD Directives and Instructions pertaining to the Military Assistance and Sales Program and its administration are as follows:

***1005.3 September 16, 1967 as amended—Decorations and Gifts from Foreign Governments.**

This Directive furnishes policy guidance governing the acceptance and retention of decorations and gifts from foreign governments, and establishes procedures regarding receipt and disposition of such decorations and gifts with particular reference to persons performing duties in connection with the Military Assistance Program.

***1130.2 October 2, 1965 as amended—Engineering and Technical Services—Management and Control.**

This Directive establishes Department of Defense policies and criteria for the management, programming, use, administration, and reporting of engineering and technical services furnished to foreign governments and international organizations under the Military Assistance Program.

***2000.3 March 11, 1959 as amended—International Interchange of Patent Rights and Technical Information.**

This Directive applies to the activities of all Department of Defense personnel involved in the international interchange for defense purposes of patent rights and technical information. The policy prescribed herein applies to unclassified as well as classified information, owned by the United States Government or privately owned, but does not apply to patents, patent applications, and technical information in the field of atomic energy.

***2000.8 February 14, 1964 as amended—**

Cooperative Logistics Support Arrangements.

This Instruction prescribes policies and criteria for preparing cooperative logistic support arrangements between the U.S. Department of Defense and the defense establishment of foreign governments, and assigns responsibilities for implementation thereof.

***2000.9 January 23, 1974—International Co-Production Projects and Agreements Between the United States and Other Countries or International Organizations.**

This Directive prescribes general policies and principles governing international co-production projects negotiated under agreements between the United States Government and eligible foreign governments, international organizations, foreign producers or other approved agencies.

***2000.10 January 17, 1972—Selection and Training of Security Assistance Personnel.**

This Directive establishes standard procedures and responsibilities within the Department of Defense for the selection and training of personnel to serve in positions involving the planning and execution of Security Assistance activities. Its provisions apply to all components of the Department of Defense, including the Joint Chiefs of Staff, the Military Departments, Unified Commands and overseas MAAGs.

***2010.1 July 23, 1973 as amended—Support of International Military Activities.**

This Instruction assigns responsibility, and establishes methods for providing budgetary,

financial, logistical, and administrative support by agencies of the Department of Defense to international military headquarters and other international military agencies of the North Atlantic Treaty Organization (NATO), the South East Asia Treaty Organization (SEATO) and the Central Treaty Organization (CENTO).

***2010.5 October 4, 1976 as amended—
DOD Participation in the NATO Infrastructure Program.**

This Directive provides guidance for programming and budgeting of the United States share of the common funded NATO Infrastructure Program through the Military Construction Program; issues policies for funding, accounting, recouping, and reporting on the status of DOD funds used to prefinance facilities related to the NATO Program; and delineates responsibilities involved in DOD participation in the Infrastructure Program.

***2015.4 November 5, 1963—Mutual Weapons Development Data Exchange Program (MWDDEP) and Defense Development Exchange Program (DDEP).**

This Instruction establishes procedures for exchanging certain technical and scientific military information of mutual interest to the United States and other countries through exchange of correspondence, reports, equipment or other material or technical documents, and by visits of technical personnel; and delineates Director of Defense Research and Engineering and military department responsibilities for carrying out the subject programs. The provisions of this Instruction apply to the military department; to the MAAGs as may be determined on a case-by-case basis, and cover the exchange of information concerning a military technical or scientific area, weapon, weapons system, or operational concept.

***2100.3 July 11, 1963 as amended—United States Policy Relative to Commitments to**

Foreign Governments Under Foreign Assistance Programs.

This Directive promulgates the policy to insure that the United States, or an individual representing the U.S., does not make commitments, expressed or implied, to furnish funds, including long term credit arrangements, goods, or services to foreign governments without appropriate governmental clearances; satisfactory assurance that such commitments can and will be met and do take into account the best interests of the U.S. in the use of its resources; and a clear understanding with the recipient as to the nature, scope, and time-span of the commitment.

***2110.8 June 26, 1972 as amended—
Transfer of Releasable Assets of the DOD to Eligible Foreign Countries and International Organizations on a Foreign Military Sales Basis.**

This Instruction establishes policies and procedures for the transfer by sale of releasable assets of the Department of Defense to eligible foreign countries and international organizations.

***2110.12 August 19, 1970 as amended—
Shipment of Military Assistance Program and Foreign Military Sales Materiel.**

This Instruction prescribes policies and procedures applicable to shipments of the following types of materiel; Military Grant Aid (MAP), Military Assistance Service Funded (MASF), MAP-owned Redistributable Materiel, and Foreign Military Sales (FMS). It also states policies and procedures for transfer of title of this materiel from the United States to the recipient and payment of transportation and related accessorial costs.

***2110.29 September 4, 1970 as amended—
Method of Financing, Funding, Accounting, and Reporting for Foreign Military Sales to Friendly Foreign Governments and International Organizations.**

This Instruction prescribes uniform procedures for financing, funding, accounting, and reporting for sales of Defense articles and Defense services to friendly foreign countries and international organizations.

***2110.31 April 10, 1967 as amended—Contributions by Foreign Governments for Administrative and Operating Expenses of Military Assistance Programs.**

This Instruction prescribes policies and procedures for acquiring, using, accounting and reporting for currencies and assistance-in-kind contributed by foreign governments for administrative and operating expenses of the Military Assistance Program.

***2110.32 November 7, 1962 as amended—Financial Procedures for Military Assistance Sales under the Military Procurement Agreement Between the United States and the Federal Republic of Germany.**

This Instruction prescribes uniform procedures and requirements for accounting and preparing requests for monthly advances of funds for Military Assistance Sales cases received from the Federal Republic of Germany.

***2110.33 December 27, 1962 as amended—Preparation of U.S. Inventory Materiel for Transfer Under the Grant Aid Military Assistance Program.**

This Instruction prescribes standard conditions for preparation of U.S. military inventory materiel prior to transfer to foreign recipients as Military Assistance only.

***2125.1 June 18, 1970 as amended—Military Assistance Program Offshore Procurement (MAP/OSP).**

This Directive establishes Department of Defense policy governing the procurement of articles and services outside the United States, its possessions, and Puerto Rico for use under the Military Assistance Program, and assigns responsibilities for carrying out its provisions.

***2140.1 March 8, 1977—Pricing Sales of Defense Articles and Defense Services to Foreign Countries and International Organizations.**

This Instruction provides policies for uniform DOD application of pricing and cost criteria in connection with sales of Defense articles and Defense services (including training) furnished pursuant to Foreign Military Sales agreements and supply support arrangements with friendly foreign governments and international organizations.

***2140.2 January 5, 1977—Recovery of Non-recurring Costs Applicable to Foreign Sales.**

This Directive provides policy, criteria, and procedures for use by Department of Defense Components in (1) determining the DOD nonrecurring costs associated with the research, development, and production of major defense equipment offered for sale to foreign governments and international organizations; (2) calculating the equitable share of such costs which should be borne by the foreign buyer; (3) including such share in the sales price.

***2140.3 April 20, 1976—Foreign Military Sales Materiel Billing Procedures.**

This Instruction establishes the requirements and procedures for supporting the accounting statement or billing for materiel prepared and submitted by the Military Departments to foreign governments and by the Defense Supply Agency and General Services Administration to the Military Departments for Foreign Military Sales (FMS).

***3100.3 September 27, 1963 as amended—Cooperation with Allies in Research and Development of Defense Equipment.**

This Directive establishes Defense Department policy for strengthening cooperation with Allies in research and development and assigns responsibilities for implementing it. This policy calls for maximum coordination

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of technical objectives and programs with those of our allies.

***4000.25 November 12, 1976—Administration of Military Standard Logistics Data Systems.**

This Directive prescribes uniform guidance and responsibilities for the assignment, development, and continuous administration of military standard logistics data systems. It is the intent of this Directive to promote the utilization of military standard logistics data systems in the implementation of approved Department of Defense policies in such logistics functional areas as: cataloging, inventory management, procurement, contract administration, storage, distribution, transportation and movement, maintenance, property disposal, international supply support, and integrated support of weapons.

***4100.37 June 7, 1974—Retention and Transfer of Materiel Assets.**

This Directive clarifies terms defined in the Foreign Assistance Act which affect transfer of DOD materiel to allied and friendly forces; amends the retention policy concerning retail stock; expands the authorization for non-reimbursable transfer of assets to satisfy prepositioned war reserve deficiencies; and clarifies the policy on pricing and transfers of materiel assets to allied forces.

***4140.19 May 1, 1968 as amended—Phased Provisioning of Selected Items for Initial Support of Weapons Systems, Support Systems and End Items of Equipment.**

This Instruction promotes an increased use of phased provisioning as a management technique to defer procurement of selected items during initial provisioning and prescribes the conduct of a time-phased series of provisioning reviews and redeterminations of the range and quantity of selected items to be procured for initial support. The provisions of this Instruction apply to complex weapon and support systems and high-cost end items of equipment being procured by

the military departments and defense agencies, including those procured for the Military Assistance Program and the Foreign Military Sales Program.

***4140.34 September 5, 1968—DOD Personal Property Utilization Program.**

This Directive (1) reissues and consolidates DOD policies governing the effective use of DOD personal property, (2) establishes the Defense Utilization Manual (4140.34-M) as a regulation of the DOD, and (3) assigns responsibility for its development and maintenance.

***4140.35 June 12, 1972 as amended—Physical Inventory Control for DOD Supply System Materiel.**

This Instruction provides policies, procedures, performance objectives, and effectiveness reporting for improving the accuracy of inventory control and asset information in the supply system of the DOD.

***4160.21 February 23, 1972 as amended—DOD Personal Property Disposal Program.**

This Directive (1) provides overall policies and assigns responsibilities for the DOD Personal Property Disposal Program, (2) establishes Defense Disposal Manual (4160.21-M) as a regulation of the DOD, and (3) assigns responsibility for development, maintenance, and issuance of the Manual.

***4410.6 February 18, 1971 as amended—Uniform Materiel Movement and Issue Priority System (UMMIPS).**

This Directive provides criteria for the Uniform Materiel Movement and Issue Priority System which prescribes (1) guidance for the proper ranking of materiel requirements considering the mission importance of the activity and the urgency of need for the materiel; and (2) incremental time standards for requisition processing and materiel movement.

***5030.28 March 10, 1970—Munitions Control Procedures for U.S. Munitions List Export Licenses Applications Referred to DOD by Department of State.**

This Directive delineates requirements and responsibilities of the Assistant Secretary of Defense (International Security Affairs), the Director of Defense Research and Engineering, the Military Departments, the Joint Chiefs of Staff, and other DOD components for reviewing and presenting the Department's position to the Department of State on munitions export license applications referred to the Department of Defense.

***5100.27 December 29, 1964—Delineation of International Logistic Responsibilities.**

This Directive expands existing Department of Defense international security and logistic responsibilities, assignments and functions, assigns specific international logistic responsibilities, and emphasizes and clarifies the coordination responsibilities of DOD components to assure effective and efficient fulfillment of international logistic plans and programs.

***5100.46 December 4, 1975—Responsibilities for Foreign Disaster Relief Operations.**

This Directive establishes the DOD policy for the employment of military resources in foreign disaster emergency relief operations and assigns responsibilities to staff officials in the Office of the Secretary of Defense, particularly the Assistant Secretary of Defense (International Security Affairs), the Joint Chiefs of Staff and the military departments for carrying out this policy.

***C-5105.32 March 23, 1973—Defense Attache System.**

This Directive provides general policy and guidance with respect to the maintenance and direction of a single Defense Attache System (DAS). This Directive cross references with DOD Directive 5132.3, "Security Assistance Functions" performed by specified Defense Attaches.

***5105.38 August 11, 1971 as amended—Defense Security Assistance Agency (DSAA).**

This Directive establishes the Department of Defense organizational structure for carrying out the responsibilities of the Secretary of Defense under the Foreign Assistance Act of 1961, as amended; the Arms Export Control Act, as amended; and under Executive Orders and Directives relating to the administration of Military Assistance and Foreign Military Sales.

***5118.4 March 19, 1970—Deputy Comptroller for Internal Audit—Functions and Responsibilities.**

This Instruction establishes procedures governing activities of the Office of the Deputy Comptroller for Internal Audit (DCIA) with particular reference to DCIA audit coverage of military assistance program activities at the OSD, Unified Commands, MAAGs and missions, and Military Assistance Service Funded (MASF) programs.

***5132.2 May 20, 1961 as amended—Assistant Secretary of Defense (International Security Affairs).**

This Directive sets forth the responsibilities, functions, and authorities of the Assistant Secretary of Defense (International Security Affairs).

***5132.3 December 20, 1972, as amended—Department of Defense Policy and Responsibilities Relating to Security Assistance.**

This Directive establishes Department of Defense policy for carrying out the responsibilities of the Secretary of Defense under the Foreign Assistance Act of 1961, as amended, and under Executive Orders and Directives relating to the administration of Military Assistance.

***5154.18 May 26, 1965—Defense Medical Materiel Board.**

This Directive establishes a Defense Medical Board as a joint activity of Department of Defense, subject to the direction, author-

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ity and control of the Secretary of Defense, and under professional policy guidance of the Assistant Secretary of Defense (Manpower). The provisions of this Directive apply to the military departments and other Department of Defense agencies involved in any phase of the Medical Materiel Program (including the Military Assistance and Emergency Disaster Aid Programs, both domestic and foreign).

***5160.41 October 5, 1968 as amended—Defense Language Program.**

This Directive establishes the Army as Executive Agent for the overall management and operation of all DOD language training, including the language training programs supported by the Military Assistance Program.

***5230.11 December 31, 1976 as amended—Disclosure of Classified Military Information to Foreign Governments and International Organizations.**

This Directive implements the provisions of the "National Policy and Procedures for the Disclosure of Classified Military Information to Foreign Governments and International Organizations, 27 September 1966" insofar as they pertain to the Department of Defense and it establishes internal DOD procedures for the disclosure of classified military information to foreign governments and international organizations.

***C-5230.17 April 17, 1970 as amended—Procedures for the Administration, Standardization, and Control of Foreign Disclosure Activities.**

This Instruction establishes uniform standards and procedures for use by DOD components in handling cases involving disclosure or denial of classified military information ("disclosure") to foreign governments and international organizations.

***5410.17 January 15, 1965—An Informa-**

tional Program for Foreign Military Trainees and Visitors in the United States.

This Directive establishes an Informational Program for foreign military trainees and visitors in the United States to complement their formal training courses and orientation, and assigns responsibilities within the Department of Defense for the establishment, operation and administration of individual informational programs as described herein.

***7060.2 January 16, 1969 as amended—International Balance of Payments Program—Accounting, Reporting, and Estimating.**

This Instruction establishes the DOD system of accounting and reporting for DOD international transactions related to U.S. balance of payments data, including grants and credits extended to foreign countries. It also establishes the DOD management control system for transactions entering the international balance of payments.

***7060.4 March 6, 1971 as amended—International Balance of Payments Program—Construction, Maintenance and Repair of Real Property Facilities in Foreign Countries.**

This Directive establishes policies and procedures governing the construction, maintenance and repair of real property in foreign countries which will minimize expenditures entering the International Balance of Payments (IBOP).

***7200.7 December 16, 1964 as amended—Accounting and Pricing for Materiel Financed by Procurement Appropriations for Military Functions.**

This Directive establishes policies, procedures, and criteria to be followed by Defense components in the pricing of and financial accounting for inventories, receipts, and issues of all materials, supplies, and equipment.

***7290.1 June 22, 1970 as amended—Method of Financing, Accounting, and Fiscal Reporting for the Military Assistance Grant Aid Program.**

This Instruction prescribes uniform procedures for financing, funding, accounting, and fiscal reporting for grant aid furnished to eligible foreign countries and international organizations, pursuant to the provisions of the Foreign Assistance Act of 1961.

***7290.2 January 20, 1970 as amended—Policy Guidance for Determining Reimbursable Costs for the Training of Foreign Nationals under the Military Assistance Grant Aid Program.**

This Instruction provides policy guidance for uniform application in computing reimbursement for the costs incurred in the training of foreign nationals under the Military Assistance Grant Aid Program.

***7360.9 February 11, 1977—Use of United States-owned Foreign Currencies.**

This Instruction prescribes policies and procedures governing the use of United States-owned foreign currencies for (1) payments of DOD and MAP requirements, programs, and activities and (2) personal expenditures of DOD personnel located overseas.

***7420.1 January 26, 1967 as amended—Regulations Governing Stock Fund Operations.**

This Directive establishes regulations concerning stock fund operations and is applicable to MAP with regard to transfer of property to MAP and Foreign Military Sales recipients.

***7420.12 March 10, 1977—Billing, Collection and Accounting for Sales of Materiel from Supply System Stock.**

This Instruction establishes uniform policies and procedures for billing, collecting, and related accounting for sales of materiel from supply system stock, including direct deliveries. The provisions herein apply to DOD sales from inventory of stock fund and appropriation financed materiel within the Department of Defense, including transfers to the Military Assistance Grant Aid Program.

***7510.4 April 7, 1967 as amended—Uniform Policy for Charging Accessorial and/or Administrative Costs Incident to Issues, Sales, and Transfers of Materials, Supplies and Equipment.**

This Instruction establishes the policies and procedures to be followed by the military departments and Defense agencies for charging expenses arising from, or incident to, issues, sales, and transfers of all materials, supplies, and equipment (materiel), including issues, sales, and transfers to Military Assistance Programs.

CHAPTER B

RESPONSIBILITIES AND RELATIONSHIPS

1. Executive Branch

Within the Executive Branch, numerous departments and agencies (e.g., Office of Management and Budget, National Security Council, Department of the Treasury, Agency for International Development, Export-Import Bank) have a wide variety of responsibilities related to Security Assistance. Aside from the President, however, the principal responsibilities established by legislation are assigned to the Secretary of State and the Secretary of Defense. There are:

a. Under the direction of the President, the Secretary of State is responsible for continuous supervision and general direction of Military Assistance Programs and Foreign Military Sales, including but not limited to determining whether there shall be a program or a sale and, if so, the amount thereof.

b. The Secretary of Defense has primary responsibility for:

(1) Determination of military end-item requirements;

(2) Procurement of military equipment in a manner that permits its integration with service programs;

(3) Supervision of end-item used by the recipient country in the case of equipment provided under MAP;

(4) Movement and delivery of military end items; and

(5) Within the Department of Defense, the performance of any other functions with respect to providing Military Assistance and Foreign Military Sales.

2. Department of Defense

Detailed functions relating to Security Assistance are set forth in the Foreign As-

sistance and Foreign Military Sales legislation, in Executive Orders, in DOD Directives and Instructions, and in Terms of Reference. In general, major responsibilities of the principal Defense Department components involved in security assistance are as follows:

a. Within the Department of Defense, the Assistant Secretary of Defense, International Security Affairs (ASD/ISA), acts for the Secretary of Defense and is his principal representative and spokesman on Security Assistance matters. He formulates policy and represents the Department of Defense with other governmental agencies in matters concerning Security Assistance policy and guidance. The Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) is responsible for developing delivery policy for the movement of Military Assistance Program (MAP) and Foreign Military Sales (FMS) cargo. Implementation delivery policy shall be accomplished by the Military Services and Department of Defense agencies.

b. As the operating arm of the Secretary of Defense, the Defense Security Assistance Agency (DSAA) is responsible for directing and supervising the administration and implementation of Security Assistance within the policies established by the ASD/ISA.

c. In accordance with DOD Directive 5105.38, the Defense Security Assistance Council (DSAC) advises the Secretary of Defense on Security Assistance matters of major importance and provides expeditious high-level coordination of such matters within DOD. Membership of the DSAC includes the ASD/ISA (Chairman), the Direc-

MILITARY ASSISTANCE AND SALES MANUAL—PART I

tor of DSAA (Secretary), appropriate Assistant Secretaries of Defense, and the Director of the Joint Staff, Joint Chiefs of Staff. The Chairman also requests representation

from the Military Services and other DOD components on an ad hoc basis, as appropriate. The DSAC has no permanent staff or secretariat, but does employ ad hoc working

groups to address specific Security Assistance matters.

d. The Secretaries of the Military Departments advise the Secretary of Defense on all Security Assistance matters impacting on or relating to their departments and act for the Secretary of Defense where responsibility for such action is so delegated. The Military Departments are specifically responsible for conducting training and for procuring and providing such defense articles and services as may be required by approved Security Assistance programs and accepted sales cases.

e. The Joint Chiefs of Staff (JCS) are responsible for correlating Security Assistance planning with military force planning and security objectives and provide the Secretary of Defense with military advice on security assistance matters.

f. For their respective areas of cognizance, Commanders of Unified Commands correlate Security Assistance plans and programs with U.S. military plans and are responsible for developing and submitting Security Assistance plans to the Secretary of Defense. They command the MAAGs in their areas of responsibility and direct and supervise all Security Assistance actions in such areas.

g. Unified Command, Component Commanders, and/or Service Representatives will advise and assist in the performance of functions relating to Security Assistance. In order to provide the required expertise and assistance, they will keep informed as to the item content of each year's Security Assistance Program and the capabilities and limitations of each country located in theater. Field trips will be made as necessary to accomplish the Security Assistance mission. Direct access to MAAG Service sections is authorized. Component Commanders and/or Service Representatives will:

(1) Keep Unified Commander advised as to their view concerning:

(a) The capabilities and operating standards desired as objectives for country forces receiving Security Assistance and the

composition, strength, unit organization, and the equipment of these forces.

(b) The capabilities of military forces in MAP recipient countries to operate effectively with other forces, and in support of U.S. war plans.

(c) Development and modernization programs and force objectives related to MAP forces of their respective Service to assure that capabilities of the forces are oriented toward complementing U.S. objectives in theater.

(d) The respective Service aspects of uni-service, joint, and combined training.

(e) Military facilities required to support MAP country forces.

(f) The revision and/or development of tables of organization and equipment, unit authorization lists, tables of distribution, and tables of allowances, based on the recommended structure for country forces.

(2) Participate in the review of Military Security Assistance Projections (MSAP) and budget year program updates.

(3) Implement approved Military Education and Training Programs in coordination with the Military Departments.

(4) Participate in inspections and surveys of MAAGs.

(5) Review inspection and audit reports and submit comments and recommendations as required.

(6) In addition to the general responsibilities outlined in paragraph 2.g. above, the following specific responsibilities are assigned:

(a) Air Force Service Representative will be the central coordinator and advisor for United Commander for in-country air defense facilities and equipment in order to assure unity in U.S. and allied air defense operational planning and to assure complementary air defense systems. In the performance of these functions, Service Representative and his designated air defense commanders are authorized direct communication with the MAAGs on country air defense proposals, plans, and programs.

(b) Army Service Representative will respond to Unified Commander requirements

will be considered only if there appears to be sufficient time to complete administrative work and obligate funds prior to the end of the fiscal year.

9. Student Training

a. Scope

Under Budget Project N10, individuals are trained at U.S. military facilities and civilian institutions in the U.S. or abroad. Included are formal courses of instruction, observed training, on the job training, orientation tours, and training of ship crews. For accounting purposes, costs of the Informational Program also are charged to this account.

b. U.S. Military Service Schools.

For attendance at U.S. military service schools, foreign military trainees (FMST) must meet the same qualifications as U.S. personnel. These are set forth in applicable school catalogs, DOD Instruction 5010.16-C (Defense Management Education and Training) and other media. Questions concerning entrance requirements should be addressed to the Military Departments having cognizance over the particular training facility.

c. U.S. Civilian Schools

Training at non-military institutions is authorized only if equivalent training is not available from U.S. military facilities. DSAA approval is required prior to programming.

d. Specialized English Language Training.

Provided the general ECL requirements have been met, specialized English training may be provided in those cases where the Military Department concerned determines that exceptional fluency or specialized vocabularies are essential to safety and/or effective participation in the course of instruction.

e. Orientation Training

This category includes Orientation Tours and Observer Training and for programming

and accounting purposes. Informational Program requirements.

(1) Orientation Tours

(a) Guidelines

1. The objective of orientation tours is to provide selected students an opportunity to become acquainted with U.S. military doctrine, techniques, procedures, facilities, equipment, organization management practices and operations through short term orientation as opposed to attending longer term formal courses.

2. The basic premise under which orientation tours are offered is that only students holding important positions, or those with the possibility of holding such positions shall be selected. In the majority of cases the students should be general or flag rank officers. Visits by foreign military cadets to U.S. service academies are not authorized under IMET.

3. In addition to the purely military objectives to be achieved through orientation training, it is intended that orientation tours serve to enhance mutual understanding, cooperation, and friendship between U.S. forces and participating nations.

(b) General Policy

1. Orientation tours for IMET funding should be programmed only after the Ambassador attests to their importance to the country's efforts and adequate supporting rationale is provided by country representative for DSAA approval.

2. Participation in orientation tours should be limited to students occupying important positions but below the U.S. equivalent of Chief of Staff or Chief of Naval Operations. Visits of foreign officers equivalent to a Chief of Staff or Chief of Naval Operations are conducted at the invitation and expense of U.S. Military Department concerned. IMET funds may be considered on a case-by-case basis based on DSAA approval, to finance portions thereof after such visits have been approved by the appropriate service chiefs.

3. As an exception, orientation tours (3 weeks) to the U.S. for Chiefs of

Staff, Minister of Defense or their equivalent from certain African countries may be provided as a special activity. Tours are restricted to not more than three participants per country.

4. Selection of students for orientation training and the design of itineraries should be made on the basis of maximum accomplishment of orientation training objectives as outlined above. Where tour objectives are specific in terms of students exposure to specialized techniques, procedures, and facility operation, the itinerary should be designed accordingly as opposed to tours in which the objective is intended to be broad exposure to concepts, higher level decision making, management and staff operation. In no instance should tour itineraries reflect a tourist orientation itinerary in which the tour objectives are obscure. Visits to large metropolitan centers which do not directly relate to orientation training objectives should be avoided. DSAA approval of orientation tour itinerary and areas of interest is required prior to implementation.

5. When special conditions exist wherein it is in the best interest of the U.S. to provide orientation tours which do not meet the objectives contained herein, proposals which describe these conditions and circumstances will be forwarded to DSAA for approval on an exception basis prior to any proposal to country officials which could be construed as an agreement to provide a tour.

6. Official entertainment in connection with orientation tours (luncheons, dinners, receptions) should be arranged in good taste and in keeping with the grade and position of the tour participants. Protocol activities of this nature should be arranged on an austere basis. Activities which could be interpreted as being lavish are to be avoided.

7. Experience indicates that orientation tours for large groups usually result in a bland experience for the majority of participants, with some interest for a few, at disproportionate costs and result in criticism by some participants. Therefore, large group orientation tours should be discouraged.

8. An executive agency is assigned to conduct and provide escort officers for orientation tours in the CONUS. The executive agency is the Military Department having primary interest in the tour, or the Military Department selected by DSAA as executive agency to implement a specific tour. Every effort will be made to provide escort officers fluent in the language of the tour participants when lack of English fluency of the participants makes a language qualified escort essential to tour objectives. Normally, a MAAG/MILGP/ODC representative should not be used as escort officer. However, in exceptional cases, the executive agency may consider a MAAG/MILGP/ODC representative to serve as an escort officer when fully justified, e.g., special qualifications, workload, usual rapport with key host country personnel, and associated projects/contacts that might be beneficially exploited to the U.S. advantage. The MAAG/MILGP/ODC representative selected as an escort officer will be under the complete jurisdiction of the executive agency and will remain with tour at all times until tour returns to host country. Travel and per diem costs for the escort officer for the period on TDY for purposes of the tour are chargeable to IMET funds, and will be programmed as a separate program line in the country program under Budget Project N70. U.S. personnel other than *bona fide* escort officers designated or agreed to by the executive agency for the tour implementation are not authorized to accompany tour groups.

9. Leave may be taken by tour participants at the conclusion of an orientation tour at no additional expense to IMET, when authorized in student Invitational Travel Order (ITO). When authorized, the ITO will include the specific statement "leave authorized at no additional expense to the U.S. Government."

(c) Types of Tours

The following types of tours are authorized for IMET programming. When submitting orientation tour requirements, the positions held by the visiting officers will be indicated for the appropriate type of tour

selected.

1. Orientation Tours for Distinguished Visitors (DV). Orientation tours/DV are authorized for the purpose of providing an orientation tour for senior country officials below the equivalent U.S. position of Chief of Staff or Chief of Naval Operations, holding positions of major importance and higher authority. DV tours are restricted to not more than one per service per year subject to U.S. Military Department capability to implement the tour. DV tours are normally for a period not to exceed 15 days plus overseas travel time and to not more than five visitors per tour. Travel arrangements, mode of transportation for transoceanic and domestic travel and accommodations should be comparable to those provided U.S. personnel under similar circumstances. Instructions contained in paragraphs e.(1)(a) and (b) above, apply.

2. Orientation Training Tours. Orientation training tours are authorized for the purpose of providing an orientation tour for selected students who may become future leaders and policy makers, but do not presently qualify as a DV. Tours should be restricted in number to the extent possible and limited primarily to foreign military students. Overall target should be to reduce cost of tour in maintaining number of participants involved. Instructions contained in paragraphs e.(1)(a) and (b) above, apply.

3. Cadet Orientation Tours (COTs). Cadet Orientation Tours for active members of country military academies may be programmed as officer training, except that tour itineraries will be restricted to visits to U.S. service department academies, subject to Military Department concurrence. A visit to Washington, D.C. not to exceed three days is authorized and encouraged.

(2) Observer Training

(a) Observer Training is training

during which the student observes methods of operation, techniques, and procedures as a medium of instruction. Observer training is not related to a formal course of instruction.

(b) Observer training will be authorized only when no course covering the desired training is available. This includes specialist-type training.

(c) Observer training or on-the-job training (OJT) in overseas schools and installations will be provided in accordance with the policies established by the Commander of the Unified Command concerned.

(3) DOD Informational Program

(a) In accordance with DOD Directive 5410.17, each trainee attending course in the CONUS is given the opportunity to participate in the DOD Informational Program (IP). The objective of the program is to assist trainees in acquiring a balanced understanding of U.S. society, institutions, and goals, in addition to his military experience while in the CONUS. Such activities as visits to private homes, local industries, industrial and cultural exhibits, farms, schools, historical points of interest, sports events, and civic activities are to be encouraged. Frank explanation and free discussion of our governmental structure, our judicial system, the two party system, the role of a free press, and other communication media, minority problems, the purpose and scope of labor unions, our economic system, and our educational institutions will foster understanding and good will with the trainees.

(b) Military Departments are responsible for implementation of the IP. Unified Commands are authorized to submit NIH dollar requirements for IP activities for MAP funded students as a regional requirement. Requirements will be calculated on the basis of \$250.00 for each MAP funded officer student programmed to receive training in the CONUS. MAP funding of IP activities for sales students is not authorized.

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Financial support for IP activities for DAV students is the responsibility of the appropriate Military Department and will be programmed in country program.

(c) Extraordinary expense funds (N60) are also authorized for use in conducting certain IP activities.

(d) In arranging IP activities maximum use will be made of local civic groups, organizations, agencies, facilities and historical attractions. Of particular interest is the development of a student sponsorship program to include both U.S. military and civilian participants. Emphasis should also be placed on activities in the civilian sector of the community in which the trainee is training as a means of providing the best possible exposure to the civil aspects of the program. When local possibilities are unable to satisfactorily meet program objectives, visits to other communities are authorized.

(e) Informational Program activities include transportation, meals, lodging, admissions, programs and incidental costs thereof. The student will be required to assume personal costs for laundry, cleaning, telephone services and all other costs not directly associated with the programmed tour.

(f) A major goal of the IP is to enable each officer student undergoing training in the CONUS to visit Washington, D.C. A maximum of four days for this aspect of the tour is authorized, not to include travel time. Training schedules, weather and other variables may preclude achievement of this goal. In this regard, priority attention is to be given to fulfillment of the primary training objective for which the student was sent to the CONUS with the IP assuming a subordinate role.

(g) Entertainment and social aspects should not be a predominant element of the program. Social activities arranged for foreign trainees should include proportional number of U.S. military, civilian guests and trainees whenever possible.

(h) Trainees participating in IP tours are considered to be in a duty status. The living allowances authorized the trainees at

their training centers in accordance with Table E-1 will be continued throughout the duration of the tour.

(i) Dependents who have accompanied FMTs to the CONUS will be encouraged to participate in IP activities including trips to Washington, but at no additional cost to the program.

(j) IP funds (NIH) may be used to finance the cost of distinctive medallions, plaques, ornaments or mementos that serve to commemorate the student's experience in participating in a particular IP activity. They should be distinctive in design and nominal in cost so as to eliminate the thoughts of reciprocation.

f. On the Job Training

(1) On the Job Training (OJT) is training conducted on a planned program of supervised instruction devoted to practical application of a previously achieved skill usually related to a formal course of instruction.

(2) Programmed on-the-job training will normally supplement formal technical training received at a school. This training will be planned in advance in the country's training program and will include detailed requirements for training in specific areas of interest and on types of materiel used by the country concerned. On-the-job training conducted independently and not in conjunction with formal courses of instruction will be authorized in CONUS only when no course covering the desired training is available.

g. Minimum Duration Limits for CONUS Student Training

Student training in CONUS of a duration of less than eight weeks will not be programmed unless approved for cogent reasons on an exceptional basis by the Unified Commander involved. Mandatory CONUS personnel processing or English Language training will not be considered as part of the 8 week requirement. This limitation does not apply to grant aid training for countries which bear the cost of transporting their trainees, or to orientation training.

Table A-2¹

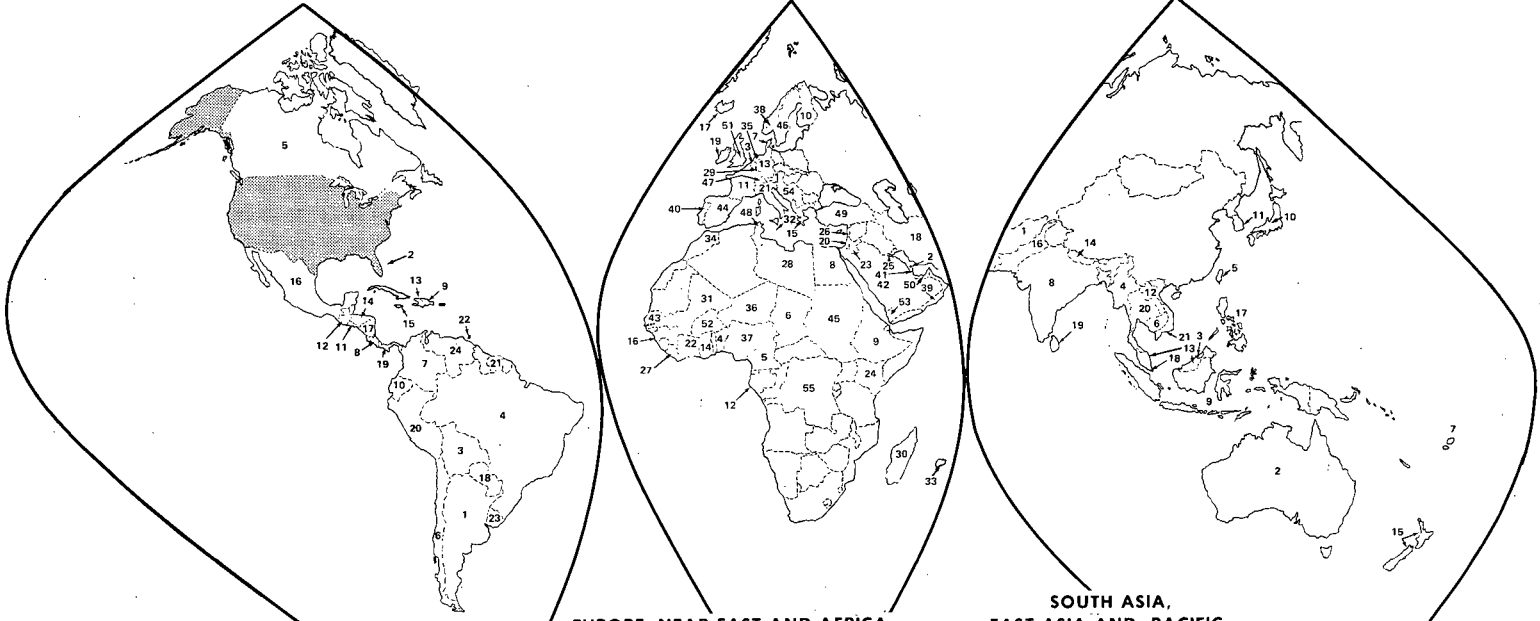
**APPROVAL REQUIREMENTS FOR THE PURCHASE OF
DEFENSE ARTICLES AND DEFENSE SERVICES**

NOTE: The purchasing country or international organization must make payment in U.S. dollars under the appropriate Terms of Sale as specified in Part III, Chapter G, paragraph 3.

FOOTNOTES:

1. As of 17 October 1977.
2. Category A —Country purchase programs and/or requests authorized for submission directly to Military Departments for action.
Category B—Country purchase programs and/or requests require submission to, and approval of, the Department of State and Department of Defense prior to action within the Military Departments or DLA.
The "X" denotes authorized; dashes denote ineligible or not applicable.
3. Arrangements for purchase under the dependable undertaking provisions of the AECA may be made directly with the Military Department concerned, subject to the approval of that department.
4. Countries or international organizations receiving distribution of lists of excess U.S. military materiel available for sale through the Defense Logistics Services Center (DLSC), Defense Logistics Agency (DLA), (DOD Instruction 2110.8).
5. Except for purchases of items listed and defined in Annexes 2 and 3 of Paris Protocol III.
(See Memo I-2710/59 dtd 11 June 1959).
6. Request for payment of Federal Republic of Germany purchases will be submitted in accordance with DODI 2110.32.
7. All sales requests are also subject to Regional dollar ceilings.
8. Crown Agents when acting as agents of the United Kingdom may purchase, under Category B, maintenance support items for material of U.S. origin/or major or capital end items for Colonies, Protectorates, and Trust Territories.
9. Major or capital end items are defined as those items designated as significant combat equipment in the International Traffic in Arms Regulation (ITAR), Title 22, USC, Part 121.01.

COUNTRIES ELIGIBLE FOR FOREIGN MILITARY SALES



- NORTH & SOUTH AMERICA**
- | | |
|----------------------|------------------------|
| 1 Argentina | 13 Haiti |
| 2 Bahamas | 14 Honduras |
| 3 Bolivia | 15 Jamaica |
| 4 Brazil | 16 Mexico |
| 5 Canada | 17 Nicaragua |
| 6 Chile | 18 Paraguay |
| 7 Colombia | 19 Panama |
| 8 Costa Rica | 20 Peru |
| 9 Dominican Republic | 21 Surinam |
| 10 Ecuador | 22 Trinidad and Tobago |
| 11 El Salvador | 23 Uruguay |
| 12 Guatemala | 24 Venezuela |

- EUROPE, NEAR EAST AND AFRICA**
- | | | |
|-------------------|------------------|-------------------------|
| 1 Austria | 20 Israel | 39 Oman |
| 2 Bahrain | 21 Italy | 40 Portugal |
| 3 Belgium | 22 Ivory Coast | 41 Qatar |
| 4 Benin | 23 Jordan | 42 Saudi Arabia |
| 5 Cameroon | 24 Kenya | 43 Senegal |
| 6 Chad | 25 Kuwait | 44 Spain |
| 7 Denmark | 26 Lebanon | 45 Sudan |
| 8 Egypt | 27 Liberia | 46 Sweden |
| 9 Ethiopia | 28 Libya | 47 Switzerland |
| 10 Finland | 29 Luxembourg | 48 Tunisia |
| 11 France | 30 Malagasy Rep. | 49 Turkey |
| 12 Gabon | 31 Mali | 50 United Arab Emirates |
| 13 Germany (Bonn) | 32 Malta | 51 United Kingdom |
| 14 Ghana | 33 Mauritius | 52 Upper Volta |
| 15 Greece | 34 Morocco | 53 Yemen (Sana) |
| 16 Guinea | 35 Netherland: | 54 Yugoslavia |
| 17 Iceland | 36 Niger | 55 Zaire |
| 18 Iran | 37 Nigeria | |
| 19 Ireland | 38 Norway | |

- SOUTH ASIA, EAST ASIA AND PACIFIC**
- | | |
|------------------|---------------------|
| 1 Afghanistan | 12 Laos |
| 2 Australia | 13 Malaysia |
| 3 Brunei | 14 Nepal |
| 4 Burma | 15 New Zealand |
| 5 China (Taipei) | 16 Pakistan |
| 6 Cambodia | 17 Philippines |
| 7 Fiji | 18 Singapore |
| 8 India | 19 Sri Lanka |
| 9 Indonesia | 20 Thailand |
| 10 Japan | 21 Vietnam (Saigon) |
| 11 Korea (Seoul) | |

CHAPTER D

PREPARATION AND PROCESSING OF FOREIGN MILITARY SALES TRANSACTIONS

1. Introduction

The guidance contained in this chapter provides specific instructions for the utilization and processing of the DD Form 1513—Offer and Acceptance, the DD Form 1513-1—Amendment to the Offer and Acceptance, the DD Form 1513-2—Notice of Modification of Offer and Acceptance, and the Letters of Intent—DD Form 2012 and DD Form 2012-1. Further provided in this chapter is a description of data which must be included in Letters of Offer submitted in response to requests from FMS purchasers. It also prescribes normal time for processing requests for Letters of Offer, and allowable times between release and expiration of such offers.

2. DD Form 1513—Offer and Acceptance

a. The DD Form 1513—Offer and Acceptance (LOA) will be used for all foreign military sales of defense articles and services (including training) by the Military Departments and Defense Agencies. LOAs for open cases, e.g., cases providing for the requisition of spare parts and components, or cases covering the provision of a continuing service such as contractor administrative services or engine or component improvement programs, will normally be of one-year's duration. Exceptions require the approval of DSAA Operations.

b. The offer will itemize the defense articles and services offered and when executed becomes an official tender by the Government of the United States.

c. The acceptance constitutes the agreement of the foreign government to the offer and with applicable funding completes the contract.

d. Annex A of the Offer and Acceptance contains the General Conditions which are an official part of every offer issued.

e. In all FMS cases involving major systems/end items, the LOA will include all complementing/supporting material and services as opposed to negotiating separate cases for each of these items/services. Exceptions to this requirement must have prior DSAA Operations approval.

f. Such additional terms and conditions as may be appropriate for a particular sales case shall be set forth in one or more attachments or continuation sheets to the DD Form 1513. All attachments (including notes) are an integral part of the LOA. Each page should indicate the case identifier at the top of the page and be numbered consecutively from the first page of the LOA to the end of all information provided with this LOA. Thus the number on the DD Form 1513 would reflect the total number of pages in the LOA.

g. For sensitive items, shipping instructions shall be set forth in accordance with DOD Instruction 2110.12.

h. If all line items cannot be listed on the first page of an offer and acceptance, show only the program total and list the remaining line items on DD Form 1513c continuation sheets. (See Figure D-4).

i. The percentage rate used for determining packing, crating and handling costs, general administrative costs, and supply support arrangement costs should not be indicated in the applicable blocks. (This guidance also pertains to Other Estimated Costs (Block 25) should a percentage rate be applicable.)

j. See Figure D-1 for detailed instructions on the filling in of the blocks on the DD Form 1513—Offer and Acceptance.

3. Processing Requests for Letters of Offer and Acceptance

a. Approval channels for requests for

MILITARY ASSISTANCE AND SALES MANUAL—PART III

Letters of Offer are included in Paragraph 6, Chapter C, MASM III. Military Departments and Defense Agencies must formally acknowledge receipt of such requests, within five days of receipt. Maximum processing time between the receipt of a request for a Letter of Offer, and the submission of the Offer to the prospective purchaser (or to DSAA for a Letter of Offer requiring Congressional approval), is sixty (60) days. Earlier response will be made whenever possible and especially in those instances where urgency is indicated by the purchaser.

b. Upon completion of formalization of the LOA or after notification from DSAA that the Congressional review period is completed, you should forward to DSAA Financial Reports and Credit Programs Division (FRCPD), 1400 Wilson Boulevard (Architect Bldg), Suite 535, Arlington, Virginia 22209, the original plus one copy of the signed LOA (this also applies to 1513-1 amendments and 1513-2 modifications) for the required countersignature preparatory to release to the purchasing country organization. DSAA FRCPD will forward a copy of the DD Form 1513 (1513-1 or 1513-2) to SAAC for entry into the DSAA 1100 FMS Reporting System.

4. Duration of Letters of Offer

a. Each DD Form 1513—Offer and Acceptance includes, in Block (8), the date upon which the offer expires. Determination of the period to allow between the date of dispatch of the Offer and the expiration date must be conditioned by the following factors:

(1) Duration of validity of contractor quotes included in the price and availability information included in the Offer.

(2) Processing time normally required by a given nation.

(3) Time sensitivity of any information included in the Offer.

b. The standard DOD policy is to allow no more than sixty (60) days between the date of the Offer and its expiration date. However, no Offer may include an expiration date later than that required to insure that contractual action may be completed at the price quoted in the Offer.

c. In excess of sixty (60) days, but in no instance in excess of 120 days, may be allowed between Offer date and expiration date when:

(1) Experience with a given nation indicates that, because of communications problems or lengthy approval processes, a period in excess of sixty (60) days is required to obtain country acceptance, and

(2) The data included in the Letter of Offer is not time-sensitive.

d. Requests by purchasers for extensions to expiration dates will be honored only after a full review to insure that all data included in the Offer remains valid. For Letters of Offer on which DSAA Operations has previously coordinated, requests for extensions over the 120-day maximum period should be coordinated with DSAA Operations.

5. Information Conveyed by Letters of Offer

The Letter of Offer and Acceptance, when signed, is an official agreement between the United States and the purchasing nation regarding terms and conditions pertaining to furnishing certain goods or services. As such, the DD Form 1513 and its enclosures must provide sufficient detailed information so as to make clear the obligations of the United States and the Purchaser. The type and amount of information which must be con-

MILITARY ASSISTANCE AND SALES MANUAL—PART III

UNITED STATES DEPARTMENT OF DEFENSE OFFER AND ACCEPTANCE					(1) PURCHASER (Name and Address) (Zip Code)			
(2) PURCHASER'S REFERENCE		(3) CASE IDENTIFIER						
OFFER								
Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby offers to sell to the above purchaser the defense articles and defense services listed below (hereinafter referred to collectively as "items" and individually as "defense articles" or "defense services"), subject to the terms contained herein and conditions set forth in Annex A, and to such other special terms and conditions which may be a part of, and appended to, this Offer and Acceptance.								
(4) Signature (US Dept./Agency Authorized Representative)				(9) Countersignature (Office of the Comptroller, DSAA)				
(5) Typed Name and Title				(10) Typed Name and Title				
(6) ADDRESS:				(11) DSAA ACCOUNTING ACTIVITY				
(7) DATE:								
(8) THIS OFFER EXPIRES:								
ITEM OR REF. NO. (12)	ITEM DESCRIPTION (Including Stock Number if applicable) (13)	QUANTITY (14)	UNIT OF ISSUE (15)	UNIT COST (16)	TOTAL COST (17)	AVAILABILITY AND REMARKS (18)	OFFER RE-LEASE CODE (19)	DELIVERY TERM CODE (20)
(21) ESTIMATED COST				\$				
(22) ESTIMATED PACKING, CRATING, AND HANDLING COST								
(23) ESTIMATED GENERAL ADMINISTRATIVE COSTS								
(24) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT								
(25) OTHER ESTIMATED COSTS (Specify)								
(26) ESTIMATED TOTAL COSTS				\$				
(27) TERMS				(28) AMOUNT OF INITIAL DEPOSIT - \$				
ACCEPTANCE								
(29) I am a duly authorized representative of the Government of _____ and upon behalf of _____ said Government, accept this offer under the terms and conditions contained herein (30) this _____ day of _____, 19 _____				(33) MARK FOR CODE _____				
(31) SIGNATURE				(34) FREIGHT FORWARDER CODE _____				
(32) TYPED NAME AND TITLE				(35) PROCURING AGENCY _____				
				(36) DESIGNATED PAYING OFFICE _____				
				(37) ADDRESS OF DESIGNATED PAYING OFFICE _____				

DD FORM 1513 1 AUG 77

PREVIOUS EDITIONS ARE OBSOLETE.

PAGE 1 of PAGES

Figure D-1

MILITARY ASSISTANCE AND SALES MANUAL—PART III

GENERAL CONDITIONS

Annex A

A. THE GOVERNMENT OF THE UNITED STATES:

1. Agrees to furnish such items from its Department of Defense (hereinafter referred to as "DOD") stocks and resources, or to procure them under terms and conditions consistent with DOD regulations and procedures. When procuring for the Purchaser, the DOD shall, in general, employ the same contract clauses, the same contract administration, and the same inspection procedures as would be used in procuring for itself, except as otherwise requested by the Purchaser and as agreed to by the DOD. Unless the purchaser has requested that a sole source contractor be designated, and this Letter of Offer and Acceptance reflects acceptance of such designation by the DOD, the Purchaser understands that selection of the contractor source to fill this requirement is solely the responsibility of the Government of the United States (hereinafter referred to as "USG"). Further, the Purchaser agrees that the United States DoD is solely responsible for negotiating the terms and conditions of all contracts necessary to fulfill the requirements in the Letter of Offer.

2. Advises that when the DOD procures for itself, its contracts include warranty clauses only on an exceptional basis. However, the USG shall, with respect to items being procured, and upon timely notice, attempt to the extent possible to obtain any particular or special contract provisions and warranties desired by the Purchaser. The USG further agrees to exercise, upon the Purchaser's request, any rights (including those arising under any warranties) the USG may have under any contract connected with the procurement of any items. Any additional cost resulting from obtaining special contract provisions or warranties, or the exercise of rights under such provisions or warranties, or any other rights that the USG may have under any contract connected with the procurement of items, shall be charged to the Purchaser.

3.a. Shall, unless the condition is otherwise specified herein (e.g., "As is"), repair or replace at no extra cost defense articles supplied from DOD stocks which are damaged or found to be defective in respect of 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 at all for the purpose for which they were designed. Qualified representatives of the USG and of the Purchaser, upon notification pursuant to paragraph B.6. below, shall agree on the liability of the USG hereunder and the corrective steps to be taken.

b. With respect to items being procured for sale to the Purchaser, the USG agrees to exercise warranties on behalf of the Purchaser pursuant to A.2, above to assure, to the extent provided by the warranty, replacement or correction of such items found to be defective.

c. In addition, the USG warrants the title of all items sold to the Purchaser hereunder. The USG, however, makes no warranties other than those specifically set forth herein. In particular, the USG disclaims any liability resulting from patent infringement occasioned by the use or manufacture by or for Purchaser outside the United States of items supplied hereunder.

4. Agrees to deliver and pass title to the items to the Purchaser at the initial point of shipment unless otherwise specified in this Offer and Acceptance. With respect to defense articles procured for sale to the Purchaser, this will normally be at the manufacturers' loading facilities; with respect to defense articles furnished from 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 otherwise than the initial point of shipment, the supplying Military Department or Defense Agency will arrange movement of the items to the authorized delivery point as 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. Advises that: a. Unless otherwise specified, USG standard items will be furnished without regard to make or model.

b. The price of items to be procured shall be at their total cost to the USG. Unless otherwise specified, the cost estimates of items to be procured, availability determination, payment schedule, and delivery projections quoted are estimates based on current available data. The USG will use its best efforts to advise the Purchaser or its authorized representatives by DD Form 1513-2:

- (1) of any identifiable cost increase that might result in an increase in the "Estimated Total Costs" in excess of 10 percent;
- (2) of any changes in the payment schedule(s); and
- (3) of any delays which might significantly affect the estimated delivery dates;

but its failure to so advise of the above shall not affect the Purchaser's obligation under paragraphs B.1 and B.3 below

c. The USG will, however, use its best efforts to deliver items or render services for the amount and at the times quoted.

6. Under unusual and compelling circumstances when the national interest of the United States so requires, the USG reserves the right to cancel or suspend all or part of this Offer and Acceptance at any time prior to the delivery of defense articles or performance of services (including training). The USG shall be responsible for all termination costs of its suppliers resulting from cancellations or suspensions under this paragraph.

7. Shall refund to the Purchaser any payments received hereunder which prove to be in excess of the final total cost of delivery and performance of this Offer and Acceptance, and are not required to cover arrearages on other open Offers and Acceptances of the Purchaser.

8. Advises that personnel performing defense services provided under this Offer and Acceptance will not perform any duties of a combatant nature, including any duties relating to training, advising, or otherwise providing assistance regarding combat activities, outside the United States in connection with the performance of these defense services.

9. Advises that in the assignment or employment of United States personnel for the performance of this Offer and Acceptance, the USG will not take into account race, religion, national origin or sex.

10. Advises that, notwithstanding Purchaser's agreement to pay interest on any net amount by which Purchaser may be in arrears on payments (as provided for in paragraph B.3.g, below), USG funds will not be used for disbursements by DOD to its contractors in the event of any such arrears in payments. Accordingly, failure by the Purchaser to make timely payments in the amounts due may result in delays in contract performance by DOD contractors, claims by contractors for increased costs (including the above mentioned interest costs), claims by contractors for termination liability for breach of contract or termination of contracts by the USG under this or other open Offers and Acceptances of the Purchaser at Purchaser's expense.

B. THE PURCHASER:

1. Shall pay to the USG the total cost to the USG of the items, even if the final total cost exceeds the amounts estimated in this Offer and Acceptance.

2. Shall make payment(s) for the items by check(s) or by wire transfer payable in United States dollars to the Treasurer of the United States.

3.a. Shall, if "Terms" specify "cash with acceptance", forward with this Offer and Acceptance a check or wire transfer in the full amount shown as the estimated total cost, and agrees to make such additional payment(s) as may be specified upon notification of cost increase(s) and request(s) for funds to cover such increases.

b. Agrees if "Terms" specifies payment to be "cash prior to delivery" to pay to the USG such amounts at such times as may be specified from time to time by the USG (including any initial deposit set forth under "Terms") in order to meet payment requirements for articles or services to be furnished from the resources of the US Department of Defense. USG requests for funds may be based on estimated requirements to cover forecasted deliveries of articles or costs to provide defense services. It is USG policy to obtain funds 90 days in advance of the time DOD plans such deliveries or incurs such expenses on behalf of the Purchaser.

c. Agrees, if "Terms" specify payment by "dependable undertaking" to pay to the USG such amounts at such times as may be specified from time to time by the USG (including any initial deposit set forth under "Terms") in order to meet payments required by contracts under which items are being procured, and any damages and costs that may accrue, or have accrued, from termination of contracts by the USG because of Purchaser's cancellation of this Offer and Acceptance under paragraph B.7. hereof. 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. It is USG policy to obtain such funds 90 days in advance of the time USG makes payments on behalf of the Purchaser.

d. Agrees, if "Terms" specify "payment on delivery" that bills may be dated as of the date(s) of delivery of the defense articles or rendering of the defense services, or upon forecasts of the date(s) thereof

e. Agrees, if "Terms" specify payment under a Credit Agreement between the Purchaser and DOD, to pay to the USG on a "dependable undertaking" basis, in accordance with B.3.c. above, such costs as may be in excess of the amount funded by the Credit Agreement.

f. Agrees, that requests for funds or billings under paragraphs B.3.a, through e, above 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 Offer and Acceptance. 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 request for funds or bills will be made available to the Purchaser by DOD upon request. When appropriate, Purchaser will request adjustment of any questioned billed items by subsequent submission of required discrepancy reports in accordance with paragraph B.6. below.

g. Agrees 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 Offers and Acceptances with the DOD. Interest shall be calculated on a daily basis. The principal amount of the arrearage shall 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 shall 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.

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Figure D-1

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Annex A

- h. Shall designate the Procuring Agency and responsible Paying Office and address thereof to which the USG shall submit requests for funds and bills under this Offer and Acceptance.
4. Shall furnish shipping instructions for the items with its acceptance of this Offer and Acceptance. Such instructions shall include (a) Offer/Release Code, (b) Freight Forwarder Code, and (c) the Mark for Code, as applicable.
5. Shall be responsible for obtaining the appropriate insurance coverage and customs clearances, and, except for items exported by the USG, appropriate export licenses.
6. Shall accept title to the defense articles at the initial point of shipment (see A.4. above). Purchaser shall be responsible for in-transit accounting and settlement of claims against common carriers. Title to defense articles transported by parcel post shall pass to the Purchaser on date of parcel post shipment. Standard Form 364 shall be used in submitting claims to the USG for overage, shortage, damage, duplicate billing, item deficiency, improper identification or improper documentation and shall be submitted by Purchaser promptly. Claims of \$100.00 or less will not be reported for overages, shortages, or damages. Claims received after one year from date of passage of title or billing, whichever is later, will be disallowed by the USG, unless the USG determines that unusual and compelling circumstances involving latent defects justify consideration of the claim.
7. May cancel this Offer and Acceptance with respect to any or all of the items listed in this Offer and Acceptance at any time prior to the delivery of defense articles or performance of services (including training). It shall be responsible for all costs resulting from cancellation under this paragraph.
8. Shall, except as may otherwise be mutually agreed in writing, use the items sold hereunder only:
- For the purposes specified in the Mutual Defense Assistance Agreement, if any, between the USG and the Purchaser;
 - For the purposes specified in any bilateral or regional defense treaty to which the USG and the Purchaser are both parties, if subparagraph a. of this paragraph is inapplicable; or
 - For internal security, individual self-defense, and/or civic action, if subparagraphs a. and b. of this paragraph are inapplicable.
9. Shall not transfer title to, or possession of, the defense articles, components and associated support material, related training or other defense services (including any plans, specifications or information) furnished under this Offer and Acceptance to anyone 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 by B.8. above, unless the written consent of the USG has first been obtained. To the extent that any items, plans, specifications, or information furnished in connection with this Offer and Acceptance may be classified by the USG for security purposes, the Purchaser shall maintain a similar classification and employ all measures necessary to preserve such security, equivalent to those employed by the USG, 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. The Purchaser will ensure, by all means available to it, respect for proprietary rights in any defense article and any plans, specifications, or information furnished, whether patented or not.

C. INDEMNIFICATION AND ASSUMPTION OF RISKS:

1. It is understood by the Purchaser that the USG in procuring and furnishing the items specified in this Offer and Acceptance does so on a non-profit basis for the benefit of the Purchaser. The Purchaser therefore undertakes, subject to A.3. above, 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 Offer and Acceptance because of: (i) injury to or death of personnel of Purchaser or third parties; (ii) damage to or destruction of (A) property of the DOD furnished to Purchaser or suppliers specifically to implement this Offer and Acceptance, (B) property of Purchaser (including the items ordered by Purchaser pursuant to this Offer and Acceptance, before or after passage of title to Purchaser), or (C) property of third parties; or (iii) patent infringement.
2. Subject to any express, special contractual warranties obtained for the Purchaser in accordance with A.2. above, 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: (i) Purchaser's property (including the items procured pursuant to this Offer and Acceptance, before or after passage of title to Purchaser) and (ii) property of the DOD furnished to suppliers specifically to implement this Offer and Acceptance, to the same extent that USG would assume for its property if it were procuring for itself the item or items procured pursuant to this Offer and Acceptance.

D. ACCEPTANCE:

1. To accept this Offer and Acceptance, the Purchaser will not later than the expiration date of the Offer and Acceptance, as set forth herein, return three copies properly signed to the security assistance accounting center designated herein, accompanied by such initial deposit or other payment as may be required by the Terms herein. In addition, Purchaser will concurrently return three copies properly signed to the U.S. Military Department or Defense Agency making the offer. When properly accepted and returned as specified herein, the provisions of this Offer and Acceptance shall be binding upon the USG and the Purchaser.
2. It is understood that implementation of the Offer and Acceptance cannot proceed without a proper acceptance. Failure to comply with Terms and Conditions required for acceptance, as, for example, delay in submission of any required initial deposit or payment of full estimated cost, as the case may be, may require revision or reissue of the Offer and Acceptance.
3. Unless a written request for extension is made by the Purchaser and granted in writing by an authorized representative of the appropriate U.S. Military Department or Defense Agency, this Offer and Acceptance shall terminate on the expiration date set forth herein.

E. ENCLOSURES:

Enclosures attached hereto are, by this reference, incorporated herein and are made a part hereof as though set forth in full.

F. PUBLIC INSPECTION:

This Offer and Acceptance will be made available for public inspection to the fullest extent possible consistent with the national security of the United States.

EXPLANATORY NOTES

1. The item or reference numbers appearing in the "ITEM OR REF. NO." column may not correspond with references used in Purchasers' original request. However, this number, together with the case identifier shown should always be used as a reference in future correspondence.
2. Availability leadtime quoted is the estimated number of months required to complete delivery of the item(s) in accordance with the terms of delivery after receipt of acceptance of this Offer pursuant to Section D. of the Conditions, and the conclusion of appropriate financial arrangements. Phased deliveries are shown by quantity and leadtime for each increment, where applicable. Items for which delivery leadtime is not shown are noted in column headed "Item Description" as items to be installed in the applicable end item prior to shipment.
3. The planned source of supply for each item is expressed in the following codes:
- | | | |
|---|-----|---|
| S | (*) | Service Stocks |
| P | (*) | Procurement |
| R | (*) | Rebuild/Repair/Modification |
| X | (*) | Stock and procurement, e.g., initial repair parts |
| E | (*) | "Mimex" major items in long supply or excess |
- *Availability is stated in months.
4. Condition of the defense articles shown in the "AVAILABILITY AND REMARKS" column is expressed in the following codes:
- | | | |
|----|---|--|
| A1 | - | Items to be provided in existing condition without repair, restoration or rehabilitation which may be required. Condition indicated in item description. |
| M | - | Articles of mixed condition (new, reworked, and rehabilitated) may be commingled when issued. Example: repair parts, ammunition, set assemblies, kits, tool sets and shop sets. |
| B | - | Serviceable defense articles. |
| O | - | Obsolete or non-standard item in an "AS IS" condition for which repair parts support may not be available from DOD. |
| S | - | Substitute. Suitable substitutions may be shipped for unavailable defense articles unless otherwise advised by the Purchaser. |
| U | - | Reworked or rehabilitated defense articles possessing original appearance insofar as practicable; including all Modification Work Orders and Engineering Change Orders as applied to such defense articles when issued but defense articles should not be considered as having had total replacement of worn parts and/or assemblies. Only parts and components not meeting US Armed Forces serviceability tolerances and standards will have been replaced; in all instances such defense articles will meet US Armed Forces standards of serviceability. |
5. 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 Offer and Acceptance. |
| NR | - | No US training is required in support of this purchase. |
6. For meaning of delivery codes, see Military Assistance Program Address Directory (MAPAD).
7. The use of Offer/Release Codes "Y" and "Z" will incur a storage fee of .125% per month for shipment delays in excess of 15 days.

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Figure D-1

when applied with the UMMIPS priority designator, provides the mechanism for assuring that the delivery commitment is met.

(3) In the case of items which are in stock and available for release, the DCD should be consistent with UMMIPS processing time standards. If the DCD must be changed to reflect a change of more than 90 days in the previous delivery date, the country will be notified of the new DCD by use of the DD Form 1513-2.

(4) A report should be submitted to DSAA on a quarterly basis, 45 days after the end of each quarter, and should include all cases for which the DCD for any major items on the case has been slipped more than 90 days from that DCD originally quoted on the accepted letter of offer or from that previously reported to DSAA, together with a brief explanation of the slippage. Individual changes meeting the threshold criteria need only be reported once, in the quarter in which they occur. A copy of the 1513-2 required per paragraph 4.c.(3) above will be submitted for each item. The number assigned this report in the reports control system is DSAA (Q)1123. This report will be submitted with the report on price increase notifications required by paragraph 10.i., Chapter D. The format at Figure F-1 of this chapter should be followed for this report.

d. Delivery Forecast Date (DFD)

(1) The DFD is developed by the NICPs of the Military Departments, and represents the estimated date of delivery of the total quantity of the line item.

(2) There is a mandatory relationship between the DFD and the DCD. In all cases, the DFD is established to meet or occur earlier than the DCD. If the DFD occurs later than the DCD, the latter may be modified as described in paragraph c, above.

(3) The DFD is not a gross lead time estimate such as the MASL leadtime. It is a true estimate by the NICPs of the forecast of deliveries based on procurement/supply studies.

e. Order Quantities

Military Departments and other DOD components should offer to provide customer countries guidance in effective inventory management to conserve resources and to minimize misuse or abuse of the requisitining system. DOD components must assure that proper guidance concerning the use of Economical Order Quantities (EOQ) is developed and made available to the customer countries. MAAGs and others acting in this capacity will advise and assist customer countries to assure understanding and use of EOQs. RCOs and MAAGs, in those cases where they review FMS requisitions, should screen requisitions to confirm utilization of the EOQ concept.

5. Management Review

a. Within 120 days after acceptance of an FMS case, Military Departments will advise the MAAG of the forecast delivery date of each major item. No less frequently than quarterly thereafter, until deliveries are complete, the MAAGs will be advised by the Military Departments of any changes in these forecasts.

b. MAAGs are responsible for review of delivery forecasts and for advising the Military Departments of any cases where forecasted deliveries will cause significant problems, giving full particulars as to the nature of the problem and recommended solutions. Problems unresolved between MAAGs and the Military Departments should be referred to DSAA.

c. A quarterly MILSTRIP requisition status report will be prepared by the Military Departments and made available to the requisitioning countries at their request on a quarterly basis. Each report will reflect all requisitions open at the end of the report period and all requisitions shipped or cancelled during the report period. Multiple line entries for the same requisition will be reflected whenever a partial or split action is taken. The report will be prepared at Country, Case and In-Country Service Designator level. Summary lines will be provided to indicate the number of lines/actions and dollar value by open requisitions, cancellations and shipments.

6. Delivery Performance

a. The quality of delivery performance directly reflects the degree to which the U.S. meets its FMS commitments and is therefore a key element of the supplier-customer relationship. The importance of prompt and effective service to the customer country must be continually emphasized to assure overall success in the attainment of FMS program objectives.

b. Every effort must be made to impress upon the customer the importance of reporting discrepancies as soon as possible but no longer than one year after shipment or billing, whichever is later. Since this time standard exceeds time standards previously ex-

pressed by the Military Departments the time limitation of one year after shipment or billing applies to all shipments made subsequent to the date of this instruction.

c. Wherever significant political or readiness impact is involved, the MAAG will advise the United Command of the problem. In those instances in which the matter is not satisfactorily and expeditiously resolved, the unified command will immediately notify the Military Department concerned and, in significantly important cases, DSAA.

7. Supply Management

a. Materiel Standards

(1) It is Department of Defense

policy that defense articles offered and sold to foreign governments and international organizations reflect favorably upon the United States. Therefore, defense articles offered and sold under foreign military sales will normally be new or unused, or, as a result of rehabilitation, possess original appearance insofar as possible, and, as a minimum, have serviceability standards prescribed for issue to U.S. forces. If the customer country desires exclusively new equipment, such requirement will be set forth in the Offer and Acceptance (DD Form 1513). If the customer desires to purchase "as is—where is," this will also be clearly stated in the DD Form 1513.

(2) The agencies authorized to make offers will assure that the offer (DD Form 1513) fully describes the condition of the defense materiel and that the agent of the foreign government or international organization who accepts and signs the Offer and Acceptance (DD Form 1513) understands the condition of the defense materiel.

(3) Military Departments and DOD components shall require that FMS materiel conforms to the offering, is serviceable and is complete with regard to repair parts, publications, etc. An exception to this rule is excess property which is sold on an "as is—where is" basis. Such equipment may be sold without initial or follow-on supply support, provided the country clearly understands these conditions and accepts responsibility for providing future support.

(4) The agencies authorized to make offers will assure that a one-year supply of "in-country" concurrent (initial) repair parts, through fourth echelon requirements at US. peacetime usage rates, shall be included with equipments being offered. Such repair parts packages should be identified by category and total value rather than by item. Normally, pricing specific repair parts when requested by a foreign government or international organization is to be avoided.

b. Condition of Aircraft

In the interests of public safety, the following policy is established for the material

condition of U.S. aircraft prior to delivery. Sales agreements will contain the stipulation that delivery will be made only under one of the following conditions:

(1) In the event flight delivery of the aircraft is desired by the purchasing country, the aircraft must be placed in safe operating condition consistent with established standards of the military service of origin or Federal Aviation Administration (FAA). Required maintenance may be done through negotiation with the service of origin or a commercial FAA certified facility, and all costs will be borne by the purchaser. Aircraft will be released for flight only after an inspection by the service of origin has determined that the established military service standards have been met except where the purchaser elects to have maintenance performed in an FAA certified facility, in which case release will be accomplished by an FAA or service of origin inspection, as appropriate; or,

(2) Aircraft not to be restored to the above criteria will be sold with the understanding that they will be delivered to destination by surface transportation only.

8. Packaging and Handling

a. Preservation and Packaging

Defense articles shall be preserved, packaged, and packed to a minimum of Level E standards, unless known or anticipated shipment and storage conditions require Level A standards or permit Level C standards. These standards are defined in DOD Instruction 4100.14. For economy, and to facilitate receipt processing and certification by the ultimate consignees, consolidation of packages will be effected whenever possible for items applicable to a single FMS order for an individual country.

b. Marking

Packages will be marked as specified in the sales order and in accordance with "Military Standard for Marking, Shipping and Storage (MIL-STD-129D)." In addition to the

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requirements of MIL-STD-129D, FMS marking will include:

(1) The freight forwarder's address, if there is one, and the customer's country address. These entries should be "in-the-clear." When a DD Form 1387 or 1387-1 is used, the "To" block will contain the freight forwarder address (where such is used). The "Ultimate Consignee" block will contain the overseas address.

(2) The FMS case number will appear in the last line of the overseas address. If there is no overseas address, the case number will appear as the last line of the freight forwarder address.

c. Accessorial Charges

DOD Instructions 7510.4 and 2140.1 set forth the basic accessorial charges for packaging, handling, and shipping incident to FMS. It will be noted that accessorial charges are not levied for packaging, handling and crating when shipment to the purchaser is made directly from the fabricator, since those costs are included in procurement contracts.

9. Transportation and Traffic Management

a. Foreign Military Sales (FMS) Shipment Policies

(1) General—The following policies apply to Foreign Military Sales activities:

(a) Transfer of Title, Foreign Military Sales (FMS) (Reference DODI 2110.12 and Chapter D, MASM III).

1. Title to equipment and materiel will pass at the initial point of shipment or origin unless otherwise specified in the Letter of Offer and Acceptance (DD Form 1513).

a. For defense articles sold from stock, this will be at the U.S. depot unless otherwise authorized by an agency noted in paragraph 9a(3)(a), and noted in the Letter of Offer and Acceptance (DD Form 1513) or revisions thereto.

b. For items procured from commercial vendors for sale to the purchaser,

this will be at the contractor's loading facilities unless otherwise authorized by an agency noted in paragraph 9a(3)(a), and noted in DD Form 1513 or revisions thereto.

c. In the case of excess materiel, this will normally be at the location at which the materiel is being offered for sale.

d. When the DD Form 1513 specifies that the USG will provide for movement of aircraft to the point of delivery one of two conditions prevail with regard to title:

1 Where additional ferrying is specified and the aircraft are not purchaser-owned (title passed) the USG will accept title to the aircraft from the contractor, and title to the aircraft will remain with the USG until arrival at the point of delivery, at which time title passes to the purchaser.

2 Where purchaser-owned aircraft are being ferried under the terms of the DD Form 1513, the purchaser grants the USG possession of the aircraft. Under this condition the title to the aircraft remains with the purchaser.

2. The provisions of this title transfer policy apply to all Department of Defense Foreign Military Sales shipments regardless of the mode of transportation, type of transportation documents utilized, or delivery code.

(b) Transportation of materiel sold to eligible purchasers under the U.S./DOD Foreign Military Sales (FMS) program will normally be arranged on the basis of FOB Origin, except as provided in paragraph 9a(2)(d). Under terms of delivery FOB Origin, recipient is responsible for cost of CONUS inland transportation and subsequent arrangements for onward transportation in accordance with DODI 4140.17M. When circumstances dictate, designation of other points of delivery (e.g., other military installations in CONUS or overseas, overseas depots or overseas contractors' plants) must be approved as specified in paragraph 9a(3)(a) and so indicated on the DD Form 1513.

(2) Policies for Shipping FMS Mate-

riel:

(a) Shipments will be accomplished in accordance with instructions prescribed in the DD Form 1513 except when the nature of the shipment dictates the provision of added protection and/or control during movement. When added protection and/or control is provided for the movement of an FMS shipment it generally denotes an added cost to the U.S. which is reimbursable by the purchaser.

(b) Shipments of materiel may occur under conditions where the sales price does not include the cost of transportation to the freight forwarder. These shipments, such as appropriation purchases account (APA) materiel and vendor shipments with delivery terms of free-on-board (FOB) origin, will be transported under collect commercial bills of lading (CCBL). APA items are military supply system inventories or centrally procured principal and secondary items financed by procurement appropriations for military functions.

(c) Shipments of materiel may occur under conditions where the sales price includes cost of transportation to the freight forwarder. This is typical of stock funded items. It is preferred that this category of items be transported under CCBL's as is generally the case with non-stock funded items. The primary concern, however, is that the Military Services assure that the purchaser is not double-billed for transportation services rendered.

(d) FMS materiel which requires special handling such as sensitive and hazardous (as defined in Military Traffic Management Regulation Chapter 226 and Chapter 49 CFR Parts 170-179 and 397) will be shipped through CONUS water or aerial port facilities controlled by DOD. This will require that the terms of delivery of the Letter of Offer and Acceptance (DD Form 1513) will require, as a minimum, delivery FOB Vessel/Aircraft, CONUS Port of Exit.

(e) FMS issues from a stock point will be consolidated by addressee for ship-

ment purposes to the greatest extent possible consistent with customer requirements. Consolidation criteria are contained in Chapter 6, DODI 4140.17M (MILSTRIP).

(f) Package Shipments. Although basic policy prescribes consolidation of shipments, it is frequently necessary to ship small items or packages on an individual basis. For the purpose of this instruction, a package will be considered to be a shipped item that is 100 or less pounds in weight and 141 inches or less in combined length and girth. More detailed information may be found in Chapter 206, Military Traffic Management Regulation.

1. Transportation officers are authorized to utilize either the U.S. Postal Service parcel post facilities or commercial package carrier equivalents. If movement is directed beyond CONUS, international parcel post may be utilized and the purchaser charged pursuant to DOD Instruction 2140.1, if a better means of shipment is not available. As a rule, the Military Postal Service (MPS) will not be used for FMS shipments; however, exceptions to this policy are authorized for classified shipments or where the sales order specifies delivery in country through the MAAG or Mission pursuant to DOD Instruction 2110.12. When shipment is to be via domestic parcel post or commercial carrier equivalents, the transportation officer should consult the various tariffs of package carriers to ensure that the desired service is available and meets the following criteria:

a. Cost. Shipments will be made at the least cost for the service required.

b. Audit Trail. The transportation service selected must provide a proof of entry into the transportation network and a proof of delivery to the consignee.

c. Speed of Service. The service selected must be responsive to required delivery date.

(g) Most DD Form 1513's will specify "FOB point of origin" as the point of delivery. In the absence of constraints such as those involving added protection/control or

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Notices of Availability, these shipments may be automatically released for movement to the freight forwarder.

(h) Classified Shipments

It is the policy of the United States Government to release classified military materiel and information to foreign governments or to international organizations, when considerations relating to the foreign policy and military objectives of the United States indicate that the national interest will benefit from such action. The U.S. national interest requires that foreign recipients of U.S. classified military information provide to it a degree of security protection judged adequate by responsible Department of Defense officials.

1. Classified military materiel and information shall be made available to foreign governments or to international organizations only in accordance with the provisions of DOD Directive 5230.11, DOD Regulations 5200.1R, 5220.22R and Part I, Chapter G (MASM).

2. As noted in the Directive, the DOD components shall assure that the appropriate security agreements regarding the sale of classified military materiel and information specify that it be afforded substantially the same degree of security protection, to include transmission and in-transit storage procedures, given to the same information and materiel by the Department of Defense.

3. All foreign military sales of classified material and information shall be made only on a government-to-government basis.

(3) Exceptions to Delivery Policy.

(a) Exceptions to delivery policy will be noted on the DD Form 1513 on a case-by-case basis and approved by DSAA with concurrence of OSD/MRA&L.

(b) When shipment cannot be effected by collect CBL, due to tariff restrictions, refusal of carriers to accept collect freight shipments, or other reasons, the following actions are applicable:

1. When the DD Form 1513 so authorizes, the shipping transportation office may guarantee payment of charges on collect commercial bills of lading, or,

2. The country representative/freight forwarder may be requested to make "prepaid" arrangements with the carrier vice "collect".

(c) Government Bill of Lading (GBL). This procedure is not authorized except when specified in the DD Form 1513 and approved as an exception as in paragraph 9a(3)(a) above.

1. When the GBL is used, the DOD retains responsibility for the associated administration, for processing claims against carriers, and for obtaining proof of delivery at destination. Therefore, such assumption of responsibility by the DOD will be limited to cases where shipment by CBL is for some valid reason determined to be impractical or inappropriate.

2. When a GBL is used, 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 the risk of loss or damage.

(d) When materiel is authorized to move within the Defense Transportation System (DTS) or by other military-arranged transportation, materiel is shipped on appropriate movement documents in accordance with the provisions of Military Traffic Management Regulation. 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 the risk of loss or damage.

(e) The purchaser agrees, by signature on the DD Form 1513, to provide complete and timely supporting documentation for claims, if any, against DOD for those alleged improper or incomplete shipments which are not the responsibility of commercial carriers.

(f) Purchaser must also agree to obtain export licenses in a timely manner in

order to assure that materiel is not delayed when ready for shipment.

b. U.S. Government, Purchaser and Freight Forwarder Responsibilities. There are normally three parties involved in the movement of FMS materiel; the U.S. Government, the purchaser and the freight forwarder designated by the purchaser. Each has specific responsibilities which must be met in order to assure that efficient movement of materiel for that portion moving through the commercial transportation system.

(1) The U.S. Government will:

(a) Initiate shipments to freight forwarders in accordance with the transportation instructions inserted on the DD Form 1513 (see MASM, Part III, Chapter D).

(b) Maintain proof of shipment.

(c) Provide necessary shipping information to enable country representatives/freight forwarders to process claim actions.

(d) Provide technical assistance and guidance (e.g., MILSTRIP/MILSTAMP documentation, ROIDs processing, cargo diversions) to country representatives/freight forwarders through the Military Department's liaison activities.

(2) The Purchasing Country must:

(a) Select the freight forwarder and clearly designate the country's requirements to the freight forwarder.

(b) Assure necessary export documents are obtained.

(c) Assure prompt response by freight forwarder to Notices of Availability.

(d) Assure claims for loss and damage are placed against carriers.

(e) Obtain commercial insurance against risk of loss or damage to materiel unless country is self-insured.

(f) Assure freight forwarder address and "mark for" instructions in Military Assistance Program Address Directory

(MAPAD) is kept current to preclude misdirected shipments.

(g) Assure prompt payment of transportation charges.

(3) The Freight Forwarder should:

(a) Act as the traffic manager for the movement of FMS materiel on behalf of the purchaser, except as modified by paragraph 9b(1) (a) above.

(b) Direct the release of cargo in accordance with transportation terms of the DD Form 1513.

(c) Receive, handle, process, and transship FMS materiel.

(d) Book cargo on appropriate air or surface conveyances.

(e) Accomplish required documentation.

(f) Process claims for loss and damage against carriers.

(g) Advise purchaser or country representatives of current address for receipt of materiel and documentation.

c. Rules and Use of the Defense Transportation System (DTS)

(1) Those shipments approved for movement through the DTS will be made in accordance with the applicable regulations of the Military Services, Defense Logistics Agency, Military Sealift Command, Military Airlift Command, and Military Traffic Management Command.

(2) Normally, FMS materiel is to be transported by commercial carrier in accordance with arrangements made by the freight forwarder. The DTS is to be used only by exception approved by DSAA.

(3) Prohibition against Section 22 Rates. Section 22 rates, i.e., free or reduced rates for the United States authorized under Section 22 of the *Interstate Commerce Act*, are not applicable on FMS shipments. Such shipments will move under commercial carriers' tariff rates. There are, however, spe-

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cial circumstances under which Section 22 rates may be used. When stock fund items are shipped from manufacturer to depot and the ultimate consignee cannot be identified as FMS, the shipment may move on a GBL under Section 22 rates when available.

d. Cargo Preference. Use of U.S. flag vessels and aircraft will be applied to the fullest extent possible in all FMS cases in accordance with DODI 2110.12. See also Part III, Chapter D.

10. Customer Service

a. General

The purpose of this section is to emphasize the importance of prompt and effective customer service, to outline some of the principal causes of customer dissatisfaction, and to provide policy guidance for the resolution of questions and complaints which may occur. Procedural guidance can be found in DOD Instruction 2140.3 as well as Joint Regulation DSAR 4140.55, AR 735-11-2, Nav/Sup Pub 4440.127, AFR 67-7, MCO 4430.3.

b. Customer Complaints

Inquiries and complaints of foreign governments usually stem from delays in shipping, non-receipt of proper materiel, overages, shortages, receipt of damaged or faulty equipment, or pricing or documentation questions. DOD policy requires that the Military Departments maintain a high level of quality control over the special procedures and operations relating to foreign military sales shipments and documentation. Active programs for the detection, analysis and elimination of discrepancies will be maintained. Customer complaints will be given prompt attention, and every effort will be made to reach an equitable solution.

The importance of reporting discrepancies at the earliest possible date is stressed, Customers should be encouraged to use Standard Form 364, Report of Item Discrepancy, and the procedures relating thereto as set forth in DOD I-2140.3.

Where shipment is the responsibility of the receiving country, the customer should

direct reports of discrepancy to his U.S. representative or freight forwarded. Copies of inquiries may also be provided the U.S. office which is designated to receive the original letter of offer/acceptance or sales agreement. In countries where there are MAAGs, a copy of inquiries may also be provided these offices. Whenever significant political or readiness impact is involved, the MAAG will advise the Unified Command of the problem. If the matter is not satisfactorily and expeditiously resolved, the Unified Command, and/or component command, will notify the headquarters of the department involved, with information copies to DSAA.

c. Overages

Purchasers may either accept and pay for the overage or reject the overage and return it, if so requested. When an overage is found to exist, the recipient will submit full particulars concerning the overage, and indicate whether or not retention is desired. If the purchaser does not desire to retain the overage, the RCO will furnish disposition instructions and issue a billing adjustment. Returned overages will not be charged to the recipient. If an overage is requested to be returned, transportation costs will be at U.S. expense. Should disposition instructions require reshipment to another location, the appropriate RCO will furnish complete instructions. In certain instances military components may authorize local disposal action by an agency of the U.S. Government.

d. Shortages

When the purchaser determines that a shortage exists, he should first ascertain that the carrier has received the proper quantity. If the carrier received an incorrect quantity, the purchaser should claim appropriate credit from the U.S. If the carrier is determined responsible for the shortages, the customer should initiate a claim against the carrier. In instances where the U.S. Government is responsible for transportation, all pertinent details of the short shipment should be referred to the RCO.

e. Erroneous Shipment

Erroneous shipment is defined as property

shipped to a destination other than the desired consignee of the purchasing country appearing on the shipping document, or shipment of an item other than listed on the shipping document. The recipient in this case has the responsibility for advising the U.S. of details of the shipment. If the recipient requests retention of the materiel, billing will be pursuant to established procedures. If recipient elects to return the materiel at U.S. expense, the RCO will furnish him shipping instructions and issue a billing adjustment.

f. Damaged or Unserviceable Materiel

In the case of damaged or unserviceable materiel, the purchaser must first ascertain the probable cause. If the damage was inflicted by the carrier, a claim should be made by the purchaser to that carrier. If the damage apparently occurred prior to shipment, or is otherwise indicated to be the fault of the shipping agency, the discrepancy report should be forwarded to the appropriate service RCO for processing.

g. Complaints Regarding Services

Inquiries and complaints of foreign governments concerning services, such as training or technical representative assistance, should be directed by letter or cable to the activity designated to receive purchase orders, or to the headquarters of the service involved. Concurrently, the country should also notify the U.S. MAAG in the country to assure full coordination in correcting the deficiency. Following the same procedure as that applicable to materiel complaints, the MAAG will advise the Unified Command that the complaint has been filed.

11. Suspensions/Cancellations

In the event the Department of State

determines that it is necessary to suspend foreign military sales to any recipient country, DSAA will issue instructions to the Military Departments and the Defense Supply Agency based on the merits of each suspension or cancellation requirement. Any or all of the following specific requirements may be directed or requested:

a. Suspension or cancellation of the issuance of Letters of Offer and Acceptance (DD Form 1513) to the recipient government.

b. Suspension or cancellation of action on all accepted FMS cases for which supply action has not been initiated by the Military Departments.

c. Review of all FMS cases for which delivery has not yet been completed, in order to determine:

(1) Which items, if any, could be cancelled without cost to the U.S. Government.

(2) Which items, if cancelled, would result in cost to the U.S. Government.

d. Identification of the source of each item, and whether the transaction is cash, credit, or dependable undertaking, including the value of monies received with the order, or paid in by the purchaser up to the time of suspension.

e. Diversion of the items under order to other purchasers or for other purposes in the event the suspension were to become a cancellation.

12. Management Reports

Reports and EAM card submissions integrating supply and financial management of FMS are described in Chapters K and L.

CHAPTER G

FINANCIAL PROCEDURES

1. Purpose

This chapter provides a general description of the financial principles and procedures which apply for various FMS transactions. It is designed to provide an overview of FMS financing and the responsibilities of concerned activities. Detailed guidance on the financial functions of pricing, preparation of billings, and accounting is included in DOD Instructions 2140.1, 2140.3 and 2110.29.

2. Basic Principles

a. Recovery of Costs

The goal of FMS management is to conduct the FMS program at no cost to the US Government, while insuring prompt and complete service to the customer nation. Achievement of this goal requires a thorough understanding of procedures for pricing items or services furnished, administering FMS cases, and reporting of deliveries of materiel or services. The DD Form 1513 Offer and Acceptance contract makes it mandatory for the purchaser to pay for the full value of the transaction, regardless of terms of sale specified for the individual case.

b. Administration of Cash Sales Program

(1) Separate trust funds (account XX-11X8242.XX) have been established for each Military Department to account for payments received from customers and disbursements to suppliers for FMS cash sales. These funds can be either cited directly on contracts for FMS items for that customer, or can be used to reimburse Military De-

partment appropriations for deliveries (or progress payments made) of items initially procured by those appropriations.

(2) Each Military Department has established a central office to dispatch billings to, and receive payments from, FMS customers. This provides the customer with a single source to which payments can be made, and to which queries concerning these payments can be addressed.

(3) Cash payments deposited to the customer trust fund, other than for cash-in-advance sales, are based on requests for funds or billings submitted by the Military Department. Requests for funds under a dependable undertaking transaction will be submitted so as to insure receipt of customer payments in advance of delivery or contractor requirement for funds, regardless of whether Military Department appropriations or trust funds are cited on procurement contracts. Billings for Foreign Military Sales under 120 day payment transactions should be submitted at time of delivery. The accumulation of large unexpended balances in customer trust accounts, for substantial periods, should be avoided.

(4) Cash payments often will be received, for an individual FMS case, which are in excess of the final value of that particular case. With customer approval, these funds can be retained in the customer's trust fund and applied against other FMS cases. Upon customer demand, however, these overpayments will be refunded at the time the FMS case is closed, provided there are no collection delinquencies for other FMS cases for that customer.

c. Administration of FMS Credit Program

(1) The FMS credit appropriation provides initial funding of FMS or commercial sales under medium-term credit terms. Annual appropriation requirements are defended before Congress by OSD/DSAA. The appropriation is administered by DSAA.

(2) Customer payments of principal and interest, for items received under medium-term credit sales, are based upon the terms of individual credit agreements.

d. Preparation and Implementation of DD Form 1513 Letters of Offer

Military Departments are responsible for preparing DD 1513's and for establishing estimated prices and availabilities of defense articles and services offered for sale thereon, and for initiating and processing such amendments or modifications to the DD Form 1513's as may be appropriate. Military Departments are responsible for negotiating terms of sale for cash sales, in accordance with policy guidance provided by DSAA. They are responsible for establishing management systems necessary to insure prompt implementation of FMS cases, including those systems required to finance, account, and report accomplishment for each individual case. Copies of all DD 1513's and amendments thereto citing credit funding will be provided to the Comptroller, DSAA, at the time that they are submitted to the country.

3. Terms of Sale; Type of Assistance Codes

a. General

(1) A Letter of Offer for a sale of defense articles and services may involve one or more of the following sections of the Arms Export Control Act:

- Section 21. Cash sale from DOD stocks.
- Section 22. Cash sale from DOD procurement.
- Section 23. DOD direct credit extended to a purchaser to finance a sale from DOD stocks or procurement.
- Section 24. DOD guaranteed credit extended by a lending institution to a purchaser to finance a sale from DOD stocks or procurement.

(2) Terms of Sale and accompanying Type of Assistance codes indicate the statutory authority for a Foreign Military Sale; the time of payment for the sale; whether the sale is to be from DOD stocks or procurement; and whether the sale is to be financed on a cash or credit basis. The implementing agency enters the appropriate Terms of Sale and accompanying Type of Assistance codes in the "Terms" block of the Letter of Offer. The implementing agency uses Type of Assistance codes for MILSTRIP requisitioning purposes. Paragraphs b.(1)-(9) below list the Type of Assistance codes and Terms of Sale. If a Letter of Offer involves more than one of the Type of Assistance codes and Terms of Sale specified in paragraphs b.(1)-(9) below, the implementing agency will cite on the Letter of Offer all of the applicable Terms of Sale, associated dollar amounts, and Type of Assistance codes.

(3) The purchaser must pay cash in full with acceptance or make an initial cash deposit with acceptance as specified in paragraphs b.(1), (2), (3), (7), and (8) below. Where such payment is required, the purchaser must pay at the time of and as an integral part of acceptance of the Letter of Offer; in the absence of such payment, there is no legally binding Foreign Military Sales agreement.

(4) For that portion of the sale price for which the purchaser need not pay cash upon acceptance, the Security Assistance Accounting Center will bill the purchaser as required by paragraph b.(1)-(9) below, and in accordance with DOD Instruction 2140.3, "Foreign Military Sales Billing Procedures".

b. Type of Assistance Codes and Terms of Sale (Refer also to Table G-1)

(1) Cash Sale from Stock with Payment in Advance—Type of Assistance Code 3.

This type of Assistance applies to cash payments in advance of delivery/performance for a Foreign Military Sale which the implementing agency determines at the time of the offer will be from DOD stocks under

Section 21(b) of the Arms Export Control Act. The implementing agency will cite the following in the "Terms" block of the Letter of Offer:

(a) For a sale involving only articles to be delivered from DOD stocks, with source of supply code "S", "E", or "R" on the Letter of Offer, and DOD services the performance of which is to begin within three months after acceptance of the offer, with source of supply code and availability code "S(1)", "S(2)", or "S(3)" on the Letter of Offer—cite "Cash with Acceptance (Type of Assistance Code 3)".

(b) For a sale involving only DOD services the performance of which is to begin later than three months after acceptance of the offer, with source of supply code "S" and availability code "(4)" or more on the Letter of Offer—cite "Payment Prior to Commencement of Performance (Type of Assistance Code 3)".

(c) For a sale which involves a combination of the articles and services specified in paragraphs (a) and (b) above—cite "\$_____ Initial Deposits; Balance Prior to Commencement of Performance (Type of Assistance Code 3)". The amount of the Initial Deposit must equal the total value of the articles and services described in paragraph (a) above, plus the administrative and accessorial charges applicable to those articles and services.

(2) Source of Supply Not Predetermined—Type of Assistance Code 4.

This Type of Assistance applies to cash payment under Section 21 or 22 of the Arms Export Control Act for a Foreign Military Sale for which the implementing agency has not yet determined at the time of the offer the extent to which the source of supply will be DOD stocks or procurement. With the exception of a FMSO No. 2 arrangement, this Type of Assistance applies to any Letter of Offer for articles and services with source of supply code "X" on the Letter of Offer, including a "blanket order" agreement. The implementing agency will cite in the "Terms" block of the Letter of Offer: "\$_____ Initial Deposit; Balance as

Billed (Type of Assistance Code 4)". The amount of the Initial Deposit should include the total estimated value of articles to be delivered from DOD stocks, articles to be delivered from procurement within three months after acceptance of the offer, services from DOD stocks or procurement the performance of which is to begin within three months after acceptance of the offer, and the administration and accessorial charges applicable to these articles and services. The amount of this estimated Initial Deposit will be based on historical data for this type of FMS agreement. If no historical data are available, the amount of the Initial Deposit will instead consist of 25% of the total estimated value of all the articles and services to be delivered/performed under the agreement, plus 25% of the total estimated administrative and accessorial charges for the agreement.

(3) Cash Sale from Procurement with Payment in Advance—Type of Assistance Code 5.

This Type of Assistance applies to cash payment in advance of delivery/performance for a Foreign Military Sale which the implementing agency determines at the time of the offer will be from DOD procurement under Section 22(a) of the Arms Export Control Act. The implementing agency will cite the following in the "Terms" block of the Letter of Offer:

(a) For a sale from procurement involving only articles and services to be delivered/begun to be performed within three months after acceptance of the offer, as indicated by source of supply code and availability code "P(1)", "P(2)", or "P(3)" on the Letter of Offer—cite "Cash with Acceptance (Type of Assistance Code 5)".

(b) For a sale from procurement involving only articles and services to be delivered/begun to be performed later than three months after acceptance of the offer, as indicated by source of supply code "P" and availability code "(4)" or more on the Letter of Offer—cite "Dependable Undertaking (Type of Assistance Code 5)".

(c) For a sale from procurement which involves a combination of the articles and services specified in paragraphs (a) and (b) above—cite “§_____ Initial Deposit; Balance on Dependable Undertaking (Type of Assistance Code 5)”. The amount of the Initial Deposit must equal the total value of the articles and services described in paragraph (a) above, plus the administrative and accessorial charges applicable to those articles and services.

(4) Cash Sale from Stock with Payment on Delivery—Type of Assistance Code 6.

This Type of Assistance applies to cash payment upon delivery of defense articles or initiation of performance of defense services which the implementing agency determines at the time of the offer will be from DOD stocks under Section 21(b) and the first sentence of Section 21(d) of the Arms Export Control Act. The implementing agency may use this Type of Assistance only pursuant to a written statutory determination by the Director, DSAA, that it is in the national interest to do so. The implementing agency will cite the following in the “Terms” block of the Letter of Offer:

(a) For a sale involving only articles to be delivered from DOD stocks, with source of supply code “S”, “E”, or “R” on the Letter of Offer—cite “Payment on Delivery (Type of Assistance Code 6)”.

(b) For a sale involving only DOD services, with source of supply code “S” on the Letter of Offer—cite “Payment on Commencement of Performance (Type of Assistance Code 6)”.

(c) For a sale which involves a combination of the articles and services specified in paragraphs (a) and (b) above—cite “Payment on Delivery/Commencement of Performance (Type of Assistance Code 6)”.

(5) Cash Sale from Procurement with 120 Day Payment—Type of Assistance Code 7.

This Type of Assistance applies to cash payment 120 days after delivery of articles or commencement of performance of services for a Foreign Military Sale which the implementing agency determines at the time

of the offer will be from DOD procurement under Section 22(b) of the Arms Export Control Act. The implementing agency may use this Type of Assistance only if the President makes the determination required by Section 22(b), and submits this determination to Congress with a special emergency request for authorization and appropriation of additional funds to finance the sale. The implementing agency will cite in the “Terms” block of the Letter of Offer: “Dependable Undertaking with 120 Day Payment (Type of Assistance Code 7)”.

(6) Cash Sale from Stock with 120 Day Payment—Type of Assistance Code 8.

This Type of Assistance applies to cash payment 120 days after delivery of articles or commencement of performance of services for a Foreign Military Sale which the implementing agency determines at the time of the offer will be from DOD stock under the last sentence of Section 21(d) of the Arms Export Control Act. The implementing agency may use this Type of Assistance only if the President makes the determination required by the last sentence of Section 21(d), and submits this determination to Congress with a special emergency request for authorization and appropriation of additional funds to finance the sale. The implementing agency will cite the following in the “Terms” block of the Letter of Offer:

(a) For a sale involving only articles to be delivered from DOD stocks, with source of supply Code “S”, “E”, or “R” on the Letter of Offer—cite “Payment 120 Days After Delivery (Type of Assistance Code 8)”.

(b) For a sale involving only DOD services, with source of supply code “S” on the Letter of Offer—cite “Payment 120 Days After Commencement of Performance (Type of Assistance Code 8)”.

(c) For a sale which involves a combination of the articles and services specified in paragraphs (a) and (b) above—cite “Payment 120 Days After Delivery/Commencement of Performance (Type of Assistance Code 8)”.

(7) Foreign Military Sales Order (FMSO) No. 1—Type of Assistance Code U.

This Type of Assistance applies to cash payment for a FMSO No. 1 Supply Support Arrangement authorized by Section 21 of the Arms Export Control Act and described in DOD Instructions 2000.8 and 2140.1. The purchasing government buys equity in a specified dollar amount of DOD stocks. DOD maintains that portion of its stock for eventual delivery to the purchasing government under a FMSO No. 2 requisition agreement. The implementing agency will cite in the "Terms" block of the Letter of Offer: "\$_____ Initial Deposit; Balance as Billed (Type of Assistance Code U)". The amount of the Initial Deposit must equal the value of the on-hand part of the stocks in which the purchaser is buying equity, plus the applicable administrative charge.

(8) Foreign Military Sales Order (FMSO) No. 2—Type of Assistance Code V.

This Type of Assistance applies to cash payment for a FMSO No. 2 Supply Support Arrangement, which permits the purchaser to submit requisitions for common repair parts and secondary items in the DOD stocks of which the purchaser has bought an equity under a FMSO No. 1 agreement. Section 21 of the Arms Export Control Act and DOD Instructions 2000.8 and 2140.1 apply. The implementing agency will cite in the "Terms" block of the Letter of Offer: "\$_____ Initial Deposit; Balance as Billed (Type of Assistance Code V)". The amount of the Initial Deposit must equal the total value of items to be delivered within three months after acceptance of the offer, plus the administrative and accessorial charges applicable to those items.

(9) DOD Direct or Guaranteed FMS Credit—Type of Assistance Code Z.

This Type of Assistance applies to payment in whole or in part with DOD direct or guaranteed credit for a Foreign Military Sale from DOD stocks or procurement, as specified in Sections 23 and 24(a) of the Arms Export Control Act. The implementing agency will cite in the "Terms" block of the

Letter of Offer: "Credit Agreement (insert purchaser) (insert three digit credit agreement number), dated (insert date), (Type of Assistance Code Z)". Example: "Credit Agreement Venezuela 721, dated 15 June 1972, (Type of Assistance Code Z)". If the sale is to be financed only in part by DOD direct or guaranteed FMS credit, the implementing agency will also cite in the "Terms" block of the Letter of Offer the appropriate cash Terms of Sale as indicated in paragraphs (1)-(8) above.

4. Financing and Billing for Foreign Military Sales under Credit Agreements Executed Subsequent to March 1972

a. Applicability

The procedures in this part apply to those credit agreements signed subsequent to March 1972. Procedures for processing earlier credit agreements including allocation of funds, processing of promissory notes, and routing of billings, have been published in DODI 2110.29 and in individual letters which remain in effect. General procedures for processing these earlier credit agreements are explained in paragraph 8 below.

b. Execution of Credit Agreements

(1) DSAA is responsible for negotiating all credit agreements with foreign customers. This includes determining the defense articles and services to be furnished, credit limits, and terms of repayments and interest charges. It also is responsible for obtaining apportionments of foreign military sales appropriation (account 11*1082), obligating these funds based upon signed credit agreements, and maintaining all accounting records for these funds.

(2) The customer has primary responsibility for insuring that the value of orders placed for credit financing do not exceed the amount of available credit. DSAA will monitor orders placed, via the DSAA (AR) 1100 system, and will advise Military Departments and the customers, as required, when the credit is fully utilized.

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(3) Comptroller, DSAA responsibilities for maintaining all accounting records for the credit agreements include:

(a) Managing the appropriation account 11*1082.

(b) Causing funds to be disbursed from this account to pay billings which are properly payable under a given credit agreement.

(c) Submitting periodic billings to the customer for repayments of principal and interest, based upon the terms of the credit agreement and the completed promissory notes previously submitted by the customer.

c. Processing DD 1513 Letters of Offer and Purchase Arrangements for Credit Sales

(1) The Military Department involved prepares DD 1513's for FMS cases contemplated for credit financing based upon authorization received from DSAA, or upon advice from the customer that a given case is contemplated for financing under a credit agreement. When it is known that financing of an FMS case is to be from credit funds under an existing credit agreement, the implementing agency will cite the appropriate credit agreement in the "Terms" block of the Letter of Offer as specified in paragraph 3.b. (9), above.

(2) A copy of each DD 1513, which reflects FY 1972 or subsequent credit terms, will be forwarded to Comptroller, DSAA at the time that it is submitted to the country.

(3) Occasionally customers will request coverage, under a designated credit agreement, for FMS cases which previously have been implemented as normal cash sales. Such request may be approved by the Military Department involved, unless existing policy requires DSAA approval of the item content of the credit program involved. The implementing agency will document formal approval of the change in Terms of Sale by use of a DD Form 1513-1, and will forward a copy of this form to Comptroller, DSAA.

d. Processing and Routing Billings

Billing will be in accordance with DOD Instruction 2140.3, "Foreign Military Sales Billing Procedures".

e. Processing Promissory Notes

(1) The customer may satisfy the billing by sending a cash payment directly back to the military department billing office. However, if the customer desires to have the billing paid from DOD direct credit funds available under the credit agreement, he:

(a) Prepares and signs a promissory note for the amount of payment desired.

(b) Designates the date on which the disbursement of DOD direct credit funds is to be made.

(c) Sends the promissory note along with a copy of the billing to Comptroller, DSAA. This data is forwarded by a transmittal letter which specifies the credit agreement under which payment is requested. A copy of the transmittal letter is sent to the military department billing office.

f. Processing of Payments of DOD Direct Credit Funds

(1) Upon receipt of the promissory note and supporting documentation, Comptroller, DSAA verifies that:

(a) The purchase arrangement against which payment is requested has been authorized.

(b) The promissory note is correctly filled out.

(c) Unliquidated obligations under the Credit Agreement are sufficient to permit expenditure.

(d) Billings from Military Departments identify FMS case designations and amounts owed for each credit agreement.

(2) Comptroller, DSAA then causes an expenditure of DOD direct credit funds (account 11*1082), sending checks to the appropriate Military Department billing office, along with a notification identifying the

FMS cases and respective dollar amounts for which the check is drawn. The expenditure of funds should be made on the disbursement date designated by the customer (see paragraph 4.e.(1)(b)).

(3) Military Department billing offices receive the payment from Comptroller DSAA and deposit it to the trust fund account of the customer involved. The trust fund (account XX-11X8242.XX) then is cited for direct payments to suppliers or for reimbursement to the appropriate Military Department appropriation.

g. Processing Billings for Repayment of Principal and Interest

(1) Comptroller, DSAA has responsibility for sending to the customer all billings for the repayment of principal and interest under terms of the credit agreement.

(2) All customer payments of principal and interest will be made to Comptroller, DSAA, who will deposit the payments to appropriate miscellaneous receipts accounts of the U.S. Treasury.

5. Financing and Billing for Military Sales Guaranties

a. General Explanation

(1) Credit agreements occasionally stipulate that all or part of the credit financing is to be provided to the customer from private commercial sources. Under Section 24 of the AECA, the United States Government has authority to guaranty those commercial sources from losses due to default in customer repayment. In addition to the agreement between the U.S. and the customer, guaranty financing requires:

(a) An agreement between the U.S. and the commercial financing source, which outlines the conditions of the guaranty and stipulates the fee which the U.S. will charge for making the guaranty.

(b) An agreement between the commercial financing source and the customer, which outlines terms of repayment of the loan, interest rates, documentation required

to draw down funds under the loan agreement, etc.

(2) DSAA obligates funds, in the amount of 25 percent to 30 June 1974, 10 percent thereafter, of the value of guaranty loans, in the parent account of the FMS credit appropriation. As loan repayments are made by the customer to the commercial source, funds in the guaranty reserve which are in excess of 10 percent of contractual requirements are deobligated and returned to the general fund of the Treasury.

b. Procedures for Processing FMS Cases

(1) Procedures for preparing and routing DD 1513's, coding of documents, and routing of billings are identical to those explained in paragraph 4.c. and 4.d., above. :

(2) Upon receipt of the billing, the customer is responsible for furnishing required documentation to the commercial financing source involved. Payments to satisfy the billing are made directly from the commercial financing source to the billing office of the Military Department. Payments are deposited to the trust fund account of the customer, which then is cited for direct expenditure to suppliers or for reimbursement to the appropriate Military Department appropriation.

6. Commercial Contracts Financed from DOD Direct Credit Funds

a. Applicability

The procedures in this part apply to those credit agreements signed subsequent to March 1972. Procedures for processing prior transactions of this type are published elsewhere and remain in effect.

b. Approval Process

(1) Credit agreements normally include provisions to allow DOD direct credit funds to be used to finance approved, specified contracts which have been executed directly between the customer and a contractor. The provisions provide, in general terms, for the customer to receive contractor billings, certify their correctness, and pass

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them to DOD for payment to be made directly to the contractor.

(2) Based on formal country request, DSAA Sales Negotiation Directorate approves the commercial purchase from the designated U.S. supplier under a designated credit agreement.

(3) A copy of the Commercial Contract involved is furnished by the Customer to Comptroller, DSAA.

(4) Comptroller, DSAA responsibilities for these transactions are basically the same as those noted in paragraph 4b(4) above, plus those noted in paragraph 6e below.

c. Processing Billings and Promissory Notes

(1) The customer receives invoices from the contractor along with standard form 1034's. The customer then takes the following actions:

(a) Certifies the invoice as proper for payment.

(b) Prepares and signs a promissory note for the amount of payment desired. This normally will be in the amount of the invoice, but will be less than that amount if the customer intends to make partial payments from cash or private credit sources.

(c) Designates the date on which the disbursement of DOD Direct funds is to be made.

(d) Transmits the promissory note, the certification, and copies of the standard form 1034 in quadruplicate, to Comptroller, DSAA. Specifies the credit agreement under which payment is requested.

d. Processing Payments and Billings for Repayments of Principal and Interest

(1) Upon receipt of the promissory note and supporting documentation, Comptroller, DSAA verifies that:

(a) The purchase agreement against which payment is requested has been authorized.

(b) The promissory note is correctly filled out.

(c) Unliquidated obligations under the credit agreement are sufficient to permit expenditure.

(d) The standard form 1034 has been properly filled out in quadruplicate and that proper certification is made.

(2) Comptroller, DSAA then causes an expenditure of DOD direct credit funds, issuing separate checks directly to the contractors concerned.

(3) Billings for repayment of principal and interest are processed in accordance with 4.g., above.

e. Reporting of Transactions

(1) DSAA Comptroller assigns FMS case designators to identify these commercial transactions in the DSAA(AR) 1100 reporting system. To the extent possible, a separate case designator will be assigned to each contract which is to be paid from DOD direct credit funds.

(2) DSAA is responsible for reflecting the FMS case in the reporting system. The value of the case will be the estimated final value of the contract or transaction involved.

(3) Deliveries against each case will be reflected in the amount of disbursements made from DOD direct credit funds.

(4) When no further disbursement action against the case is contemplated, DSAA will take the action required to reflect the case as final in DSAA(AR) 1100 report records.

(4) FINCISCOM will advise, as a part of its report, when disbursements against the case are complete and no further action against the case is contemplated. DSAA will take the action required to reflect the case as final in DSAA(AR) 1100 report records.

7. Commercial Contracts Financed by Guaranty of Private Credit

This method of financing is authorized under Section 24 of the FMSA; this paragraph applies to contracts executed directly between the customer and the supplier. Re-

responsibilities for executing agreements are the same as those included in paragraph 5a above. Procedures for routing and payment of contractor billings are determined by negotiation among the customer, the supplier, and the source of private credit. DOD financial responsibilities are those agreed in the guaranty agreement between the DOD and the lender, i.e., those required to guaranty the loan.

8. Processing Foreign Military Sales under Credit Agreements Executed Prior to April 1972

a. General Explanation

(1) This paragraph explains those procedures normally used to process credit sales authorized by credit agreements executed prior to April 1972. Legal authority for these sales is included in:

(a) Section 23 of the AECA for credit agreements executed subsequent to 30 June 1968. These sales are financed by the foreign military sales appropriation, account 11*1082.

(b) Section 524 of the Foreign Assistance Act of 1961, as amended, for credit agreements executed prior to 1 July 1968. These sales are financed by the former foreign military sales revolving fund, now termed liquidation of foreign military sales fund, account 11X4117.

(2) DODI 2110.29 establishes general policies for administering these credit agreements and provides detailed instructions for administering the accounts mentioned above.

(3) Variations to the procedures outlined below have been published by individual letters, as required to implement extraordinary transactions. These letters remain in effect.

b. Execution of Credit Agreements

(1) DSAA is responsible for negotiating all credit agreements with foreign customers. This includes determining the defense articles and defense services to be

furnished, credit limits, and terms of repayments and interest charges. It is responsible for obtaining apportionments of the foreign military sales appropriation (account 11*1082); apportionments are not required for the revolving fund (account 11X4117). DSAA obligates these funds based upon signed credit agreements and allocates obligational authority, as required, to the Military Department(s) responsible for supplying the items and services covered by the credit agreement.

(2) DSAA previously has assigned an executive agent for each credit agreement which involved more than one Military Department. However, the functions previously performed by the executive agent now have reverted to Comptroller, DSAA. These responsibilities are specified by individual letter and include:

(a) Preparing promissory notes, forwarding these to the customer, and receiving signed notes from the customer.

(b) Submitting periodic billings to the customer for repayments of principal and interest based upon the terms of the credit agreement and the signed promissory notes received from the customer.

c. Processing DD 1513 Letters of Offer and Acceptance and Obtaining Financing

The Military Department involved prepares DD 1513's for the items covered by the credit agreement. Terms of sale in the DD 1513 cite the applicable credit agreement. The Military Department then requests a transfer of obligational authority by the Comptroller, DSAA, from the appropriate credit account, to the extent that sufficient obligational authority has not previously been allocated to the Military Department. The funds, when received, can be cited for direct expenditures to suppliers or can be reserved to reimburse the appropriate military department appropriation for progress payments/deliveries made.

d. Processing of Payments of DOD Direct Credit Funds

MILITARY ASSISTANCE AND SALES MANUAL—PART III

The Military Department responsible for administering the FMS case disburses DOD direct credit funds (account XX-11*1082 or account X-11X4117, as appropriate) as contractor costs are incurred or as deliveries of items are made. The military department accounting and billing office then:

(1) Forwards periodic statements of account to the customer which reflect costs incurred for the FMS case(s) under the given credit agreement.

(2) Advises the Comptroller, DSAA, through the 1002 report, of the amounts and dates of disbursements of DOD direct credit funds for each case.

e. Processing of Promissory Notes and Billings for Repayment of Principal and Interest

(1) Based on information provided under paragraph 8.d.(2) above, the Comptroller, DSAA prepares promissory notes and forwards them to the customer for signature and return.

(2) The Comptroller, DSAA is responsible for sending all billings to the customer for the repayment of principal and interest under the terms of the credit agreement.

(3) The customer is instructed to forward all payments of principal and interest to Comptroller, DSAA, which receives these payments and deposits them to appropriate accounts of the U.S. Treasury.

9. Closing Foreign Military Sales Cases Financed under Credit Agreement Executed Prior to April 1972

a. Applicability

This applies to FMS cases financed from long-term funds under the terms of credit agreements executed prior to April 1972. These cases are reflected under type of finance code Z in the DSAA (AR) 1100 reporting system and in subsidiary military department systems.

b. Purpose

(1) Cash sales cases, and those cases financed from credit sources under the provisions of paragraph(s) 4 and 5, are con-

sidered closed, as far as the military departments are concerned, when delivery has been accomplished and collections of funds for each case equal the final value of materiel/services delivered to the customer for that case. DSAA is responsible for the management of the parent credit agreement and the recovery from the customer of the funds applicable to each credit agreement.

(2) The purpose of this procedure is to separate management of individual FMS cases from the parent credit agreement. Therefore, the military departments should close out all cases, promptly after all materiel/services for each case have been delivered, necessary adjustments have been made and final accounting statements have been issued to the customer.

c. Procedures for Closing Cases

The Military Department responsible for implementing the FMS case will report collections against the case in the DSAA (AR) 1100 report, on receipt of SF 1151 from DSAA. When the FMS case is fully delivered (i.e., supply complete), final pricing adjustments are made, and all disbursements from the appropriate credit transfer account have been made for the case, the Military Department responsible for implementing the case will:

(1) Insure that the total case value equals the final delivered value for the case. Any disagreements should be resolved prior to closing by adjusting the item detail value and total case value to the values delivered.

(2) Insure that any excess of total cost of deliveries over the case value as specified in the pertinent DD-1513 is paid by the country in cash or the country agrees to the use of credit funds are obligated by DSAA to cover the excess.

(3) In the reporting of collections, insure that total collections equal the final delivered value of the case reported in the DSAA (AR) 1100 report.

(4) Issue a final accounting statement for the case to the customer. Do not include any collection information on the statement. Include the following on the face of the statement:

“This case is financed under the terms of credit agreement (number), dated (date of credit agreement). (DSAA) will issue periodic billings for principal and interest, under the terms of the credit agreement, to cover costs of this and all other FMS cases financed under the credit agreement.”

(5) Send a copy of the final accounting statement to DSAA and return all funds collected in excess of the delivered value of each case.

(6) To ensure that cases will be reflected as closed in the DSAA (AR) 1100 reporting system, the following checks should be made:

(a) Ensure that each detail record (RSN) reflects deliveries (quantity and value) equal to the purchase information contained in that record and that each record contains a completed line code (c).

(b) Ensure that the total value of all purchases in a case are within \$1 of the case value contained in the case record.

(c) Ensure that the collections are entered in fields to coincide with the fields used to enter case values (e.g., cash, DOD credit, etc.) and that in each instance collections are within \$1 of case values.

(d) Ensure that the record count submitted initially agrees with the number of detail records on file.

(e) If (1)-(4) above are completed, the case status should be C. The final action required at that time is to submit a card A to enter case status F.

d. Processing Discrepancy Report Credits

All outstanding discrepancy reports will be processed against a case prior to closing the case and, as long as the FMS case is open, the discrepancy report adjustment will be recorded against the affected case. When the affected case has been closed, the adjustment will be recorded against the trust fund account of the customer.

10. Multiple Sources of Financing

a. Reasons for Using Multiple Sources of Financing

(1) Customers occasionally finance major sales partially from cash and partially from credit sources. The two primary reasons for use of multiple financing are:

(a) The customer desires to pay cash for the transactions to the maximum extent possible, but must obtain partial credit financing because of inability to pay for the entire transaction on cash terms.

(b) The customer desires to utilize credit for the transaction to the maximum extent possible, but cannot obtain approval for DOD direct credit financing for the entire amount due to insufficient funds in the FMS credit appropriation or for policy reasons.

(2) In either event the customer is obligated to pay cash, under appropriate Terms of Sales as indicated in paragraphs 3.b.(1)-(8) above, for all costs of the sale which exceed the amount of credit authorized in the purchase approval for the sale.

b. Type of Assistance Coding Required for Cases Financed Under Credit Agreements

Type of Assistance coding will be as specified in paragraphs 3.a.(2) and 3.b.(9), above.

c. Criteria for and Routing of Billings for Cases Financed under Credit Agreements Executed Subsequent to March 1972

Billings for multiple financed FMS cases should be prepared and routed as if the cases were financed under normal cash terms. The customer has the option to satisfy each billing by paying cash, by obtaining payment via guaranty credit, or by obtaining payment from DOD direct credit funds.

d. Criteria for and Routing of Billings for Cases Financed under Credit Agreements Executed Prior to April 1972

(1) The customer is furnished only with statements of account for those costs which are covered by DOD direct credit funds, since no action is required by the customer prior to disbursement of these funds.

(2) The customer is provided billings for those costs which are covered either by dependable undertaking or guaranty financing. The billings are prepared and routed as if the cases were financed under normal dependable undertaking terms. The customer can satisfy each billing either by paying cash or by making payment from funds obtained via guaranty credit sources.

11. Overdue Billings and Delinquent Accounts

a. FMS Cash Sales

(1) The terms of sale of each DD 1513 dictate the timing, amounts, and due date for payment of the billings which Military Departments produce for each FMS case. The customer is obligated to make payments against these billings, on time and in full, by the terms of sale of the DD 1513. The Military Departments are obligated, in order to comply with the Foreign Military Sales Act to insure timely collection of funds which are due.

(2) Most problems of collection are due to late payment, rather than to any tendency of FMS customers to default on payments. Late payments frequently result from the customer's misunderstanding of terms of sale, the content of the billings, or the general problems of communication. Each Military Department should establish a procedure which fixes responsibilities for follow-up on overdue billings. Recognition should be given to the problem of improving communications with the customer on financial matters.

(3) Responsibility for collecting overdue debts for FMS cash sales is entirely that of the cognizant Military Department until it has exhausted means of collection available to it. These means include:

(a) Both formal and informal contacts with representatives of customer nation, at appropriate levels.

(b) Requests for collection assistance from the MAAG, or comparable organization, located in the customer nation.

(c) Formal or informal requests for collection assistance from OASD/ISA, as well as informal contacts with State Dept as required in order to determine approaches to be taken.

(4) When all internal means of collection have been exhausted, delinquent accounts should be referred to Comptroller, DSAA for further examination. Comptroller, DSAA then either will recommend further action to be taken by OSD or will cause the debt to be referred officially to the State Department for diplomatic assistance. Data provided by the Military Departments to support the debt referral should include:

(a) Origin and history of the debt including prior effort at collection.

(b) Validity of the claim, i.e., a discussion to identify any elements of the agreement which may be in dispute between the customer nation and the United States.

(c) A statement that the Military Department has exhausted its normal military channel with responsible foreign officials on behalf of the collection.

(d) Assessment of any adverse impact on our foreign policy or military relationships with the foreign customer if the issue is raised at the diplomatic level.

(5) Delinquent accounts receivable will continue to be carried on the accounting records of the cognizant Military Department, even though primary collection responsibility may have been passed to the Department of State.

(a) Sales Financed from DOD Direct Credit Funds

1. Timing, amounts, and due dates for payments of principal and interest for FMS credit, are dictated by individual FMS Credit Agreements and by paragraph 12 below.

2. Comptroller, DSAA is responsible for initial follow-up of customer arrearages against FMS credit programs. Channels for follow-up are the same as those described in paragraph 11a. When internal means of collection are exhausted, Comp-

troller, DSAA will take action required to refer the indebtedness to the Department of State for diplomatic assistance.

12. Billing for Payments of Principal and Interest for the DOD Direct Credit Program.

a. Basis for Calculating and Submitting Billings

(1) Credit Agreements provide principal repayment schedules (normally semianual), and rates of interest, and interest repayment dates. Basically, Credit Agreements call for charging of interest on the amount by which disbursements of DOD Direct Credit funds exceed the amount of repayments of principal made.

(2) Unless otherwise specified in Credit Agreements, the date of the promissory note indicates the commencement of interest charges, at the rate indicated in the Agreement, against the principal amount reflected in the note. The criteria for dating promissory notes are included in paragraphs 4, 6, and 8.

(3) Billings for repayments of principal and interest will be issued sixty (60) days prior to the due date. The due date will be specified clearly on the billing. In no instance will the due date be less than sixty days subsequent to the date the bill is issued. Interest charges against promissory notes outstanding on the billing date will be projected through the day prior to the payment due date. Interest charges for promissory notes issued between the billing date and the due date will be included in the next subsequent billing.

(4) All payments received will be applied so as to liquidate first the interest included in the billing involved, with the remaining amount of the payment being credited to principal. Any overpayments against a given billing will be credited to principal, and the schedule for repayment of principal will be reduced as provided for in the individual FMS Credit Agreement.

(5) When previously issued promissory notes are adjusted upward or downward:

(a) Any overcollections of interest will be applied to principal, and the schedule for repayment of principal will be reduced as provided for in the individual FMS credit agreement.

(b) Any increased interest costs will be included in the next subsequent billing in the full amount.

b. Overdue Payments

(1) All repayments of principal and interest are due on the due date specified in the billing. Payments which are not received by the due date will continue to accrue interest, at the applicable daily rate.

(2) Any charges for interest which have accrued due to the late payment will be added to the next succeeding billing.

13. Reporting Collections of DOD Direct Credit Funds From DSAA and From Private Guaranty Credit Funds

a. The Military Department concerned with the implementation of the FMS case, upon receipt from DSAA of the cash transfer to DOD Direct Credit Funds, will:

(1) Record the received funds against the respective FMS case, and

(2) Report the funds as a collection against the case in the DSAA (AR) 1100 reporting system. The reported information will include all data from the SF 1151 document issued by DSAA, which identifies the applicable country and credit arrangement, and from the DD Form 645 (submitted by the Military Departments to DSAA) which identifies the applicable FMS case.

b. In the case of private credits or Federal Financing Bank (FFB) credits guaranteed by the Department of Defense, the Military Department concerned, upon receipt of the funds from the country, will:

(1) Record the received funds against the appropriate FMS case, and

(2) Report the funds as a collection against the case in the DSAA (AR) 1100 reporting system.

14. Sale of MAP Owned Property under FMS

MILITARY ASSISTANCE AND SALES MANUAL—PART III

Proceeds from the sale of MAP owned property are properly reimbursable to MAP appropriation 11*1080. The Military Department which transacts the sale should specify to DSAA at the time the DD 1513 letter of offer is prepared, the items being sold and any special conditions of sale. Comptroller, DSAA will issue special instructions required to insure reimbursement to the MAP appropriation.

15. Addresses of Military Department Central Collection and Billing Offices

- a. Department of the Army
U.S. Army International Logistics Command
New Cumberland Army Depot
New Cumberland, Pennsylvania 17070
- b. Department of the Navy
Commanding Officer
Navy International Logistics Control Office
Bayonne, New Jersey 07002
- c. Department of the Air Force

Air Force Accounting and Finance Center
ATTN: ACFR
3800 York Street
Denver, Colorado 80205

16. Addresses of Military Department Central Activities Responsible for Preparation and Issuance of Letters of Offer

- a. Department of the Army
Deputy Chief of Staff for Logistics (DALO-ILS)
Hqrs. Department of Army
Washington, D.C. 20310
- b. Department of the Navy
Chief of Naval Operations (063)
Hqrs. Department of Navy
Washington, D.C. 20350
- c. Department of the Air Force
Director of Military Assistance and Sales (AF/LGF)
Hqrs. U.S. Air Force
Washington, D.C. 20330

Table G-1
TERMS OF SALE
AND
TYPE OF ASSISTANCE CODES

<i>Action</i>	<i>Applicable Paragraph of MASM, Part III, Chapter G</i>	<i>Terms of Sale on Letter of Offer</i>	<i>Type of Assistance Code</i>	<i>Applicable Financial Annex of MASM Part III, Appendix D</i>	<i>Applicable Section of the Arms Export Control Act</i>
1. Advance cash payment for articles from DOD stocks, and for DOD services the performance of which is to begin within 3 months after acceptance of the offer.	3.b.(1)(a)	"Cash with Acceptance (Type of Assistance Code 3)"	Cash Sale from Stock with Payment in Advance—Code 3	Figure Appendix D-1 (D-5 for training)	Section 21(b)
2. Advance cash payment for DOD services the performance of which is to begin later than 3 months after acceptance of offer.	3.b.(1)(b)	"Payment Prior to Commencement of Performance (Type of Assistance Code 3)"	Cash Sale from Stock with Payment in Advance—Code 3	Figure Appendix D-2 (D-5 for training)	Section 21(b)
3. Combination of 1 and 2 above.	3.b.(1)(c)	"\$_____ Initial Deposit; Balance Prior to Commencement of Performance (Type of Assistance Code 3)"	Cash Sale from Stock with Payment in Advance—Code 3	Figure Appendix D-2 (D-5 for training)	Section 21(b)
4. Cash sale from source of supply not yet determined at time of offer.	3.b.(2)	"\$_____ Initial Deposit; Balance as Billed (Type of Assistance Code 4)"	Source of Supply Not Predetermined—Code 4	Various	Section 21 and/or 22
5. Advance cash payment for articles and services from DOD procurement to be delivered/begun to be performed within 3 months after acceptance of offer.	3.b.(3)(a)	"Cash with Acceptance (Type of Assistance Code 5)"	Cash Sale from Procurement with Payment in Advance—Code 5	Figure Appendix D-1 (D-5 for training)	Section 22(a)
6. Advance cash payment for articles and services from DOD procurement to be delivered/begun to be performed later than 3 months after acceptance of offer.	3.b.(3)(b)	Dependable Undertaking (Type of Assistance Code 5)"	Cash Sale from Procurement with Payment in Advance—Code 5	Figure Appendix D-6 (D-5 for training)	Section 22(a)
7. Combination of 5 and 6 above.	3.b.(3)(c)	"\$_____ Initial Deposit Balance on Dependable Undertaking (Type of Assistance Code 5)"	Cash Sale from Procurement with Payment in Advance—Code 5	Figure Appendix D-6 (D-5 for training)	Section 22(a)

Table G-1

Action	Applicable Paragraph of MASM, Part III, Chapter G	Terms of Sale on Letter of Offer	Type of Assistance Code	Applicable Financial Annex of MASM Part III, Appendix D	Applicable Section of the Arms Export Control Act
8. Cash payment on delivery of articles from DOD stocks.	3.b.(4)(a)	"Payment on Delivery (Type of Assistance Code 6)"	Cash Sale from Stock with Payment on delivery—Code 6	Figure Appendix D-4	Section 21(b) and first sentence of Section 21(d)
9. Cash payment on commencement of performance of DOD services.	3.b.(4)(b)	"Payment on Commencement of Performance (Type of Assistance Code 6)"	Cash Sale from Stock with Payment on Delivery—Code 6	Figure Appendix D-4 (D-5 for training)	Section 21(b) and first sentence of Section 21(d)
10. Combination of 8 and 9 above.	3.b.(4)(c)	"Payment on Delivery/Commencement of Performance (Type of Assistance Code 6)"	Cash Sale from Stock with Payment on Delivery—Code 6	Figure Appendix D-4 (D-5 for training)	Section 21(b) and first sentence of Section 21(d)
11. Cash payment 120 days after delivery/commencement of performance of articles and services from DOD procurement.	3.b.(5)	"Dependable Undertaking with 120 Day Payment (Type of Assistance Code 7)"	Cash Sale from Procurement with 120 Day Payment—Code 7	Figure Appendix D-6 (D-5 for training)	Section 22(b)
12. Cash payment 120 days after delivery of articles from DOD stocks.	3.b.(6)(a)	"Payment 120 Days After Delivery (Type of Assistance Code 8)"	Cash Sale from Stock with 120 Day Payment—Code 8	Figure Appendix D-4	Last sentence of Section 21(d)
13. Cash payment 120 days after commencement of performance of DOD services.	3.b.(6)(b)	"Payment 120 Days After Commencement of Performance (Type of Assistance Code 8)"	Cash Sale from Stock with 120 Day Payment—Code 8	Figure Appendix D-4 (D-5 for training)	Last sentence of Section 21(d)
14. Combination of 12 and 13 above.	3.b.(6)(c)	"Payment 120 Days After Delivery/Commencement of Performance Type of Assistance Code 8)"	Cash Sale from Stock with 120 Day Payment—Code 8	Figure Appendix D-4 (D-5 for training)	Last sentence of Section 21(d)
15. Foreign Military Sales Order (FMSO) No. 1.	3.b.(7)	"\$_____ Initial Deposit; Balance as Billed (Type of Assistance Code U)"	Foreign Military Sales Order (FMSO) No. 1—Code U	None Required	Section 21
16. Foreign Military Sales Order (FMSO) No. 2.	3.b.(8)	"\$_____ Initial Deposit; Balance as Billed (Type of Assistance Code V)"	Foreign Military Sales Order (FMSO) No. 2—Code V	Figure Appendix D-2	Section 21

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Table G-1

Action	Applicable Paragraph of MASM, Part III, Chapter G	Terms of Sale on Letter of Offer	Type of Assistance Code	Applicable Financial Annex of MASM Part III, Appendix D	Applicable Section of the Arms Export Control Act
17. Sale of Articles or services from DOD stocks or procurement, financed entirely or in part by DOD direct or guaranteed FMS credit.	3.b.(9)	"Credit Agreement (insert purchaser) (insert 3 digit credit agreement) dated (insert date), (Type of Assistance Code Z)"	DOD Direct or Guaranteed FMS Credit—Code Z	Figure Appendix D-3	Section 23 and/or 24
18. Combination of 1-17 above.	3.a.(2) 3.b.(9)	"As required (see MASM Part III, Chapter G, paragraphs 3.a.(2) and 3.b.(9))"	As required (see MASM, Part III, Chapter G, paragraphs 3.a(2) and 3.b.(9))	Various	Section 21, 22, 23, 24, as appropriate

Change 17, 1 February 1978

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CHAPTER J

FOREIGN MILITARY SALES TRAINING (FMST)

1. Purpose and Scope

a. This chapter provides guidance and instructions for providing military training to eligible nations as authorized under the Arms Export Control Act.

b. Basic guidelines applicable to FMST are similar to those prescribed for the IMETP in Chapter E, Part II. Therefore, this chapter addresses those training matters unique to FMST or requiring elaboration/deviation from IMET procedures.

c. Unless otherwise specified in this chapter, FMST is subject to all rules and limitations applicable to FMS generally.

2. General Guidance

a. The Arms Export Control Act (AECA) authorizes the sale of defense articles and defense services to eligible foreign purchasers. The AECA states that defense services include training for FMS purposes.

(1) Training includes both formal and informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, or contractors (including instruction at civilian insitutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aids, orientation, training exercises, and military advice to foreign military units and forces.

(2) Section 21(c) of the Arms Export Control Act prohibits the performance by personnel performing FMS defense services (including FMS training) of any duties of a combatant nature (including those related to training, advising or otherwise providing

assistance regarding combat activities) outside the United States in connection with the performance of those defense services. This prohibition is applicable only during hostilities involving the country in which the defense services are being performed.

(3) The full cost to the USG of furnishing defense services to a foreign purchaser must be paid by the foreign purchaser. Payment must be cash on acceptance unless a Presidential Determination is made that it is in the national interest that payment be made prior to performance of the defense service (training). For billing purposes, formal training is considered performed the date the student enters the course, or in the case of Mobile Training Teams (MTTs) or Field Training Services (FTS) when the team member departs home station. At all times, there must be cash available in advance of performance of the training. Normally, training beginning in an upcoming fiscal year will not be charged to the training case for the previous year.

(4) Bilateral, combined, or multilateral exercises conducted to test and evaluate mutual capabilities do not require authorization or funding under the Arms Export Control Act. Costs of foreign participation in such exercises may not be directly paid or reimbursed from DOD funds, including O&M funds. DOD funds are to bear only costs of U.S. Armed Forces participation, which would have been incurred in absence of foreign participation in the exercise. The costs of any U.S. support provided to the participating countries or international organizations for training exercises must be reimbursed under an FMS case.

(5) Outside the context of an exercise,

USG costs of providing training for foreign military or paramilitary personnel must be borne by the foreign government or international organization under an FSM case unless there is separate and specific statutory authorization for such training, as in the case of the senior ROTC program or U.S. service academies. Existing authority and regulations do not permit formal and informal training (to include orientation, observation, or familiarization, as opposed to short informal visits) on a non-reimbursable or quid-pro-quo basis.

b. FMST Initiation and Programming Sequence

(1) Although not constrained by country U.S. dollar ceilings as in IMET, the same general initiation and annual programming process applies to FMST. Eligible foreign purchasers may initiate training requests through several channels: designated U.S. defense organizations in-country, responsible for security assistance functions; foreign embassy, purchasing mission or other representative in the U.S. Category "A" countries (Table A-2, Part III, Chapter A) may submit training requests directly to the Military Departments (with information to DSAA and Department of State). Requests from Category "B" countries require submission to and approval of the Departments of State and Defense prior to action within the Military Departments (MilDeps). Requests for establishing new FMST programs in countries where no FMST program previously existed should be made through the American Embassy to the Department of State. With an info copy to SECDEF, foreign purchasers, with assistance of DOD security assistance organizations in-country, are encouraged to develop annual FMS training programs.

(2) Except for countries having large complex FMS programs which can be more efficiently managed by bilateral conferences, annual country programs should be reviewed, and where appropriate, integrated with country IMETP requirements during the training workshop conducted by the Unified Commands. (See Chapter E, para

8.b.(3)). The program presented by the country representatives should be fully coordinated with the host government and, as nearly as possible, represent the country's annual training requirements. FMS programs will be accepted for planning and capabilities and allocating quotas. When appropriate, program may also be accepted as requests for LOAs. Scheduling FMST annually through regular workshop procedures is encouraged.

(3) A 25 percent deposit is normally required for annual training cases using open-end LOAs in excess of \$25,000. Full payment in advance is required on cases less than \$25,000 or 90 days duration. Countries having both IMET and FMST programs should assure that the programs complement each other.

(4) Unprogrammed training requirements, not included in the annual program, are handled on an exception basis. Unscheduled requirements often have an adverse impact on the total training effort, particularly in training courses where quota availability is a major constraint, or those involving short notice assignment of MTT personnel from operational units for specialized requirements and preparation of tailored curricula. In addition, unprogrammed training requirements distort planning and make forecasting ineffective. Annual training programs should, therefore, be adhered to as initially developed and reviewed at workshops with add-ons during the program year being discouraged.

(5) Upon determination of capability, the MilDeps will assign an FMS case identifier number, prepare the LOA and submit it to the appropriate country representative for acceptance and deposit of funds as required. The MilDep will implement (authorize issuance of ITOs or travel orders) only after the case has been accepted and funded, and obligation authority has been granted by the Security Assistance Accounting Center (SAAC). Any exception to this must be approved by DSAA, Comptroller.

(6) After implementation, increases in the scope of definitive training require-

ments must be made using DD Form 1513-1 (Amendment to Offer and Acceptance). Customer requested changes for addition/deletion of programmed students or courses for a signed FMS case are not considered a change of scope if the same general area of training and the number of students are not substantially changed as stated in the DD Form 1513 and formal amendments. However, all changes which reflect an increase in price of \$50,000 must be coordinated with DSAA. For deletions and for changes not affecting scope, the DD Form 1513-2 (Notice of Modification of Offer and Acceptance) should be used. (See para 10, Chapter D, Part III).

(7) Changes in requirements within the dollar ceiling of annual open-end training cases do not require the use of DD Form 1513-1 or DD Form 1513-2. Such changes to these cases may be made administratively.

(8) The IMET 5th quarter planning and programming concept is not applicable to FMST.

c. Training Requirements Related to the Purchase of Major Equipments

(1) Training is an essential and often key element in the successful introduction of a new end item or weapons system. The time required to conduct adequate training should be given careful consideration when requesting delivery dates of equipment. In developing a training plan for a particular end item of equipment or weapons system, the needs of each country must be considered individually. While general training requirements can be determined for any item, the exact composition and duration of the training program will vary based on the individual requirements and capabilities of the country.

(2) Training programs must be planned realistically, taking into account the skills that must be developed, the background and experience of the individuals selected for the training, and the time required to plan, implement, and complete the program. In the final analysis, the success of any training program will depend upon student capability

and potential for success. The individual and collective performance of the students will set the pace and measure the true progress of a program.

(3) Training in support of FMS equipment purchases should normally be programmed and accomplished as separate FMS training cases; however, when more appropriate, training may be included as part of the overall equipment sales case. Training under the IMETP will not be employed to support equipment purchases. Requests for exceptions to this policy should be referred to DSAA with appropriate justification for consideration on a case-by-case basis.

3. English Language Training

It is the responsibility of the foreign country to assure that trainees meet the English comprehension level (ECL) required for direct entry into the DOD school system. In-country English language training programs (ELTP) should be used. Countries without an adequate ELTP should be encouraged to develop a program to qualify trainees for direct course entry or as a minimum for entry into the Defense Language Institute English Language Center (DLIELC). Minimum ECL score for entry into DLIELC is 55. Conditional entry is authorized for students with an ECL of 45-55 when authorized by U.S. representatives in-country. Where clearly justified, on a case-by-case basis, exceptions to these requirements may be approved by the cognizant Military Department.

4. FMST Tuition Rates

a. Pricing of FMST tuition rates will be in accordance with DODI 2140.1. Certain costs, such as students' meals, custodial fees for quarters, medical care and transportation are not included in tuition rates but are paid through the LOA, or other means, by the purchaser.

b. The extracurricular activities related to the Information Program (IP) are considered an integral part of the foreign training effort and therefore costs thereof will be

included as part of the tuition rate. Funds for FMS students are generated by including appropriate expenses in the course tuition rate and are made available to the training activities through reimbursement from the FMS case.

c. An asset use charge of 2 percent will be applied to the total of all tuition rates (other than flying courses for which 4 percent will be applied). The asset use charge is reimbursement for the use of installed U.S. facilities and equipment, and will be computed after all other direct and indirect costs have been determined. Asset use charge must be deposited into Miscellaneous Receipts and legally may not be used to reimburse specific Service appropriations. (DOD Instruction 2140.1)

5. Cancellation of Training—Penalty Charge

a. Purchasers must submit rescheduling or cancellation requests at least 60 days in advance of the scheduled course start date. In the event cancellation or rescheduling is requested less than 60 days prior to the scheduled student report date, the FMS case will be billed for 50 percent of the cost of the course(s) which commence within that 60 day period. The date the request is received from the country by the duly appointed and recognized United States representative will constitute the official notification date. The cancellation penalty will not be applied when (1) cancellation is due to the fault of the U.S. (deletion of classes, rescheduling, etc.), (2) when the cancellation is due to unavoidable circumstances within country, such as national disaster, or (3) cancellation entails no loss to the U.S. in terms of cost or training capability. The 60-day penalty provisions will be effective upon the date the LOA is signed by the country.

b. FMS countries will be charged a proportionate share, but not less than 50 percent of the tuition rate for trainees not completing a course of instruction.

6. Training at Civilian Institutions

a. Although Section 47 of the Arms Export Control Act authorized foreign students to attend civilian institutions under FMS, normally this type of training requirement is more appropriate handled by direct negotiation between the civilian institution and the purchasing country. Training at civilian institutions, therefore, generally will not be accomplished under FMS. Requests for exceptions to this policy should be addressed to DSAA, Comptroller.

b. Training by Contractors

(1) Foreign military personnel receiving training directly negotiated between the purchasing country and a contractor are not authorized use of U.S. military facilities in support of commercial training.

(2) Room and board, medical care and related support arrangements for students are to be arranged between the contractor and the purchasing country. Administrative support for direct contractor training normally is not provided through an FMS case.

7. Transportation and Travel

a. The purchasing country is responsible for all transportation and travel costs for FMS students. These costs are not included in the LOA.

b. Although any desired mode of travel or carrier can be used, use of U.S. civilian carriers is encouraged. Trainees are authorized to travel by Military Airlift Command (MAC) aircraft if so stated in their ITO. Reimbursement for MAC travel will be on a direct billing basis at the non-government rate.

c. Since baggage shipping costs are paid by the purchasing country, no limitation is established; however, students are encouraged to limit baggage and instructional material to a minimum. Cost of baggage is not included in the FMS case.

8. Living Allowances/Privileges

a. **Living allowances** of FMS students are defrayed by the student or by his government. The purchasing country should assure that students receive sufficient allowances to meet all mandatory living costs and personal expenses. Allowance costs are not included in tuition course costs, nor are they included in the FMS case.

b. **Subsistence.** Officers and enlisted personnel will pay for meals taken in government dining facilities at the rate prescribed by the Military Departments.

c. **Quarters.** All FMST students who occupy military quarters must personally pay the service charge or custodial fee as established by the installation commander.

d. **Privileges.** Foreign military personnel involved in security assistance training, on competent orders (ITOs) authorized by the Military Departments, and *bona fide* dependents, will be extended commissary, exchange and similar privileges ordinarily available to military personnel of the U.S. Armed Forces of similar rank. Equivalent rank assigned in the ITO must be based on U.S. Armed Forces grade structure, reflecting time in service, experience and age—not the rank title of the foreign country.

e. **Medical care.** Foreign personnel (involved in security assistance training, on competent orders (ITOs) authorized by the Military Departments, and *bona fide* dependents are eligible for care in DOD medical (to include dental) facilities.

(1) Foreign Military trainees of non-NATO nations and all related civilian trainees will be provided medical care on a space-available, reimbursable basis at rates established by DOD.

(2) Foreign military trainees from NATO countries will be furnished medical care in the same scope and same costs as for U.S. military personnel and their dependents.

9. Training of Civilians Under FMS

a. Foreign civilian personnel may receive training provided they are Ministry of Defense (MOD) employees of eligible FMS

countries. Civilians must meet the normal course requirements, including proper security clearance when necessary.

b. Civilians are generally afforded the same protocol status as their equivalent military counterparts as shown in the ITO.

c. Civilians are not authorized commissary and exchange privileges. However, MilDeps may grant exceptions to this policy where warranted by unusual circumstances.

10. FMS Orientation Training Courses and Visits

a. Orientation training and visits as described in Chapter E, Part II are available to FMS purchasers on a full reimbursable basis to include expenses for a U.S. escort officer(s), CONUS travel of tour participants, local project officers, extraordinary expense and asset use charges. U.S. organizations in-country responsible for security assistance will plan orientation visits far enough in advance to permit adequate planning, and during the negotiation phase, will specify any unusual tour requirements.

b. Each orientation tour will be covered by a separate FMS case except when an open-end FMS training case exists against which, with the consent of the country, the cost of the tour is to be applied.

11. Mobile Training Teams (MTTs), and Field Training Services (FTS)

MTT and FTS as described in Chapter E, Part II are available to FMS purchasers on a fully reimbursable basis in accordance with DODI 2140.1, to include those costing factors for IMET as well as full pay and allowances of team's member. Planning and funding are as indicated for tours in paragraph 10, above. MTT and FTS should be included as a separate training item.

12. Training Relations

DOD organizations in foreign countries responsible for managing security assistance activities have the same responsibilities for FMST as for IMET, where practical, the

foreign governments will be encouraged to the maximum in supervising and administering their training programs (e.g., language testing, preparation of ITOs, pre-departure briefing, etc.).

13. Restrictions on Transfer of Training

Purchasing governments may not transfer training related to the use of U.S. materiel or services to other countries or organizations, or to anyone not an officer, employee, or agent of the purchasing government, nor use or permit the use of such training for purposes other than those for which furnished, without the consent of the USG. Therefore, technical skills and information acquired through U.S. training may not be used by the purchasing country to train personnel from a third country unless approved in advance. Countries should submit, via diplomatic note to the Department of State, requests for USG consent to transfer of training to third parties. If such requests are received by the Military Departments, they should be referred to DSAA, Comptroller for forwarding to the Department of State.

a. DOD policy on the sale of police training is as stated in para 3a(23), Chapter B, Part III based upon the restrictions placed on such training under IMET by Section 660 of the Foreign Assistance Act of 1961, as

amended. (See Chapters C and E, Part II). Training on a sales basis must be in support of military missions, including internal security, and not related to civilian law enforcement. Any request for training of units or individuals engaged in on-going civilian police functions will be reviewed by DSAA, Comptroller on its own merits. Major consideration is given to the type of training requested, purpose of training, functions the individual or unit will perform and organizational structure of the unit. Generally, the organization or individual must be under the control of the Ministry of Defense and not be engaged in on-going civilian police functions. (See para 3a(23), Chapter B, Part III).

14. Intelligence Training

Military intelligence training is a component of professional command staff training programs. The scope of military intelligence training normally available under FMST is limited to that which is directly related to combat or operational intelligence. All training requirements will be reviewed carefully by the Military Department and, wherever determined to be potentially sensitive, prior approval of DSAA will be obtained.

26. Offer Date

The offer date is the date on which defense articles or services are formally offered by DD Form 1513 to an eligible buyer. The I/A provides the date and is expressed by a five digit numeric code. The first two digits are the calendar year and the third through the fifth digits express the julian date.

27. Offer Expiration Date

The Offer Expiration Date (OED) as contained in the DD Form 1513 and provided in the 1 card. The case will be changed to extend status (E) when the OED is reached, and the case has not progressed to status (A) or (I). After 90 days in status (E), the case will be changed to status (X).

28. Reason for Change Code

A two-digit code used to signify the purpose of the change submitted and to control the posting of delivery and collection data.

- A 1....Add submission for the purpose of entering a new case record, or item detail record in the FMS master file. Always used with Cards 1, 2 and 4 (when no delivery data is included).
- A 2....Change submission for the purpose of recording a change in case status and/or a change in method of funding and dollar amounts. Also used to enter or change a forecast date or change a purchase price

or quantity of items purchased. This code is used in Cards A, B, and D when applicable.

- A 3....Purpose of change is to correct errors or omissions in data, other than deliveries or collections, which were previously recorded. This code is used in Cards A, B, and D when applicable. It is always used in Cards 5 and 6.
- A 4....This code is used only in changes made by DSAA based upon mechanical computation from other data submissions. It indicates that a change has been made in case status or in purchase price. It is used in Cards A, or D.
- B 0... Cumulative delivery or collection data as of the end of the fiscal quarter being reported.
- B 1.... Add submission for the purpose of entering a new item detail record in the FMS master file—when the 4 card also contains delivery data.

29. Record Serial Number

A code which identifies an item record within a case. The RSN is expressed by any three digit alpha or numeric code.

30. Selected Item Code

A single digit alpha or numeric code contained in Military Articles and Services List (MASL) which is used as a key to mechanical roll-up of data to a summary reporting level. Codes are as follows:

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Code	Recode Instruction
A	Retain basic generic code, NSN, description and Unit of Issue
B	Change NSN to 0000 000000 (all zeros).
C	Change third position of the generic code to X and NSN to all zeros.
D	Change third position of the generic code to H and NSN to all zeros.
E	Change third position of the generic code to S and NSN to all zeros.
F	Change second position of the generic code to 1 and NSN to all zeros. Drop quantity.
G	Change second position of the generic code to 2 and NSN to all zeros. Drop quantity.
H	Change second position of the generic code to 2 and third position of the generic code to Z. Change NSN to all zeros. Drop quantity.
J	Change third position of the generic code to C and NSN to all zeros.
K	Change third position of the generic code to F and NSN to all zeros.
L	Change third position of the generic code to Z and NSN to all zeros. Pick up description and U/I from MASL.
M	Change NSN to all zeros. Drop quantity.
N	Change third position of the generic code to O and NSN to all zeros.
P	(Code not used)
Q	Change second position of the generic code to 2 and third position of the generic code to B. Change NSN to all zeros.
R	Change second position of the generic code to 2 and third position of the generic code to N. Change NSN to all zeros.
S	Change second position of the generic code to 2 and third position of the generic code to R. Change NSN to all zeros.
T	Change second position of the generic code to 2 and third position of the generic code to E. Change NSN to all zeros.
U	Change second position of the generic code to 1 and third position of the generic code to Y. Change NSN to all zeros.
V	Change second position of the generic code to 4 and third position to X. Change NSN to all zeros.
W	Change second position of the generic code to 6 and third position of the generic code to E. Change NSN to all zeros.
X	Change second position of the generic code

Code	Recode Instruction
	to 6 and third position of the generic code to Y. Change NSN to all zeros.
Y	Change second position of the generic code to 4 and third position of the generic code to N. Change NSN to all zeros.
Z	Change second position of the generic code to 4 and third position of the generic code to R. Change NSN to all zeros.
1	(This is a repair part). Change second and third digit of the generic code to 9X. If the generic code is K9..., change to H9X; if the generic code is J9..., change to K9X. Change NSN to all zeros. Drop quantity.
2	(This is petroleum, gases and fuels). Change third digit of generic code to Y and NSN to all zeros. Drop quantity.
3	(This is requisitioned materiel). Change second and third digit of the generic code to 00 and NSN to all zeros. Drop quantity.
4	(This is a secondary item). Change second and third digit of the generic code to 00 and NSN to all zeros. Drop quantity.
5	(This is clothing and textiles). Change second and third digit of the generic code to 00 and NSN to all zeros. Drop quantity.
6	(This is ship overhaul). Change the generic code to M2X, and NSN to all zeros. Drop quantity.
7	(This is training aids and publications). Change the generic code to J5X and NSN to all zeros. Drop quantity.
8	(This is technical assistance). Change the generic code to M1X and NSN to all zeros. Drop quantity.
9	(This is a service—Infrastructure, Intl. Hqs., WPP, OIG, L0, L3 and L4). Change third digit of the generic code to 0 and NSN to all zeros. Drop quantity.
0	(This is a service). Change second and third digit of the generic code to 00 and NSN to all zeros. Drop quantity.
I	Change third position of generic to D and NSN to all zeros. Pickup description and unit of issue from MASL.
O	Change third position of generic to G and NSN to all zeros. Pickup description and unit of issue from MASL.
P	Change third position of generic to E and NSN to all zeros. Pickup description and unit of issue from MASL.

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- S. Lights and Fixtures—FSC 6210, 6230
- T. Instruments and laboratory equipment, other than aircraft—FSG 66, (Exc 6610)
- X. Industrial machines—FSG 36
- Z. Other support equipment
- 7. Other Support Equipment:
 - A. Medical/Surgical Equipment—FSC 6515
 - B. Dental Equipment—FSC 6520
 - C. X-Ray Equipment—FSC 6525
 - D. Hospital Equipment—FSC 6530, 6640
 - E. Chemistry/Laboratory—FSC 6630, 6640
 - F. Laundry & Dry Cleaning Equipment—FSC 3510
 - G. Shoe Repair Equipment—FSC 3520
 - H. Service & Trade Equipment—FSG 35 (Exc 3510, 3520)
 - K. Office Machines—FSG 74, 75
 - L. Pumps and Compressors—FSC 4310, 4320
 - M. Plumbing and Heating Equipment—FSG 45
 - N. Engines—FSG 28
 - P. Prefab and Portable Structures—FSG 54 (Exc 5420, 5440)
 - Q. Mine Drilling Equipment—FSC 3820
 - R. Refrigeration and Air-Conditioning Equipment—FSG 41
 - S. Firtfighting Equipment—FSC 4210
- K. SUPPLIES
 - 00. Other Supplies:
Includes industrial and construction supplies, tools and test equipment, raw materials other than ammo, office supplies, clothing and textiles, medical supplies, machinery and shop equipment. Excludes repair parts.
 - 1. Clothing and Textile Supplies:
 - A. Clothing, textiles and individual equipment—FSG 83, 84
 - 2. Medical Supplies:
 - A. Drugs, biologicals and surgical dressings—FSC 6505, 6510
 - Z. Other medical supplies—FSG 65 (Exc 6505, 6510)
 - 3. Subsistence:
 - A. Human subsistence—FSG 89
 - 4. General Supplies:
 - A. Hand and measuring tools—FSG 51, 52
 - Z. General supplies
 - 5. Industrial Supplies:
 - A. Industrial supplies
 - 6. Fuels, Oils and Chemicals
 - A. Jet fuel—FSC 9130
 - B. Aviation gasoline—FSC 9130
 - C. Automotive gasoline—FSC 9130
 - D. Diesel fuel—FSC 9140
 - E. Navy special fuel oil—FSC 9140
 - F. Chemicals—FSG 68
 - G. Solid fuel—FSC 9110
 - H. Fuel gases
 - Z. Other petroleum, oil and lubricants
- 7. Construction Supplies:
 - Z. Construction supplies
- 8. Automotive Supplies
 - A. Automotive supplies and equipment parts
- 9. Automotive Supplies and Equipment Spares:
 - X. Automotive spare parts
- L. SUPPLY OPERATIONS
 - 1. Transportation Costs:
 - A. Inland transportation
 - B. Ocean transportation
 - C. Air transportation
 - D. Parcel Post
 - 2. Packing, Crating, Handling, Port Loading and Unloading Costs:
 - A. Packing, crating and handling
 - B. Port loading
 - C. Port unloading
 - 4. Storage and Maintenance of FMS Stockpiles:
 - A. Storage and maintenance, FMS Materiel
 - 6. Logistic Management Expenses:
 - A. Logistic Management Expenses
- M. MAINTENANCE OF EQUIPMENT
 - 00. Repair and Rehabilitation
 - 1. Contract Technicians and Contract Services:
 - X. Technical assistance
 - 2. Repair and rehabilitation of Equipment:
 - A. Repair and rehabilitation of aircraft and aircraft engine overhauls (includes aircraft IRAN).
 - C. Repair and rehabilitation, other
 - X. Overhaul of ships
- N. TRAINING
 - 00. Training
- P. RESEARCH AND DEVELOPMENT
 - 00. Research and Development
- Q. CONSTRUCTION
 - 00. Construction
- R. SPECIAL ACTIVITIES
 - 00. Other Services
 - 4. Studies and Surveys
 - A. Studies and surveys
 - 9. Other Special Activities:
 - A. Special activities or industrial facilities
 - B. Non-specific requirements

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- C. Open end FMS case
- D. Royalty payments
- E. Loan Fees

S. FOREIGN MILITARY SALES

- 00. Credit Sales
- 4. Commercial Sales
 - A. Commercial sales
- 5. Interest Guarantee
 - A. Interest Guarantee

- U. Foreign Military Sales Order No. 1 (FMSO 1)

21. Implementation Date

The date when supply action on the FMS case is initiated. This date is most often concurrent with the acceptance date but could occur subsequent to that date if the DD Form 1513 does not contain, at the time of signing, sufficient authority for procurement of items therein. Example, a required down payment does not accompany the DD Form 1513. In the FMS reporting system, the date is expressed by a five digit numeric code. The first two digits are the calendar year and the third through the fifth digits express the nominal date.

22. Implementing Agency Code

The implementing agency code is a single digit alpha code identifying the military department or agency which has made the sales on behalf of the U.S. Government. In addition, a code is provided for the Office of the Secretary of Defense to be used for documenting certain financial transactions which are performed at that level. Codes are as follows:

Code	Implementing Agency
B	Department of the Army
D	Department of the Air Force
P	Department of the Navy
Q	DSAA
R	DSA (Defense Supply Agency)
S	Commercial

23. Item Count

The number of line items shown in DD 1513 which make up a single case. One detail record is established in the FMS master file for each line item. A three digit numeric code is used in the FMS reporting system for the count (e.g., 008). NOTE: Item count

is optional—it is recorded if reported but not used by DSAA.

24. Letter Of Request (LOR)

A letter from a country requesting materials and/or services which will lead to the preparation of a DD Form 1513. The LOR is the document used to initiate the entry of a Q card into the LOR/FMS system.

25. Method of Funding Code

A single numeric digit entered into the RCS: DSAA(AR)1100 reporting system to identify the specific type of financing of a Foreign Military Sales agreement.

Code	Method of Funding
1	Cash Sale. Used when the entire sale is financed from cash.
2	Credit Sale. Used when the entire sale is financed from DOD direct and/or guaranteed FMS credit funds, under a single credit arrangement between the U.S. Government and the purchasing country or international organization.
3	Credit Sale. Used when the entire sale is financed from DOD direct and/or guaranteed funds, under two separate credit arrangements between the U.S. Government and the purchasing country or international organization.
4	Credit Sale. Used when the entire sale is financed from DOD direct and/or guaranteed FMS credit funds, under three separate credit arrangements between the U.S. Government and the purchasing country or international organization.
5	Credit Sale. Used when the entire sale is financed from DOD direct and/or guaranteed FMS credit funds, under four or more separate credit arrangements between the U.S. Government and the purchasing country or international organization.
6	Split Funding Sale. Used when financing is from both cash and credit arrangement.
7	Split Funding Sale. Used when financing is from both cash and two credit arrangements.
8	Split Funding Sale. Used when financing is from both cash and three credit arrangements.
9	Split Funding Sale. Used when financing is from both cash and four or more credit arrangements.

31. Spare Parts Code

A single digit alpha code used to construct an item detail record for concurrent spare parts (CSP) or air/ground equipment (AGE). Codes are as follows:

<i>Code</i>	<i>Meaning</i>
N	Concurrent spare parts. Always use in combination with the FSN of the major item to which the concurrent spares apply and the generic code of the appropriate repair parts category. These generic codes are A9C, B9C, C9A, F9A, H9A, K7Z and K8A.
A	Air/ground equipment. Always use in combination with the FSN of the major item to which the AGE applies and generic code A7A.

32. Status Code

A single digit alpha code used to denote the status of a Foreign Military Sales case from its inception as an offer to a foreign government until all deliveries and financial transactions have been completed. Status codes are assigned by implementing agencies and all changes in status code, except two, are posted on the basis of changes reported by the implementing agency. The two exceptions are changes in status codes posted by DSAA as a result of computer pre-programming. Status codes are as follows:

<i>Code</i>	<i>Meaning</i>
O	Open offer. A formal offer has been transmitted to the foreign government by DD Form 1513 and acceptance or refusal by the foreign government is awaited.
E	Extended offer. An offer which has not been accepted or rejected by the country and the Offer Expiration Date (OED) has been reached. Application of this code indicates either a reporting lapse by an implementing Agency or that the foreign government has not acted during the time established for response on the DD Form 1513. When the OED is reached, the status is automatically changed to E. After 30 days in status E, the status will be changed to cancelled (X). The Implementing Agency should never report a status change to E or X as the system will not process card input status changes to either E or X.
A	Accepted offer. The foreign government has accepted the case by signature of DD Form

<i>Code</i>	<i>Meaning</i>
	1513. Status code A is assigned even though the foreign government may not have made the initial downpayment of cash advance required under terms of the sales agreement.
I	Implemented case. A case for which the foreign government has accepted the offer and fulfilled all financial obligations necessary prior to commencement of supply action; or if financing is by DOD credit when necessary funds have been allocated by DSAA to the implementing agency. This code signifies that all conditions prerequisite to beginning supply action have been fulfilled and that supply agencies of the military departments have been directed to begin execution of the sales agreement. In many instances it will be possible to move directly from status "O" to status "I" because implementation occurs simultaneously with acceptance of the case by the foreign government.
R	Renegotiated case. The items, prices, financing or other terms of the original sales agreement have been modified by formal renegotiations between the U.S. and the foreign government. Normally only cases with status code I may be changed to status code R since changes in terms of the offer at the time of acceptance are not considered renegotiations.
C	Completed Case. A closed case for which (1) delivery of all items and performance of all services specified in the sales agreement have been completed by the implementing agency, (2) collections (or equivalent transaction) have been completed and (3) a final accounting statement has been furnished the purchaser. This code is assigned by the Military Department concerned.
X	Cancelled case. An offer which has not been accepted by the foreign government during the time period allowed; an offer withdrawn by the U.S. government; an offer declined by the foreign government; or an accepted case which is cancelled by either the foreign government or the U.S. government. Cancelled cases will be dropped from the 1100 System one year from the date of the offer; however, all line item detail records or collection records are automatically deleted by DSAA when a change card contains an X.

33. Sub-Area Code

The sub-area code is not contained in FMS input cards but is assigned as supple-

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mental data in computer records for use in selecting and sorting FMS data by geographical areas. The sub-area code is a single digit numeric code used in sorting so that countries precede international agencies or other activities. The numeric code 1 is assigned to countries and the numeric code 2 is assigned to international agencies and other activities.

34. System Code

The single digit alpha code S is punched in column 1 of all cards used in the FMS reporting system. The purpose of this code is to distinguish cards used in the FMS system from other card or tape data used in Security Assistance operations.

35. Type of Assistance Code

This code distinguishes various types of Foreign Military Sales agreements for MILSTRIP requisitioning purposes. The implementing agency enters one or more of the following symbols as appropriate in the "Terms" block of the Letter of Offer, in accordance with the instructions in Part III, Chapter G, paragraph 3.:

- 3 Cash Sale for Stock with Payment in Advance
- 4 Source of Supply not Predetermined
- 5 Cash Sale from Procurement with Payment in Advance
- 6 Cash Sale from Stock with Payment on Delivery
- 7 Cash Sale from Procurement with 120 Day Payment
- 8 Cash Sale from Stock with 120 Day Payment
- U Foreign Military Sales Order (FMSO) No. 1
- V Foreign Military Sales Order (FMSO) No. 2
- Z DOD Direct or Guaranteed FMS Credit

36. Unified Command Codes

Unified Command codes are not contained in FMS cards but are assigned as supplemental data in DSAA records for use in selecting and sorting sales data by Unified

Command. This code identifies the Unified Command having cognizance over each FMS recipient, except non-regional, and is the key for segregating ADP listings for transmittal to unified commands. Unified Command codes are:

<i>Code</i>	<i>Unified Command</i>
E	European Command.
P	Pacific Command.
S	Southern Command.
N	Non-Regional.

37. Unit of Issue Codes

The following unit of issue abbreviations in the Federal Supply Catalogs are applicable to Military Assistance and FMS systems:

<i>Abbreviation</i>	<i>Description</i>
BT	Bottle
DR	Drum
CN	Can
EA	Each
PR	Pair
CY	Cubic Yard
FT	Foot
RE	Reel
DM	Dram
LB	Pound
SE	Set

In addition, the following exceptional codes are used:

<i>Abbreviation</i>	<i>Description</i>
MX	Thousands of rounds (ammunition)
XX	Dollars

38. Valid Letter Of Request

A request for an FMS materiel or service submitted through official channels which will normally cause the Military Department to prepare a Letter of Offer. An informal request for a Price and Availability data, which will not directly lead to the preparation of a Letter of Offer will not be entered into the LOR subsystem.