



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, D.C. 20301

15 September 1986

In reply refer to:
Transmittal No. 7
DOD 5105.38-M

MEMORANDUM FOR RECIPIENTS OF DOD 5105.38-M, SECURITY
ASSISTANCE MANAGEMENT MANUAL (SAMM)

SUBJECT: SAMM Change 7 Transmittal

The attached revised material updates the basic publication.

Make the applicable change to the SAMM in accordance with the
attached list of changes by inserting new pages.

This change is effective 15 September 1986.

A handwritten signature in cursive script, reading "Philip C. Gast", is positioned above the typed name.

PHILIP C. GAST
LIEUTENANT GENERAL, USAF
DIRECTOR

Attachments

1. List of Changes
2. List of Effective Pages
3. List of material incorporated
within Change 7
4. SAMM Updated pages

DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
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CATEGORY VIII - AIRCRAFT, SPACECRAFT AND ASSOCIATED EQUIPMENT

A-4A (N)	15,165.00	20 Oct 83
A-4B (N)	12,864.00	20 Oct 83
A-4C (N)	15,523.00	20 Oct 83
A-4E (N)	27,929.00	20 Oct 83
A-4F (N)	32,226.00	20 Oct 83
A-6 (N)	(a)	
A-7 (N) (w/o FLIR)	243,881.00	8 Apr 81
A-10 (AF) Airframe	388,786.00	12 Mar 82
A-37 (AF)	19,651.00	
AH-1S (A)	150,856.00	7 Mar 81
AH-1J/T (N)	(a)	
AH-64 (A)	1,045,566.00	30 Dec 83
AV-8B (w/o U.K. Assessment) (N)	867,373.00	26 Jun 81
C-5A (AF)	12,661,728.00	12 Mar 82
C-130 (AF)	102,520.00	3 Aug 83
C-141A/B (AF)	892,254.00	12 Mar 82
CH-47 (A) (A, B, & C)	100,000.00	
(including Engine T-55-L-11A)		
CH-53E/MH-53E (N) (less Engine)	1,023,079.00	12 May 83
E-2C (N)	2,625,904.00	18 May 78
E-3A, U.S./NATO Standard Configuration (AF)	33,021,000.00	26 Oct 81
(Total U.S. NRC charge \$27.43M; Total NATO NRC charge \$5.59M)		
EA-6 (N)	(a)	
F-4A (N)	129,712.00	20 Oct 83
F-4B (N)	70,450.00	20 Oct 83
F-4J (N)	122,089.00	20 Oct 83
F-4E (N) (w/engines) (25% discounted for useful life)	159,408.00	20 Oct 83
F-4G Wild Weasel (AF) (MOD only)	667,241.00	12 Mar 82
F-5A (AF)	40,000.00	1 Nov 71
F-5E (AF)	68,000.00	1 Nov 71
F-5F (AF)	207,000.00	25 Nov 75
F-8 (N)	56,859.00	12 May 81
F-14 (N)	1,600,000.00	29 Nov 76
F-15 (AF)	1,600,000.00	29 Nov 76
F-16 A/B (AF) (less EPG pro rata NRC \$85,000.00)	640,000.00	4 Jun 80
F-16A Simulated Aircraft Maintenance Trainer (SAMT) (AF)	172,220.00	3 Jul 85
F-16 C/D (AF)	713,750.00	12 Apr 84
F-16/79 (U.S. Charge) (AF)	456,934.00	1 May 81

TABLE 7-1-1. (Continued)

	DSAA Approved Pro Rata Nonrecurring Cost (NRC) Recoupment Charge \$	Date NRC Charge Approved
LSD - Dock Landing Ship (N)	(b)	
LST - Tank Landing Ship (Newport Class)(N)	824,840.00	25 Jan 84
LKA - Amphibious Cargo Ship (N)	(b)	
LPA - General Purpose Amphibious Assault Ship (N)	(b)	
MSO - Minesweeper, Ocean, Nonmagnetic (N)	(b)	
PHM - Patrol Combatant Missile, Hydrofoil (N)	(a)	
SS - Submarine, Conventionally Powered (N)	(b)	

CATEGORY VII - TANKS AND MILITARY VEHICLES

Armored Reconnaissance		
Airborne Assault Vehicle, M-551 (A)	33,213.00	
Carrier, Armored Personnel, M-113 Series (A)	688.00	11 Sep 78
Carrier, Command Post, M-577 Series (A)	688.00	11 Sep 78
Carrier, Cargo, M-548 Series (A)	688.00	11 Sep 78
Gun, Self-propelled, 175mm, M-107 (A)	40,258.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110 (A)	14,371.00	26 May 80
Howitzer, Self-propelled, 8", M-110A1 (A)	16,975.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110A2 (A)	21,069.00	26 Mar 80
Howitzer, Self-propelled, 155mm, M-109 Series (A)	5,636.00	26 Mar 80
Howitzer, Med, Towed, 155mm, M-198 (A)	80,876.00	21 May 79
Mechanized Infantry Combat Vehicle, M-723 (A)	(a)	
Tank, M-48A1 (A)	1,479.00	
Tank, M-48A3 (A)	5,521.00	
Tank, M-48A5 (A)	12,849.00	
Tank, M-60A1 (A)	14,083.00	3 Mar 80
Tank, M-60A3 w/TTS (A)	31,427.00	3 Mar 80
Tank, M-60A3 w/o TTS (A)	21,939.00	3 Mar 80
Tank, M-1 (A)	132,162.00	20 Aug 84
Tank, M-1A1 (A)	237,048.00	20 Aug 84
Tank Engine, AVDS-1790 (A)	2,066.00	3 Mar 80
Vehicle, Infantry Fighting (M2) (A) (w/o 25mm Cannon)	74,715.00	25 Jun 82
Vehicle, Infantry Fighting (M2) (A) (with 25mm Cannon)	79,392.00	25 Jun 82
Vehicle, Infantry Fighting (M3) (A) (w/o 25mm Cannon)	73,678.00	25 Jun 82
Vehicle, Infantry Fighting (M3) (A) (with 25mm Cannon)	78,355.00	25 Jun 82
Vehicle, Recovery, M-88 Series (A)	15,089.00	13 Feb 80
Vehicle, AAV7/AAVA1 Amphibious Assault (N)	91,426.00	20 Apr 82
Vulcan Air Defense System, M-163 and M-167 Series (A)	29,439.00	26 Mar 80

TABLE 7-1-1. (Continued)

LIST OF CHANGES

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SECURITY ASSISTANCE MANAGEMENT MANUAL (SAMM)**FORMAL CHANGE NO. 7 INCLUDES THE FOLLOWING INFORMATION:****INTERIM CHANGES INCORPORATED:**

<u>Number</u>	<u>Subject</u>
86-08	To Chapter 8, Section V, Figure 8-V-1, Para. J, the following sentence was added: "Amendments exempted from countersignature should contain the following implementing agency entry: 'Not Required: SAMM, Chapter 8, Section V, Paragraph A.2. Date Reviewed (Enter Date).'" To Chapter 8, Section V, Figure 8-V-2, Para. I, the following sentence was added: "Modifications exempted from countersignature should contain the following implementing agency entry: 'Not Required: SAMM, Chapter 8, Section V, Paragraph C.4. Date Reviewed (Enter Date).'" [DSAA/COMPT-FMSCD Msg. 152342Z Aug 86]
86-07	Chapter 7, Section III, Figure 7-III-2, "Contract Administration Reciprocal Agreements." Under United Kingdom, insert "United Kingdom, 30 December 1985, Quality Assurance and Inspection." [DSAA/OPS-E Msg. 112038Z Jul 86]
86-06	Chapter 4, Section I, Para. C.3., "Eligible Countries," was revised. [DSAA/OPS-E Msg. 271622 May 86]
86-05	Chapter 12, Figure 12-I-11, "RCS: DSAA(Q)1146," was revised. Section I, Para. G.1., Quarterly Report, was revised to include the words "with a copy to SAAC." [DSAA/OPS-E Msg. 221508Z May 86]
86-04	Chapter 6, Para. C.6.c., "Withdrawal from U.S. Forces." This paragraph was revised to include the following: "If tanks are being withdrawn, a determination will be included in the required Congressional notification that the proposed sale will not increase the shortage of tanks in the U.S. National Guard or Reserve during the current five-year defense plan. Should tanks need to be withdrawn from the U.S. National Guard or Reserve, the Congress shall be advised of the plan to replace the specific tanks." [DSAA/OPS-E Msg. 250224Z Apr 86]

MISCELLANEOUS INFORMATION INCORPORATED:**CHAPTER 6:**

- Section I, Para. C.5., "Diversion of Materiel," was revised to correct the deficiency in ICR #40, Significant/Adverse Impact Diversion/Withdrawal from Defense Stocks.
- Section I, Para. C.12. The phrases "*defense requirement survey*" and "*defense requirement survey team*" were changed to "*security assistance survey*" and "*security assistance survey team*."
- Section I, Table 6-I-1, "Foreign Countries and International Organizations Eligible to Purchase Defense Articles and Defense Services under the Authority of the AECA," was revised

as follows. Dahomey was changed to Benin; Upper Volta was changed to Burkina Faso and Cape Verde, Chad, Guinea-Bissau, Mali, and Mauritania were added. A few other typographical corrections were made also.

- Section I, Tables 6-I-2 and 6-I-3: "*Defense Requirement Survey Team*" was changed to "*Security Assistance Survey Team*."

CHAPTER 7:

- In several places "*concurrent* resolution" was changed to "*joint* resolution."
- Section I, Para. C.4.(2), "Limitation of Cost or Funds." The reference to the "DAR" was changed/updated to "FAR."
- Section I, Table 7-I-1, "MDE List." Under Category VIII - Aircraft, Spacecraft, and Associated Equipment, the nonrecurring cost recoupment charge for a C-130 (AF) was changed from \$103,520.00 to \$102,520.00.
- Section III, Para. M.2.b.(10), "Administrative and Accessorial Charges." The second sentence was changed to read: "However, one half (50%) of the administrative fee reflected in block 23 of the DD Form 1513 will normally be required with acceptance of the LOA."
- Section IV, Para. B.2.d., "Congressional Objection to a Proposed Sale," was deleted.

CHAPTER 8:

- In Section III, a new paragraph F.3.g. entitled "Controlled Substances" was added.
- In Section III, Table 8-III-2, "Potential Sources for Listing of Freight Forwarders," the Civil Aeronautics Board address was deleted.
- Section V, Para. C.5., "Price Changes During Case Closure," was rewritten as follows: "Price increases or decreases discovered during case closure will be assessed the country during final billing if a closure certificate can be provided to the SAAC within six months of the supply completion date. When case closure certification will take more than six months from the supply completion date and the estimated final cost is expected to vary (increase or decrease) from the current case value by \$500,000 or 10% (whichever is less) a DD Form 1513-2 adjusting the case value is required."

CHAPTER 9:

- In Section III, Para. J.2., "OSP Determinations," the following sentence was added: "DODD 2125.1 outlines OSP [Offshore Procurement] procedures when Military Assistance Program (MAP) funds are involved."
- Section III, Para. K.4. Concerning repayments overdue, the words "one year or more" were changed to "more than one year." The portion of this same paragraph which dealt with the Brooke Amendment was revised extensively and now lists specific sanctions.

CHAPTER 10:

- In Section I, Para. A.3., "Scope of Program," the following sentence was added: "For programming purposes, Hawaii is considered to be an overseas location."

- In Section I, Para. D.1.n., "Repetitive Training," the following phrase was added: "to include formal classroom training following MTT instruction in the same subject material."
- Section I, under Para. E, "Training Guidance," two new paragraphs (1 and 2) were added covering the following subjects: training planning and Joint Service Training Planning Work - shops (objectives, format, attendance, SAO two-year training plans and presentations, SAO requests for exception to policy, and MILDEP presentations).
- In Section I, a new Para. E.15., "Foreign Military Trainee Positions of Prominence and Influence Reporting," was added. This information was initially addressed in DSAA/COMPT/TMD Msg. 232357Z May 86.
- Section I, Para. K.5., "Mid-Year Review of IMET Allocation Levels," the last part of the paragraph was revised as follows: "Recommendations for increases [in IMET allocation levels] will be prioritized within each Unified Command *and will include a descriptive narrative to identify the type of training and number of students associated with the dollars requested. Specific WCN numbers should be identified.*"
- Section I, Para. M.2.b.(2)(a), "Foreign Guest Instructors (Panama Canal Area Military Schools)," was deleted.
- Section II, Table 10-II-2, "Table of Daily Supplemental Living Allowances for IMET Foreign Military Trainees," was revised reflecting new rates. This information was initially addressed in DSAA/COMPT/TMD Msg. 211446 Jan 86.

CHAPTER 11:

- In several instances, Defense *Property Disposal* Service (DPDS) was changed to Defense *Reutilization and Marketing* Service (DRMS) and Defense *Property Disposal* Office (DPDO) was changed to Defense *Reutilization and Marketing* Office (DRMO).
- In Section II, Para. F.1., "Legislative Requirements," the following sentence was added to the end of paragraph a.: "In the case of items which were delivered prior to 1975, the President may waive the requirement that such net proceeds be paid to the United States Government if he determines that to do so is in the national interest of the United States."

CHAPTER 12: In several places "*concurrent* resolution" was changed to "*joint* resolution".

CHAPTER 13: In Section I, Para. C.1.b.(d), "Base Operating Support Costs," and C.1.b.(e), "Dedicated Security Assistance Activities," were rewritten.

APPENDIX A:

- ASD(MI&L), Assistant Secretary of Defense (Manpower, Installations and Logistics), was changed to ASD(A&L), Assistant Secretary of Defense (Acquisition and Logistics).
- DAVA, Defense Audiovisual Agency, was deleted.
- NICSMA, NATO Integrated Communications System Management Agency, was changed to NACISA, NATO Communications and Information Systems Agency.
- SCE, Significant Combat Equipment, was deleted.
- SME, Significant Military Equipment, was added.

APPENDIX B: Significant *Combat* Equipment (SCE) was changed to Significant *Military* Equipment (SME).

APPENDIX D:

- On page 6 of Table D-5, "Country/Activity Code - Alphabetic," the reference "NATO Integrated Communications System Management Agency (NICCSMA)" was changed to "NATO Communications and Information Systems Agency (NACISA)."
- Table D-11, "Type of Assistance Code - 1000 System." At the bottom of this table, the reference to Type of Assistance Codes used in other than Grand Aid transactions and Type of Assistance Code "F" and its meaning were deleted.

APPENDIX E:

- The title of Appendix E was changed to "Congressional Reports Inventory and DSAA Reports Control System."
- Para. A., Purpose, was rewritten.
- Para. B. heading--"Reports Inventory"--was changed to "*Congressional* Reports Inventory."
- A new Para. C, "DSAA Reports Control System," was added.
- Figure E-2, "Report of EDA Sold under FMS" -- in two places the word *month* was changed to *quarter*.
- Added new Figure E-4 and E-5 (front and back to DSAA Reports Control form).
- A complete new Table E-1, "Statutory Reports to Congress Submitted by DOD on Security Assistance," and Table E-2, "Current Reporting Requirements under DSAA Reports Control System," are provided.

Note: In addition, minor administrative corrections were made on various pages, and other pages are included due to repagination.

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b. Foreign Military Construction Sales (FMCS). In addition to sales of defense items and defense services, the Department of Defense may sell design and construction services to eligible foreign countries or international organizations (AECA, Sec. 29). Such sales are treated as a separate category from FMS, but as AECA sales.

c. Proper Use of Materiel. Consistent with its resources and the situation prevailing in country, the designated U.S. SAO is responsible for supervising and reporting on the utilization by the foreign country of defense articles and services acquired through FMS or leased to the recipient by the DoD.

d. Diversion of Materiel. DoD policy calls for a determination to be made that sale of a defense item will not degrade U.S. defense efforts by taking needed equipment from U.S. stocks (withdrawals), or by disrupting deliveries of critical items from production for U.S. forces (diversions), unless security or foreign policy requirements are such that sale of the item is in the overall U.S. national interest.

e. Insurance. Purchasers will self-insure FMS shipments or obtain commercial insurance without any right of subrogation of any claim against the United States. In extraordinary situations, and upon specific request by the purchaser and receipt of written authorization from the purchaser for the designated departmental procurement activity to act as the agent of the purchaser to obtain pricing quotes and, if necessary, procure the insurance required, insurance may be obtained by the military department concerned and billed as a separate line item on DD Form 1513. For FMS cases already implemented, authorized insurance coverage can be added by amendment. Whenever a military department does provide these services to a purchasing country or organization, it should obtain insurance from a U.S. insurance firm if possible, and in any event it should point out that this is an exceptional arrangement, and should encourage and assist the purchaser to make its own arrangements for insurance for subsequent cases.

f. Delivery Commitments. The availability data set forth in FMS cases which have been properly accepted and funded by the purchasing country or international organization constitute commitments by the U.S. Fulfillment of these commitments is an important measure of the good faith of the U.S. in dealing with its friends and allies. Accordingly, all DoD components shall assure that FMS delivery commitments are fully coordinated, and that the material conforms to the standards on the LOA, and can be delivered in the agreed time period. Cases where proposed sales involve the delivery of major equipment which is in relatively short supply, or in less than procurement lead time, or which the military departments determine to be in conflict with U.S. requirements, shall be referred promptly to the DSAA. In this matter, early awareness of foreign requirements which generate production/delivery conflicts will enable the DoD to establish the most favorably attainable delivery schedule.

g. Materiel Standards. It is DoD policy that defense articles offered and sold to foreign governments and international organizations should reflect favorably upon the United States. Therefore, defense articles offered and sold under FMS 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 end items of equipment, this requirement will be stated in the LOA. If the customer desires to purchase "as is/where is," this will also be stated in the LOA.

h. Procurement in Foreign Countries. Unless dictated by overriding logistics considerations approved by the Secretary of Defense, the DoD will not enter into sales arrangements which entail commitments for DoD procurement in foreign countries.

3. Financial Management.

a. Recovery of Cost. The FMS program must be managed at no cost to the U.S. Government (with certain exceptions specifically covered by law), while insuring prompt and complete service to the customer. This requires a thorough understanding of procedures for pricing items or services furnished, administering FMS cases, and reporting of deliveries of materiel or services. The LOA agreement 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. Payment in U.S. Dollars. Sales may be made under FMS only if the eligible purchaser agrees to pay in U.S. dollars (AECA, Secs. 21 and 22). Payment in kind (barter) is authorized by Section 21(h) AECA under the limited circumstances specified therein.

c. Credits.

(1) Use of Credit for Essential Items. Credit and credit guaranties under the AECA will be used only to assist countries in acquiring essential items which cannot reasonably be financed by other means and normally will be used only to finance investment requirements.

(2) Use of Concessionary Credit Terms. Concessionary credit terms (i.e., interest rates less than cost of money to the U.S. Government) will be granted only when determined by the President (Sec. 23, AECA). *

(3) Repayment of Credit. FMS credits must be repaid in U.S. dollars within 12 years after the loan agreement has been signed on behalf of the U.S. Government (Sec. 23, AECA), unless otherwise provided for by U.S. law. *

(4) Use of Credit Payments. Cash received from FMS and from repayments of FMS credits shall not be used for financing new credits or guaranties. (Sec. 37, AECA).

d. Financing of Sales.

(1) U.S. Guaranties. Financing by any individual, corporation, partnership, or other judicial entity doing business in the U.S. (excluding U.S. government agencies other than the Federal Financing Bank) may be guaranteed by the U.S. Government if such financing is in connection with FMS

or FMCS or direct commercial sales of defense items. Fees shall be charged for such guaranties. (Sec. 24, AECA)

(2) Export-Import Bank. Export-Import Bank financing of sales of defense items to economically less developed countries is prohibited. (Sec. 32, AECA).

TABLE 2-III-1
PART 121 -- THE UNITED STATES MUNITIONS LIST

[Extracted from the International Traffic in Arms Regulations (ITAR), printed in the Federal Register, Vol. 49, No. 236, December 6, 1984, Rules and Regulations, pages 47682 through 47712.]

*

**PART 121—THE UNITED STATES
MUNITIONS LIST**

Enumeration of Articles

Sec.

- 121.1 General. The United States Munitions List.
- 121.2 Interpretations of the United States Munitions List.
- 121.3 Aircraft and related articles.
- 121.4 Amphibious vehicles.
- 121.5 Apparatus and devices under Category IV(c).
- 121.6 Cartridge and shell casings.
- 121.7 Chemical agents.
- 121.8 End-items, components, accessories, attachments, parts, firmware, software and systems.
- 121.9 Firearms.
- 121.10 Forgings, castings and machined bodies.
- 121.11 Military demolition blocks and blasting caps.
- 121.12 Military explosives.
- 121.13 Military fuel thickeners.
- 121.14 Propellants.
- 121.15 Vessels of war and special naval equipment.

Authority: Section 38, Arms Export Control Act, 90 Stat. 744 (22 U.S.C. 2778); E.O. 11958, 42 FR 4311; 22 U.S.C. 2658.

Enumeration of Articles

§ 121.1 General. The United States Munitions List.

(a) The following articles, services and related technical data are designated as defense articles and defense services pursuant to sections 38 and 47(7) of the Arms Export Control Act (22 U.S.C.-2778 and 2794(7)).

Changes in designations will be published in the Federal Register. Information and clarifications on whether specific items are defense articles and services under this subchapter may appear periodically in the Munitions Control Newsletter published by the Office of Munitions Control.

(b) *Significant Military Equipment.* An asterisk precedes certain defense articles in the following list. The asterisk means that the article is deemed to be "significant military equipment" to the extent specified in § 120.19. The asterisk is placed as a convenience to help identify such articles.

Category I—Firearms

* (a) Nonautomatic, semi-automatic and fully automatic firearms to caliber .50 inclusive, and all components and parts for such firearms. (See §§ 121.9 and 123.16-123.19.)

(b) Riflescopes manufactured to military specifications, and specifically designed or modified components therefor; firearm silencers and suppressors, including flash suppressors.

(c) Insurgency-counterinsurgency type firearms or other weapons having a special military application (e.g. close assault weapons systems) regardless of caliber and all components and parts therefor.

Category II—Artillery Projectors

* (a) Guns over caliber .50, howitzers, mortars, and recoilless rifles.

(b) Military flamethrowers and projectors.

(c) Components, parts, accessories and attachments for the articles in paragraphs (a) and (b) of this category, including but not limited to mounts and carriages for these articles.

[NOTE: "Significant military equipment" means articles for which special export controls are warranted because of their capacity for substantial military utility or capacity.]

*
(del)

TABLE 2-III-1. The United States Munitions List.

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SECTION IV - SPECIAL PROVISIONS

A. CONSTRAINTS ON ELIGIBILITY.

1. Terrorism. Unless the President finds that the national security requires otherwise, he shall terminate all assistance, sales, credits and guaranties to any government which aids or abets (by granting sanctuary from prosecution) any individual or group which has committed an act of international terrorism. [Sec. 620A, FAA, and Sec. 3(f), AECA]

2. Nationalization of U.S. Property. Assistance will be suspended for countries which have nationalized, expropriated, or seized U.S. property, or have imposed discriminatory taxes. Assistance is also to be suspended if a country has initiated steps to repudiate or nullify existing agreements with U.S. citizens or entitles without taking proper compensatory action.

3. Transfer. The purchaser or grant recipient must agree not to transfer title or possession of any defense article or related training or other defense services to any other country without prior U.S. consent; the President must report to the Congress before such consent is given. [Sec. 3(a)(2), AECA, and Sec. 505(a), FAA].

4. Proper Use of Materiel. Sales and assistance may be made to countries only for purposes of internal security, legitimate self-defense, civic action, or regional or collective arrangements consistent with the United Nations (U.N.) Charter, or requested by the U.N. (Sec. 4, AECA, and Sec. 502, FAA).

5. Communist-Controlled Countries. Assistance may be provided to Communist countries only if the President exercises his waiver authority under section 614(a), FAA and concomitantly finds and reports to Congress that such assistance is vital to the security of the United States and promotes the independence of the recipient country from international communism. [Sec. 620(f), FAA].

6. Narcotics. Economic and military assistance and sales to a country will be suspended if the President determines the government of that country has failed to take adequate steps to prevent either the sale of illegal drugs or other controlled substances to U.S. government personnel or their dependents or the smuggling of such narcotics into the United States. [Sec. 481(h), FAA].

7. Violations. Any government using American equipment and/or services in substantial violation of an applicable agreement entered into under U.S. law with that government shall be made ineligible for future U.S. assistance until such time when the President determines that such violations have ceased and has been assured that they will not recur. [Sec. 505(d), FAA, and Sec. 3(c), AECA].

8. Police, Counterterrorism, and Military Intelligence Programs.

a. The FAA prohibits using funds authorized under the Act to conduct any police training or related programs either in a foreign country, or in the United States. All military assistance, not just training, is subject to this prohibition.

b. "Police" training in the context of the FAA prohibition includes military police as well as civilian police, if the military police perform on-going civilian law enforcement functions. Neither the name given to a unit nor the ministerial authority under which it operates is sufficient to determine whether a particular unit is a "police unit." The determining factor is the nature of the functions performed by the unit. Assistance in foreign countries for any phase of civilian law enforcement (except maritime law enforcement or international narcotics control) is prohibited.

c. The AECA does not prohibit police training or related programs. However, prior DSAA approval shall be obtained before offering this type defense article or service through foreign military sales procedures.

d. If the DSAA authorizes foreign students to attend military police training, foreign government must certify that the students will not be involved in any civilian law enforcement functions for at least two years after receiving the training.

e. "Law enforcement" includes apprehension and control of political offenders and opponents of the government in power (other than prisoners of war), as well as persons suspected of common crimes.

f. The prohibitions discussed above do not apply to units that have the sole function of that aspect of internal security which may involve combat operations against insurgents or legitimate self-defense of national territory against foreign invasion, whether or not the unit is called "police."

g. If some personnel from a smaller unit within a larger unit that is eligible for assistance are detailed to on-going civilian law enforcement functions, then just the smaller unit will be prohibited from receiving grant support under the Foreign Assistance Act. However, no grant funds may be used in any program of internal intelligence or surveillance on behalf of any foreign government either within the United States or abroad.

h. Antiterrorism and Counterterrorism training may be requested through the Department of State (Attention: M/CI and PM/SAS) using United States Embassy channels. The DSAA should be informed of any request for antiterrorism or counterterrorism training.

i. Limited military intelligence training is available. The scope of this type training shall be limited to training that is directly related to combat or operational intelligence or intelligence management of combat or operational intelligence at the joint military staff level. In case of doubt about whether or not a particular course or type of training falls into one of these two categories, obtain a clarification from the DSAA.

j. Defense articles, defense services and training will not be sold or leased to foreign organizations or personnel under the AECA unless

they are part of the national defense establishment, under the direction and control of the ministry responsible for defense matters.

k. Requests for training for foreign personnel (or units) that are not part of the Defense Ministry must be directed to the Department of State and to the Agency of International Development through United States Embassy channels. The DSAA and relevant Military Department should be informed of the request.

l. Prior DSAA approval must be obtained for the sale or lease of defense articles, defense services, or training to foreign organizations or personnel if they are engaged in on-going civilian police functions under the direction and control of the ministry responsible for defense matters.

9. Incendiary Items and Riot Control Agents. The U.S. Government generally discourages the purchase of incendiary items and riot control agents, but recognizes that there are occasions when a country will have a legitimate need for certain types of such items. The following is U.S. Government policy regarding the sale of such items:

a. Napalm including napalm thickener, dispenser and fuses will not be provided through Foreign Military Sales (FMS) or on a commercial basis.

b. Requests for white phosphorus munitions should be submitted in accordance with the procedures established for Significant Military Equipment (SME) (see Chapter 7, Section I of this manual). Requests should indicate, by type of ammunition requested, the quantity and intended use of the ammunition. Requests should be accompanied by mission's opinions as to whether the amount requested is reasonable in relation to the intended use, current on-hand inventories, and predictable usage rates of such items; and requests must contain assurance from the host government that the white phosphorus munitions will be used only for purposes such as signalling and smoke screening. DSAA will be responsible for coordinating approval of the request. Upon approval, DSAA will advise the cognizant DoD component of the approval along with the conditions for its use which will be made a part of the LOA.

c. Riot control agents may not be provided via FMS but certain types are available on a commercial basis. Such proposed commercial sales require that an export license be obtained from the Department of State, Office of Munitions Control.

B. SHIP TRANSFERS.

1. Vessels 20 years old or more and no more than 3,000 tons (light load displacement) or less may be transferred after 30 continuous days of the date that the USN notifies Congress of its intent to make the transfer. Naval vessels less than 20 years old or more than 3,000 tons may be transferred only after enactment of specified legislation authorizing the transfer. These criteria and Congressional oversight provisions are prescribed by 10 USC 7307.

CHAPTER THREE

RESPONSIBILITIES AND RELATIONSHIPS

SECTION I - RESPONSIBILITIES

A. GENERAL.

1. Within the Executive Branch, the National Security Council, the Office of Management and Budget, the Department of the Treasury and others all have responsibilities related to security assistance. However, aside from the President, the principal legislated responsibilities fall to the Secretary of State and to the Secretary of Defense.

a. The Secretary of State is responsible for continuous supervision and general direction of the program. This includes determining whether there will be a program for a particular country or activity and, if so, its size and scope. It also includes the determination of whether a particular sale will be made and, if so, when.

b. The Secretary of Defense is responsible primarily for establishing military requirements and for implementing programs of defense articles, defense services, and military training.

2. The Congress authorizes and appropriates the funds for the U.S. Government financed portions of security assistance. The Congress also has an oversight role with respect to the sale of defense articles and services to foreign countries and international organizations.

B. THE DEPARTMENT OF DEFENSE.

1. The growing size, complexity, and importance of the security assistance program requires that recommendations, decisions and implementing actions be coordinated and tracked in a timely manner to ensure coherent support of foreign and national security objectives. Several departments, agencies, and offices are involved in the coordinations. (See Figure 3-I-1.)

2. Detailed functions relating to security assistance are found in the FAA, the AECA, and Executive Orders that give security assistance authority and responsibility to the Secretary of Defense. There is additional detail in applicable DoD directives, instructions, terms of reference and in specific memoranda signed by high level defense officials. In general, the major responsibilities of the principal DoD components are:

a. The Under Secretary of Defense (Policy) (USDP) acts for the Secretary of Defense and is his principal representative and spokesman on security assistance matters. He works closely with the Director, DSAA, who provides staff support for security assistance matters.

b. The Assistant Secretaries with regional responsibilities have an interest in security assistance policy that directly affects their regions

and work with the Director, DSAA, on regional security assistance policy matters and budget development.

c. The Assistant Secretary of Defense (Acquisition and Logistics) (ASD/A&L) is responsible for delivery and movement policy for security assistance materiel. *

d. The Under Secretary of Defense for Research and Engineering (USDRE) oversees considerations of rationalization, standardization, and interoperability with U.S. allies, and assures conformance with technology transfer and industrial collaboration policies.

e. The Assistance Secretary of Defense (Comptroller) (ASD(C)) establishes policy and procedures involving financial management, fiscal matters, accounting pricing, auditing, and international balance of payments as these matters relate to security assistance. Within this office, the Department of Defense Foreign Military Sales Financial Management Manual (DoD 7290.3-M) is published.

f. The Defense Security Assistance Agency (DSAA) is the principal organizational element through which the Secretary of Defense carries out his responsibilities for security assistance. It serves as the DoD focal point and clearinghouse for tracking arms transfers, budgetary, legislative, and other security assistance matters through the analysis, coordination, decision, and implementation processes. It keeps all concerned elements of the DoD informed about the status of ongoing security assistance actions and raises issues through appropriate channels when decision of higher authority is required. All authorities conferred on the Secretary of Defense by the Foreign Assistance Act and the Arms Export Control Act (AECA), and all authorities under those acts delegated by the President to the Secretary of Defense, are redelegated to the Director, DSAA.

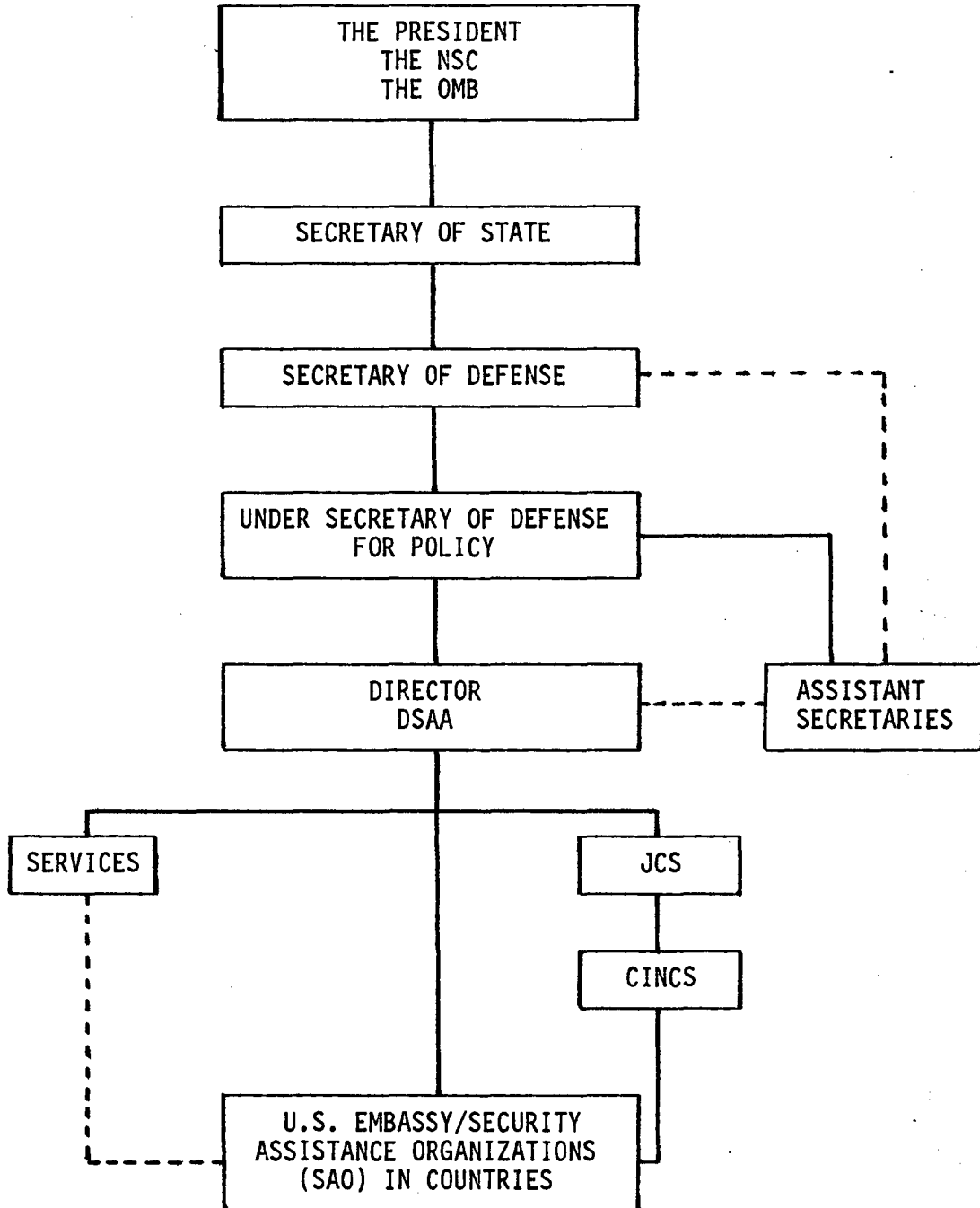
g. The secretaries of the MILDEPs advise the Secretary of Defense on all security assistance matters that have an impact on their departments. They act for the Secretary of Defense on security assistance matters only when the responsibility has been specifically delegated. The Secretaries also ensure that their departments are responsive to the Secretary of Defense (or to those to whom an appropriate delegation of authority has been made).

h. The military departments have security assistance as an integral part of their overall defense mission. They procure and provide defense articles and services and provide training to meet approved security assistance requirements. They also are responsible for providing information necessary to ensure that proper security assistance planning can be accomplished, e.g., information related to production capacity that is associated with integrating MILDEPs and security assistance procurement planning.

i. The Joint Chiefs of Staff (JCS) correlate security assistance objectives with joint military force planning. The JCS provide the Secretary of Defense with military advice on security assistance.

j. The Unified Commands have security assistance responsibilities, i.e., to correlate security assistance programs with regional plans, support

FIGURE 3-I-1
DECISION CHANNELS FOR SECURITY ASSISTANCE



LEGEND: — = Direction
 - - - = Coordination

FIGURE 3-I-1. Decision Channels for Security Assistance.

TABLE 3-I-1

SAO PROGRAM MANAGEMENT AND OVERSIGHT FUNCTIONS

Maintain liaison between DOD components, the appropriate elements of the U.S. Diplomatic Mission, and the foreign defense organization in order to:

1. Enable the foreign government to acquire information needed to make decisions concerning the acquisition, use, and required training involved in obtaining defense articles and services from the United States through security assistance programs (keeping in mind that the host countries are to be encouraged to establish and depend, to the extent possible, upon their own procurement missions in the United States).
2. Obtain information needed to evaluate host military capability to employ and maintain equipment being requested and to assist, as required, in the processing of the foreign government's security assistance proposals.
3. Enable the United States to request the foreign government to take action in order to facilitate the timely, efficient, and responsible implementation of approved security assistance programs.
4. Assist U.S. Military Departments and their subordinate elements in arranging for the receipt, transfer, and acceptance of security assistance materiel, training, and other services for recipient countries.
5. Monitor the progress of DOD security assistance programs and transactions, initiating appropriate remedial action or advising appropriate DOD components on problems and issues encountered.
6. Perform required in-country programming, planning, management, and implementation functions relating to FMS and International Military Education and Training programs.
7. Keep host country military officials informed on appropriate U.S. security assistance laws, policies, and procedures.
8. Monitor FMS billing statements and payments and keep the appropriate host military informed, as necessary, on financial requirements and procedures.
9. Engage the host military, to the extent practicable, in cooperative planning for total military acquisitions in an orderly fashion over a 3- to 5-year planning period.
10. Enable the United States to acquire information concerning potential future defense acquisitions by the foreign government and anticipate demands on U.S. resources.

TABLE 3-I-1. SAO Program Management and Oversight Functions.

acquisition of the item or weapon system. Such interest could include: prior purchases, prior requests for P&A, P&R, or an LOA for which data has already been released or approved for release, and purchase of weapon systems which utilize the item, i.e., ammunition capable of being used with the weapon system. DOD Components will assure that countries addressed on such Materiel Requirements Surveys are eligible to purchase the item or weapon system under the U.S. National Disclosure Policy. Final eligibility determination will be made by DSAA in coordination with the Department of State. *
*
*
*

4. Coordination. Generally, Materiel Requirements Surveys will initially be developed within the cognizant DOD Component. The cognizant Component is responsible for assuring that the message or letter is properly coordinated before dispatch. Such coordination must include DSAA. The required coordination with DSAA will be initiated through the Management Division of the Operations Directorate which will be responsible for conducting the necessary staffing within OSD and with the Department of State. Prior to submitting proposed Materiel Requirements Surveys to DSAA, the cognizant DOD Component will also assure that any required coordination with other involved DOD Components is accomplished.

SECTION II - PLANNING DIMENSIONS

A. PLANNING CONSIDERATIONS.

1. Objectives of Long-Range Planning. The objective of long-range planning in security assistance is regular, orderly program implementation. The transfer of end-items is necessarily accompanied by planning of follow-on support, logistics, and other elements of continuity. The reliability of the U.S. on a long-term basis depends on this "total package approach."

2. Limitations to Planning. "Planning" in security assistance is not possible in the same way the DoD plans in the FYDP and program-budget process. This is because the USG does not "promote" sales (except in rare instances), financing is obtained only on a year-to-year basis and is, in most instances, not assured for the long term. Moreover, the USG does not plan for countries; countries must do their own planning and must set their own priorities. The level of planning capability varies from country to country; the more sophisticated the planning in a country, the less likely the country is to make the U.S. privy to its plans. Lastly, crises, conflicts, and other events frequently intervene to change directions in programs and overall financing allocations. Within these limits, however, some estimates of needs and priorities can be made, and every effort must be made to anticipate the shape of the future without expecting that it will result in a directive plan.

3. Planning is Required in Three Basic Areas: Budget, Procurement and Political. These are discussed below in the context of three basic communities.

a. The Security Assistance Budget.

- Need for defensible country programs

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(7) Reports from the RCS: DSAA (AR) 1200 FMS reporting system which contain classified information will be marked:

"CLASSIFIED BY SMM (DOD 5105.38-M),
DECLASSIFY UPON NOTIFICATION BY THE ORIGINATOR."

c. Coproduction. For all countries and international organizations, information which indicates by specific type any item of Major Defense Equipment (MDE) (e.g., F-16 aircraft) is classified in coproduction proposals only. Such information will be declassified upon termination of negotiations. Such information will be marked:

"CLASSIFIED BY SMM (DOD 5105.38-M), DECLASSIFY ON
TERMINATION OF NEGOTIATIONS."

d. Nonrecurring Cost Recoupment Charges. Worksheets showing calculations which contain projections of dollar levels of future U.S. investment in the development of a defense item and projections of future multiple foreign requirements will be classified (see Chapter Seven of this Manual). Worksheets will be declassified when the defense item becomes obsolete to U.S. requirements. Worksheets will be marked:

"CLASSIFIED BY SMM (DOD 5105.38-M), DECLASSIFY UPON
NOTIFICATION BY THE ORIGINATOR."

e. Section 36(b) Notifications and Section 133b Reports. Specific classification directions and guidelines for Section 36(b) notifications, Section 133b reports, and input data elements for these documents are specified in Chapter Seven of this Manual.

C. RELEASE OF INFORMATION.

1. Unclassified.

a. Public. In accordance with the AECA, Section 21(f), it is the policy of the DoD to maximize to the fullest extent consistent with national security the amount of information available to the public. Further, it is the policy of the DoD to comply fully with both the specified provisions and the general intent of the Freedom of Information Act, as amended. Release of information will be in accordance with procedures established by DoD Directive 5400.7 and DoD Instruction 5400.10.

(1) The DSAA 1200 FMS information system is a frequent source for providing information to the public. The DSAA maintains a consolidated data base which contains information about each FMS case by collecting essential data from a variety of sources over the life of each case. The 1200 system is the exclusive source for such consolidated data and contains records from the inception of the FMS program.

(2) A large percentage of individual records in the case are unclassified. They may, however, when grouped, produce a complete or virtually complete compilation of data. These kinds of groupings include but are not limited to: all current LORs, current undelivered balances of MDE, or groupings of generic classes of items such as "all surface to air missile sales". Such groupings may then reveal concepts about a country's order of battle

plans or current or planned defense posture of a country, region, or geographical area and result in a CONFIDENTIAL classified compilation of individually unclassified data. Such a compilation then, by DoD 5200.1-R, paragraph 2-211, would be denied public release.

(3) Classification and denial of release to the public on this basis shall be fully supported by a documentary explanation that will identify with the specific criteria which resulted in such a judgment.

b. Compilation of FMS Case-level Data. On June 25, 1985, the Secretary of Defense decided that a compilation of FMS case-level data should be classified Confidential. For this purpose, a compilation is defined to consist of data provided to the Congress quarterly pursuant to paragraphs (1) and (2) of section 36(a) of the Arms Export Control Act that covers a single period longer than five consecutive calendar quarters.

(1) Since a quarterly report covers FMS case-level data for the entire fiscal year through the date of the report, the report for the fourth quarter covers a period of four consecutive calendar quarters. Therefore, a classified compilation could consist, for example, of the data contained in the reports for the fourth quarter of FY 1985 and the second quarter of FY 1986 for one or more purchasers.

(2) The Data Management Division, Office of the DSAA Comptroller, ensures that quarterly reports of FMS case-level data are provided only to persons having a need-to-know who hold a current personnel security clearance if such persons already possess sufficient numbers of quarterly reports so that the provision of additional reports would constitute a compilation thereof.

(3) This classification shall only be applicable to compilations of quarterly reports prepared after June 25, 1985. *

c. Foreign Governments and International Organizations. Unclassified information may be released to the concerned country or international organization as appropriate for purposes related to security assistance. Price data may be released to MAP and IMET recipient countries and international organizations, subject to recipients' understanding that prices are provided for procurement planning and related purposes only, and that prices quoted are estimates and are not necessarily those which have been or will be applied to articles delivered or services rendered or training furnished to the country or organization as Grant Aid.

2. Classified.

a. Tentative Security Assistance Plans and Programs. Classified information as to tentative plans and programs for the budget and future years may be released to an involved foreign government or international organization to the extent necessary for its effective participation in the security assistance planning process or its effective development of related defense plans, and to the extent that it can be relied upon to maintain adequate security precautions and to use the information only for the purposes for which provided. Classified dollar levels of tentative country or organization programs may be released only with the specific permission of the Director,

b. Country and Region. The willingness of the U.S. Government to sell military equipment varies country by country in accordance with the military requirements, ability to maintain and use, compatibility with existing inventory, and impact on the perceptions and the actions of the buyer's neighbors.

c. Foreign Policy. The willingness of the U.S. Government to sell military equipment varies with the time and the situation; thus changes in terms of foreign policy, diplomacy, economy, finances and security, reflecting the changing world-wide situation, can cause changes in such willingness from time to time.

d. National Disclosure Policy. The National Disclosure Policy Manual (NDP-1) records the levels of classification which the U.S. Government is willing in general to release to cited countries. Requests for exceptions to policy established by this document are handled by the National Disclosure Policy Board which is chaired by the Department of Defense, at the Under Secretary level.

e. Military Threat. The degree to which the transfer responds appropriately to the military threats confronting the recipient.

f. Collective Security Capabilities. Whether the transfer will enhance the recipient's capability to participate in collective security efforts with the United States.

g. Countering of External Aggression. Whether the transfer will promote mutual interests in countering externally supported aggression.

h. Stability within Regions. Whether the transfer is consistent with United States interests in maintaining stability within regions where friends of the United States may have differing objectives.

i. Counterbalancing of Positive and Negative Factors. Whether any detrimental effects of the transfer are more than counterbalanced by positive contributions to United States interests and objectives.

j. Legislative Restraints. The principal legislative restraints on Foreign Military Sales are reviewed in Chapter 7, this Manual. These reflect the guidelines and constraints that must be followed prior to the approval of Military Export Sales.

C. POLICIES.

1. List of Eligible Countries to Purchase or Lease Defense Articles or Defense Services. The current list of eligible countries and international organizations determined by the President is provided as Table 6-I-1. It should be noted that sales to certain countries or international organizations may be suspended for legal or policy reasons. Any questions relative to the eligibility of a foreign country or international organization should be referred to DSAA Operations.

2. Designation of Defense Articles and Services. A copy of the U.S. Munitions List is included in Chapter 2. Items in categories which are asterisked (*) on this list are considered Significant Military Equipment (SME).

3. Foreign Military Design and Construction Sales.

a. Authority. The AECA, Section 29 authorizes the sale of design and construction services to eligible foreign countries and international organizations provided the full costs are paid to the U.S. by the purchasing country or international organization. If such services are to be procured by the USG for sale under Section 29, the purchaser must make funds available in such amounts and at such time as they may be needed to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due.

b. Congressional Reporting. Congressional reporting requirements in the AECA, Section 36(b), apply to any design and construction program valued at \$200 million or more.

c. Use of FMS Procedures. The LOA and standard sales procedures will be utilized for all design and construction programs. Normally, design and construction services will be offered as follows:

(1) When the design and construction services are a part of a total program, the services will be included in the total system case under the cognizance of the managing DoD component. A special note will be added to the case indicating that the services are offered under the authority of the AECA, Section 29 and also identifying the construction agent for this portion of the program, e.g. U.S. Army Corps of Engineers. In certain cases, the DoD component program manager and the construction agent may wish to conclude an internal agreement to summarize management relationships for a program.

(2) When the design and construction services are not part of a total program, the DoD component responsible for providing the design and construction services will be assigned management responsibility for the case.

(3) When the design and construction services are a follow-on requirement to a previous major system sale, the DoD component responsible for providing the design and construction services will prepare the LOA. However, where special circumstances such as unique funding requirements are experienced, the requirement for preparation of the follow-on LOA will be coordinated with the DSAA Operations Directorate to determine the appropriate management responsibility.

4. Proper Use of Materiel. Consistent with its resources and the situation prevailing in-country, the designated U.S. overseas military SAO will assist DoD components in observing and reporting on the utilization by the foreign country of defense articles and services acquired through FMS or leased to the recipient by the DoD.

5. Diversions of Materiel. In order to implement the AECA, Section 21(i), 10 U.S.C., Sections 133b and 975, and the SAC, Defense Subcommittee

report, 99-176 of 6 November 1985, the following policies govern the allocation of defense materiel between U.S. forces and international security requirements in the event of competing demands: *

a. Use of Normal Priorities Structure. To the maximum extent possible, initial allocations of materiel shall be made within the normal priorities structure--the Uniform Military Materiel Issue and Priority Systems (UMMIPS). Both offshore procurement (OSP) and Special Defense Acquisition Fund (SDAF) assets should be considered as alternatives to diversion of U.S. forces and/or FMS assets. See SAMM, Chapter 9, Section III, paragraph J; and Chapter 14, respectively. *

b. Directed Diversions. Presidentially-directed, or Secretary of Defense-initiated materiel allocations shall be accorded sufficient priority through diversion of assets from other programs to assure accomplishment of the directed allocation within the time period specified. *

c. Withdrawal from U.S. Forces. High priority FMS requirements may be met by diverting from production for or withdrawing equipment from U.S. forces, providing the operational readiness posture of these forces is not significantly lowered and payback can be accomplished within a reasonable period of time. Such initial determination will be made by the MILDEPs and DoD components. Any diversion or withdrawal which would impact U.S. National Guard or Reserve forces must be coordinated with DSAA, which will in turn coordinate the proposal with the OASD/RA, pursuant to DoD Directive 1225.6. If tanks are being withdrawn, a determination will be included in the required Congressional notification that the proposed sale will not increase the shortage of tanks in the U.S. National Guard or Reserve during the current five-year defense plan. Should tanks need to be withdrawn from the U.S. National Guard or Reserve, the Congress shall be advised of the plan to replace the specific tanks. *

d. Diversion from FMS. Materiel being procured or stocked specifically for FMS may be diverted to meet higher priority foreign requirements or urgent needs of U.S. Forces with the prior concurrence of the Director, DSAA, who will, as appropriate, obtain policy guidance within the USDP. *

e. Approval Channels. Requests or recommendations for diversions of FMS equipment will be referred to the Director, DSAA. In those instances where agreement cannot be reached with DSAA concerning the use of foreign program assets, or diversion of defense materiel, the matter will be referred to the Secretary of Defense for decision pursuant to the procedures established by Deputy Secretary of Defense Memorandum, Subject: "Allocation of Defense Materiel and Services Between U.S. and International Requirements," which provides for: *

(1) Normal Allocation from Production. Under normal circumstances, the MILDEPs will fill security assistance materiel requirements from production on a first-in, first-out basis, utilizing normal production lead times, unless the DoD can meet urgent requirements from earlier production without an undesirable effect on the combat readiness of U.S. forces.

(2) Deviations for National Security Considerations. There may occasionally be instances when national security considerations and foreign policy objectives indicate a requirement to deviate from this DoD policy by expediting delivery of equipment to a foreign purchaser. If such situations arise, and the MILDEPs or the OSD staff become aware that such expedited delivery or the performance of FMS services by DoD personnel would appear to have an undesirable effect on the combat readiness of U.S. forces, the Undersecretary of Defense (Policy) (USDP) will request the MILDEP involved to provide its assessment of the situation to USDP and the Assistant Secretary of Defense (Acquisition and Logistics) (ASD(A&L)) for OSD staff review. The USDP will refer the coordinated recommendation to the Secretary of Defense for review and decision. Because of the importance of such decisions, it is essential that the Secretary of the Military Department personally verify these assessments and make the report to USDP and ASD(A&L) when such referral is required.

(3) Report to Congress. The AECA, Section 21(i) requires a report by the President to the Congress "with respect to any proposal to sell, under this section (sales from stocks) or under the authority of Chapter 2B, AECA, any defense articles or defense services, if such sale could have a significant adverse effect on the combat readiness of the Armed Forces of the United States." There may, however, be instances where, in the view of the Secretary of the MILDEP, supply action would have an impact of sufficient importance to warrant Secretary of Defense review, but would not constitute a significant adverse impact on the DoD requiring a Presidential report to the Congress. Therefore, in each instance where the MILDEP Secretary refers a potential impact case to the USDP and ASD(A&L), the referral will include an assessment as to whether:

(a) Supply action would affect the operational readiness of the military service, or have other important impacts which the Secretary considers warrant Secretary of Defense review, but which are not serious enough to constitute a significant adverse impact requiring either alteration or termination of the supply action, or an overriding Presidential report to the Congress; or

(b) Supply action would constitute a significant adverse impact within the meaning of the law, and if taken, would require such a report to the Congress. The term "significant" is a subjective one, and this section does not attempt to define all circumstances in which an impact might be "significant."

(4) Additional Information Required. As required, the Secretary of Defense will make the final determination as to whether the DoD will provide the equipment or services on an expedited basis and whether the impact of doing so is significant within the meaning of the AECA, Section 21(i). In referring impact cases to the Secretary of Defense, the Secretary of the Military Department should therefore, in every instance, provide the information outlined in the AECA, Section 21(i)(1)(A) through (D), i.e.:

(a) The country or international organization to which the U.S. proposes to make the sale;

(b) The amount of the proposed sale;

(c) A description of the defense articles or services the U.S. proposes to sell; and

(d) A full description of the effect the proposed sale will have on combat readiness of the Armed Forces of the United States.

(e) In accordance with SAC, Defense Subcommittee report, 99-176 of 6 October 1985, a determination as to whether the sale will increase the shortage of tanks in the Army National Guard and Reserve in the current five-year defense plan. If so, a plan to replace the specific tanks should be submitted. **

(5) Shipments from Production. While the language of the AECA, Section 21(i) pertains only to shipments from DoD stocks and performance of services by DoD personnel, impacts can occur when the DoD diverts materiel to foreign recipients which is scheduled for delivery from production. Therefore, the procedures and assessments outlined in paragraph C.4. above apply to both categories of transfer.

(6) Presidential Report. In those cases where he takes action to advise the President of the requirement for a report to the Congress, the Secretary of Defense will provide the analysis relevant to the justification and certification called for in the AECA, Section 21(i)(1)(E), as well as a determination of whether a shortage of tanks will occur in the National Guard and Reserve with an attendant replacement plan (if the withdrawal is for tanks), as required by the SAC, Subcommittee report 99-176 of 6 November 1985. This latter tank determination and replacement plan must be included in the President's report to Congress. In this connection, a "proposal to sell" within the meaning of Section 21(i) refers to a decision at an appropriate level of the U.S. Government to make a sale and to direct the issuance of an LOA or signature of a document with comparable effect, and does not refer merely to the receipt of a request for P&A, or the receipt of a request for a Letter of Offer, or the making of a recommendation with respect thereto. No Presidential report is therefore required if the ultimate decision is not to make the sale. The AECA, Section 21(i) is also interpreted as being applicable to a situation in which the significant adverse effect becomes apparent only after a sales contract is concluded. However, no Presidential report is required with respect to supply action under a sales contract where the supply action is altered in order to avoid a significant adverse effect on U.S. combat readiness which would otherwise occur. The report required by 10 U.S.C., Section 133b is covered in SAMM, Chapter 7, Section IV. *
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(7) Secondary Items. The above also applies to secondary items, including spare and repair parts as well as major end-items. However, in those cases wherein the foreign government has made an investment in the U.S. inventory under a Cooperative Logistics Supply Support Arrangement (CLSSA) for spare and repair parts support, the MILDEPs will satisfy security assistance requirements based upon priority on the same basis as U.S. force requirements. The head of an Inventory Control Point (ICP) may approve the issue of stocks below the reorder point to FMS customers when they determine that there will not be an unacceptable impact on U.S. forces. The impact on secondary items must be considered whenever a total package of end-items and spare parts and support equipment is provided to a foreign country.

6. Logistics Support.

a. Use of U.S. Military Logistics System. Implementation of accepted FMS cases will be accomplished by the MILDEPs and DoD components as completely as possible within the existing organizational and procedural structure of the U.S. military logistics system. Use of the DoD transportation system will be only for special cases, i.e., ammunition to the Port of Exit or by special arrangement stated in the LOA.

b. Follow-On Logistic Support. Normally, foreign military sales of materiel are made only when the DoD has made or has approved plans to assure logistic support for the expected service life of the equipment. This includes follow-on spares support for equipment sold through FMS under established Cooperative Logistic Supply Support Arrangements (CLSSAs) which will be afforded the same priority as that provided equivalent U.S. forces performing a comparable mission in the same geographical area. For other follow-on FMS spare parts cases, the normal lead time from procurement will apply.

7. Materiel Standards. It is DoD policy that defense articles offered and sold to foreign governments and international organizations reflect favorably upon the U.S. 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, this requirement will be stated in the LOA. If the customer desires to purchase "as is/where is," this will also be stated in the LOA.

8. Communications Security (COMSEC) Programs. Discussions relating to COMSEC will not be initiated with foreign governments without obtaining prior approval and specific guidance from DSAA. All foreign government requests for information will be forwarded to DSAA for staffing with cognizant DOD service organizations and definitive guidance. Upon notification of DSAA approval, standard FMS procedures apply to the request for a sale of COMSEC equipment. This includes channels for submission of requests, use of the LOA, financial requirements in DoD 7290.3M, etc. Specifically, the DoD component processing the request is also responsible for assuring that all National Disclosure Policy requirements are satisfied and that the program details are staffed with appropriate security activities before a response is provided to the foreign purchaser. Refer to NACSI 6001, "Foreign Military Sales of Communications Security and Services to Foreign Governments and International organizations, and JCS Memo 131, "Joint and Combined Communications Security," dated 18 July 1983.

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9. Translation Services.

a. Responsibility. The responsibility for the translation of any documents rests with the user or recipient country. U.S. SAOs should make this point clear to their host country counterparts.

b. Informal Translations. In day-to-day operations, SAOs may provide for government-to-government purposes only, "informal translations" using the same practices and procedures as the local U.S. diplomatic mission, provided the host country so requests, or the chief of the U.S. SAO determines an informal translation of an English text is in the U.S. interest. In each case, translators must clearly mark the translated document "Informal and unofficial translation -- English text governs." SAOs should ensure that a forwarding letter accompanies each contractual document (i.e., LOA) emphasizing that the English text is the officially binding document.

c. Other Requests. SAOs will not provide translation assistance to contractors or others who are not a part of the U.S. or host country official family. In the event the SAO receives a request from such sources, requestors should be advised to seek assistance from competent local translators.

10. Exclusive Licensing Arrangements. In cases where a request for P&R, P&A, or an LOA is received from a foreign country or international organization and the request is known to fall within the area of an exclusive commercial license arrangement for the item or service, the following special procedures will apply:

a. The prospective buyer will be provided with the name of the foreign firm involved and informed that this firm has exclusive rights in that country relating to the sale of the article or service being sought.

b. In the event the prospective buyer insists that it wishes an FMS transaction it should be advised that the request should be set forth in a letter from the Minister of Defense or the Deputy Minister of Defense (or the equivalent) to the Director, DSAA outlining the reasons for the desire to purchase by means of an FMS transaction rather than from the foreign licensee.

c. On receipt of such written requests containing justification, in order to comply with provisions of the AECA, Section 42(a), the Director, DSAA will advise the foreign firm involved (or its designated representative

of a third NATO party, information as to possible subsequent transfers shall be provided to DSAA in accordance with the formats contained in Chapter 7, Section IV.

12. Security Assistance Survey Teams.

a. Purpose. The U.S. will use security assistance surveys on a selected basis to further the security interests of the U.S. and to enhance the security of friends and allies. Since security assistance surveys are often interpreted by the receiving government as an implied U.S. commitment to approve arms transfers and/or assist in their financing, such surveys should be initiated only after careful consideration of possible consequences. Except as may be specifically directed, the following guidelines will apply:

(1) A U.S. commitment to conduct a security assistance survey will only be made after the ramifications of undertaking such a survey have been assessed in a thorough and coordinated manner by all concerned USG agencies.

(2) The process of reaching a decision to dispatch or not to dispatch a survey team will include an assessment of the economic impact, including funding limits of potential arms transfers, and other data beyond strictly military considerations but pertinent to the survey at hand (e.g., human rights factors). In the event of a decision to dispatch a survey team, this information will be reflected in the terms of reference provided the team.

(3) Current arms sales restraint policies, including regional arms control implications, will be considered during the process of determining whether or not to dispatch a survey team.

(4) Security assistance survey teams will be led by the DoD; with the Department of State providing a deputy team chief of roughly comparable rank. Military service affiliation of the team shall be determined by the purpose of the survey. In the event a joint team is required, the team chief will be determined on the basis of the military service having predominant interest. DoD participation shall be limited to the minimum number required to gather effectively the technical information necessary to prepare the survey report. Teams will contain representatives from other agencies as necessary to ensure the success of the in-country information-gathering effort. The Secretary of State will have final authority to rule on the participation of the survey team by agencies other than the DoD; though it is expected that such decisions will normally be reached by consensus between State and Defense. To the maximum extent possible, the concerns of the other involved agencies will be considered in resolving team composition.

b. Financing. When the survey is determined to be dictated by U.S. Government interests rather than those of the foreign country, it may be financed by the U.S. with each agency represented on the team bearing a pro rata share of the survey costs. DSAA, on a case-by-case basis, will advise each DoD department or agency on the method of funding, whether by FMS case or by the U.S. Government agencies represented on the team.

c. Responsibilities. The appropriate regional office of the Assistant Secretary of Defense for International Security Affairs or International Security Policy is responsible for coordinating DoD activities and actions relating to security assistance surveys including all required interface and coordination with the Department of State, Arms Control Disarmament Agency and other appropriate agencies of the U.S. Government. The DSAA and the OJCS shall be kept informed of all personnel details of survey teams. All actions shall be coordinated with the JCS and DSAA. The appropriate regional office will draft Terms of Reference for the teams and will obtain approval of the Department of State. General Terms of Reference are set forth at Table 6-1-2. A Survey Team Checklist, outlining the process of reviewing requests for survey teams through the preparation of the Report is also at Table 6-1-3.

13. Suspension of Individual Items. When the Department of State directs the suspension of the sale under FMS or on a direct commercial basis of a specific article, DSAA will notify the applicable DoD components of the suspension. Such suspension will also be considered to apply equally to components of the item as well as the specific end item.

a. Determination of Item Components. When suspension of an individual article is directed by the Department of State, DSAA will ask the applicable DoD component to conduct a review to identify components of the item.

b. Advice to Department of State. Upon receipt of the listing of components, DSAA will advise the Department of State, Bureau of Politico-Military Affairs of the components of the suspended item to enable them to notify the Office of Munitions Control (OMC). This will then enable OMC suspension of the components, as well as the end item identification to ensure that suspensions are complete.

c. Notice to DoD Components. DSAA will advise the appropriate DoD components and the affected foreign government of the suspension of the sale of end items, as well as applicable components.

TABLE 6-I-1
FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS ELIGIBLE TO PURCHASE
DEFENSE ARTICLES AND DEFENSE SERVICES UNDER THE AUTHORITY OF THE AECA

<u>AFRICA</u>		<u>NEAR EAST AND SOUTH ASIA</u>		
Benin	Malawi	Algeria	Nepal	*
Botswana	Mali	Bahrain	Oman	*
Burkina Faso	Mauritania	Bangladesh	Pakistan	*
Cameroon	Mauritius	Egypt	Qatar	*
Cape Verde	Mozambique	India	Saudi Arabia	*
Chad	Niger	Israel	Sri Lanka	*
Djibouti	Nigeria	Jordan	Tunisia	
Equatorial Guinea	Rwanda	Kuwait	United Arab	
Gabon	Senegal	Lebanon	Emirates	
Ghana	Sierra Leone	Morocco	Yemen Arab	
Guinea	Somalia		Republic	*
Guinea-Bissau	Sudan			
Ivory Coast	Togo			
Kenya	Zaire			
Liberia	Zimbabwe			
Madagascar				
<u>EUROPE</u>		<u>WESTERN HEMISPHERE</u>		
Austria	Malta	Antigua and	Grenada	*
Belgium	Netherlands	Barbuda	Guatemala	
Denmark	Norway	Argentina	Haiti	
Finland	Portugal	Bahamas	Honduras	
France	Spain	Barbados	Jamaica	
Germany	Sweden	Belize	Mexico	
(Fed Rep of)	Switzerland	Bolivia	Panama	
Greece	Turkey	Brazil	Paraguay	
Iceland	United Kingdom	Canada	Peru	
Ireland	(Incl Crown	Chile	St Christopher	*
Italy	Agents)	Colombia	/Nevis	*
Luxembourg	Yugoslavia	Costa Rica	St Lucia	
		Dominica	St Vincent and	*
		Dominican	the Grenadines	
		Republic	Suriname	*
		Ecuador	Trinidad and	
		El Salvador	Tobago	
			Uruguay	
			Venezuela	
<u>EAST ASIA AND PACIFIC</u>		<u>INTERNATIONAL TREATY ORGANIZATIONS</u>		
Australia	Malaysia	North Atlantic Treaty Organization		
Brunei	New Zealand	(NATO) and its Agencies		
Burma	Papau -	Organization of American States (OAS)		
China	New Guinea	International Commission of Control		
Fiji	Philippines	and Supervision in Vietnam		
Indonesia	Singapore	International Commission of Control		
Japan	Taiwan	and Supervision in Laos		
Korea	Thailand	United Nations (UN) and its agencies		
		including the International Civil		
		Aviation Organization		

NOTE: Sales to certain countries may have been suspended for legal or policy reasons. Any questions relative to the eligibility of a foreign country for FMS, FMCS, or leases should be referred to DSAA Operations.

TABLE 6-I-1. Foreign Countries and International Organizations Eligible to Purchase Defense Articles and Defense Services under the Authority of the AECA.

TABLE 6-I-2

GENERAL TERMS OF REFERENCE
(FOR SECURITY ASSISTANCE SURVEY TEAMS)

- A. Teams will report to the U.S. Ambassador, or in his absence, the charge d'affaires, upon arrival in country, and will serve under the overall supervision of the Ambassador. All formal consultations with the host country will be conducted subject to the concurrence of the U.S. Ambassador, with the participation of such Embassy staff as he may direct. Prior to departure the team will brief the Ambassador on its preliminary conclusions.
- B. The team recommendations should reflect the "total package" concept: end-item, ancillary equipment, training and logistics. Recommendations should not mirror-image U.S. force solutions. At least three levels of funding alternatives should be presented in the report.
- C. The team should evaluate the military manpower base, its absorptive capacity, the existing logistics and maintenance support capability, the capability of the country to prevent compromise of sensitive data and equipment, training requirements, and compatibility of recommended equipment with that currently in the host country inventory.
- D. The team will make no comment to host governments concerning possible availability of U.S. Government resources in any form.
- E. The team will not give host government any price and availability data, DoD lead times on equipment, or indicate any prospects for accelerated deliveries. The team, however, may provide general orders of magnitude information concerning cost and availability for illustrative purposes. Firm estimates can be provided only through normal channels and only in response to specific requests conveyed through the U.S. Embassy, not through the survey team.
- F. The team will not oblige the U.S. Government to the sale of any specific defense article or service.
- G. The team will not provide any kind of independent assessment or confirmation of the external threat as perceived by the host country. Release of classified information will be in accordance with the U.S. National Disclosure Policy.
- H. The team will not provide military advice concerning tactics, doctrine, basing, combat planning, or operations.
- I. The team will avoid any possible indication that USG would assist in construction of airfields, camps, or other military facilities.
- J. The team will make no commitment to follow-on technical discussions or further surveys.

TABLE 6-I-2. General Terms of Reference for Security Assistance Survey Teams.

K. The team will not undertake to provide the host country with an interim report.

L. The team will debrief the appropriate Unified Commander on its preliminary findings prior to its return to Washington.

TABLE 6-1-2. (Continued)

TABLE 6-I-3

SECURITY ASSISTANCE
SURVEY TEAM CHECKLIST

A. Consideration of providing a security assistance survey is a result of a foreign government presenting the U.S. Government with a significant arms sale request, or requesting the U.S. Government to survey host country defensive capabilities and requirements. Also, the U.S. Government could, at its own initiative, propose a survey team.

B. The normal response to the initial request for a survey shall be that the scope of the request requires review before a decision on the survey can be given. A comprehensive review is then initiated of current arms sales restraint policies, or regional arms control considerations, of the economic impact and the human rights implications of arms sales to the host country.

C. State Department, DoD, and ACDA shall review the arms want list within the context of the President's policy on conventional arms transfers and other policy guidance, highlighting areas requiring policy decisions. The DoD will prepare a preliminary assessment of the availability of the requested equipment or services, as well as the requesting nation's requirement for and technical ability to absorb the items in question. State Department will review the FMS financing situation for the host country. Any statement regarding FMS financing beyond the current fiscal year's approved budget must receive Executive Office clearance by NSC and OMB. Future financing commitments can only be made in accordance with prevailing procedures.

E. State Department and AID will estimate the extent of the ability of the host country to devote its economic resources to defense purchases without an unduly deleterious effect on the host country economy. Needs for additional information will be identified during this review.

F. Simultaneously with the above review, the U.S. Embassy will be instructed by the Department of State to contact appropriate host country ministries to ascertain the extent to which the host country is willing to commit its own resources to military purposes over the next three-five years, noting that financial parameters are essential ingredients in a realistic survey effort.

G. The Director of Central Intelligence will be requested to produce inter-agency threat assessment.

H. Information gathered above is incorporated into an Action Memorandum to the Secretary of State, coordinated with ACDA, DoD, OMB, and NSC, to determine: (1) whether to send a survey team; and (2) the mission of the team. In the event a decision is made to send the team prior to completion of the information gathering process outlined above, as many of the above steps as are possible will nevertheless be completed prior to departure of the team. Affirmative decisions will be reported to the Congress by DoD/DSAA as required by the AECA, Section 26(b).

TABLE 6-I-3. Security Assistance Survey Team Checklist.

accepted and implemented FMS cases unless, if approved, the request would have resulted in the issuance of an amendment to the basic LOA (e.g., requests involving a significant modification of a system or an increase in the overall capability of the item requested, etc.). In addition, the following routine training actions are exempt from this prior coordination requirement: however, the DSAA should be an information addressee on all such responses:

(1) Denial of requests within established policy (e.g., training courses closed to all foreign nationals; information not cleared for release; training for support equipment not in the purchaser's inventory).

(2) Notification of class cancellations for previously approved quotas.

(3) Quota requests which cannot be accommodated within desired timeframe.

(4) Senior officer courses where annual foreign participation is limited and restricted to those invited by chiefs of services.

3. Coordination of Requests for P&R, P&A, or an LOA.

a. The Director, Joint Staff, Office of the Joint Chiefs of Staff and the USDR&E must be advised by the DSAA utilizing the format at Figure 7-I-2 of all new requests for P&R, P&A, or an LOA which meet the following criteria:

(1) All requests for Coproduction or Licensing Agreements for Major Defense Equipment as defined in paragraph B.2.a.(2) above.

(2) All other requests for MDE which are expected to result in a notification to the Congress or those determined by the Director, DSAA Operations to be of a sensitive nature.

b. The receipt of the information copy by DSAA of the P&R, P&A, or LOA request required by paragraph C.1.b. will be the basis for the above notification.

NOTE: All requests for information, no matter how informal the request, e.g., oral, letter, message, etc. (other than P&A requests intended to lead to the preparation of an LOA), are considered to be P&R requests and require the same channels of submission as outlined in paragraph C.1.b. above.

4. Letter of Intent (LOI) (DD Forms 2012, 2012-1, 2012-2).

(1) Types of LOI. There are two Formats for LOIs: The DD Form 2012, used to finance procurement of long lead time items prior to the issuance of an LOA; and the DD Form 2012-1, used to finance procurement of long lead time items during the period between issuance of an LOA and acceptance by the purchasing country or international organizations.

(2) Limitation of Cost or Funds. As both forms contemplate a specified dollar limitation upon the liability of the purchaser for the procurement of long lead time items, in order to comply with the requirements

of the Arms Export Control Act, it is necessary that all cost-reimbursement contracts awarded to implement a LOI (procurement as well as research and development) include a Limitation of Cost or Funds contract clause (see FAR 52.232-20 and 52.232-21). That clause may be deleted by contract amendment after the purchaser's acceptance of the LOA. *

(3) Approval of the DSAA. Use of the DD Form 2012 does not constitute authorization to take implementing action under such LOI in advance of compliance with the statutory reporting requirement of Section 36(b) of the AECA. In the event that a DoD component is of the opinion that production scheduling requirements necessitate initiation of procurement of long lead time items in advance of full compliance with Section 36(b) of the Arms Export Control Act, the DoD component concerned shall, prior to transmitting a proposed LOI to the purchasing country, or international organization, promptly forward its recommendations to the Director, DSAA, for a decision. If an exception is made by the Director, DSAA, a modified version of the DD Form 2012 or 2012-1 will be provided to the DoD component by the DSAA on a case-by-case basis.

(4) Amendment to the LOI. DD Form 2012-2, Amendment to Letter of Intent, should be used for amending LOIs as provided for in paragraph 2(c) of DD Form 2012 and DD Form 2012-1.

(5) Sample Formats. Refer to Figures 7-I-3, 7-I-4 and 7-I-5.

(6) DSAA Countersignature. DSAA countersignature is required prior to the submission of any DD Form 2012, DD Form 2012-1, and DD Form 2012-2 to the purchaser.

C. PROCEDURES.

1. Consistent with the provisions of Chapter 7, Section I, Paragraph C.1.b., the DoD component should proceed with the development of the LOA upon receipt of the LOR from an FMS customer, American embassy, or Security Assistance Organization (SAO).

2. The letter of request must be validated to insure the potential customer is an eligible FMS recipient, that the article or service sought may be sold and that the request was received through proper channels. Approval channels for LORs are included in Chapter 7, Section I, paragraph C.1.b.

3. DoD components must formally acknowledge receipt of approved LORs within five days.

4. Data cards for valid LORs must be submitted to DSAA for input into the 1200 system within ten calendar days of receipt of the request. Further information concerning the DSAA 1200 system requirements can be found in Chapter 15, this Manual.

5. The DoD component is responsible for inserting the appropriate Military Articles and Services List (MASL) line data for each line item on each LOA. Should there not be any applicable line in the MASL, it is the responsibility of the DoD component preparing the LOA to establish a line in accordance with the procedures outlined in Chapter 15, Section IV, this Manual. The LOA will not be processed and will be returned to the preparing component if line items are not in the MASL or if they contain incorrect MASL data.

a. Identification of End Items. The LOA will contain a separate line item for each generic item that is measured in quantities; e.g., AH-1 Helicopters, F-15 Aircraft, 155mm Ammunition, Harpoon Missiles.

b. Identification of Dollar Items. The LOA will group generically into a single line item dollar-denominated lines such as spare parts and training, to the extent that common generic codes apply. For example, a series of tool kits with identical National Stock Number and generic codes should be aggregated under a single line in the LOA.

c. Use of Sub-Case Identifier Systems. Sub-cases may be used as separate line items to the extent that they are compatible with the MASL breakout and reporting by generic code identification. End items which are identified by separate generic codes shall not be commingled with dollar-denominated items with a different generic code.

6. DoD components will process LOAs which meet the thresholds for reporting to the Congress in accordance with Section IV of this chapter.

7. Maximum processing time between the receipt of a request for a LOA and its submission or Amendment thereto to DSAA for coordination and/or countersignature is sixty (60) days. Earlier response will be made whenever possible.

8. DD Form 1513 - Information Conveyed.

a. General. The LOA, when signed, is an official agreement between the United States and the purchasing country or international organization 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 conveyed will vary depending on the nature of the sale. However, at least some information which is supplemental to the preprinted "General Conditions" of Annex A of the DD Form 1513 must be provided for each sale. The normal method of accomplishing this is in the form of explanatory "Notes" which are cross-referenced to the line item information included on the face of the DD Form 1513. Inclusion of this information as a complete package within the LOA, rather than orally or by separate correspondence, reduces misunderstandings regarding FMS Case commitments.

b. Supplemental Information and Coordination for LOAs.

(1) Checklist. Figure 7-II-7 provides a summary of supplementary information which must either be addressed or considered when the LOA is developed. The chart indicates that information must be provided to purchasers in the form of Notes or Supplemental Terms and Conditions, depending upon the nature of the articles and/or services being sold. Items indicated by "X" must be addressed in Notes or Supplemental Terms and Conditions to the DD Form 1513; those indicated as being on an "as-required basis (A/R)" should be addressed if the nature of the transaction so warrants. The following subparagraphs include instructions and discussion regarding the nature of this supplementary information. The subparagraphs are aligned to the column "Supplementary Information for Letters of Offer". In addition, the Checklist shown in Table 7-II-8 may be used for the coordination of selected LOAs. *

(2) Transportation Instructions.

(a) Related Chapters. Refer to Chapter 8, Section III, this Manual, for detailed transportation information and Chapter 5 for export licensing and customs clearance requirements.

(b) Understanding Between the U.S. Government and the Purchaser of Method of Shipment. There must be clear understanding between the U.S. Government and the purchaser as to where and how the materiel purchased will be shipped. Blocks (19), (20), (33) and (34) of the DD Form 1513 are designed to fulfill this purpose under the normal Foreign Military Sales (FMS) method of shipment (i.e., by collect commercial bill of lading to freight forwarders, or by the use of codes prescribed in DoD 4140.17-M). However, supplementary instructions are required to enable purchasers to fill out Blocks (33) and (34) properly. DoD 5105.38-D (MAPAD) identifies transaction instructions furnished by the Defense Logistics Agency (DLA) to meet this need; it should be used by all DoD components as a guide.

(c) Method of Transportation. It is DoD policy that to the extent possible, FMS recipients should be self-sufficient in transportation of their materiel. The normal method of movement of FMS materiel is by commercial carrier to the freight forwarder designated by the purchaser.

agreements, Paragraph C.8.c.(1), Section II of this Manual, provides a systematic application of pricing policies to develop a "Financial Analysis." Use of this guidance should minimize subsequent revisions of price caused by erroneous cost elements or incomplete adherence to pricing policy.

d. Financial Annex to the DD Form 1513. To improve the quality of payment schedules attached to LOAs, Paragraph M.2, this section, provides criteria for payment schedule preparation. The financial annex payment schedule provides the purchaser with a reference to his financial commitment. A sample of the Financial Annex is shown at Figure 7-III-3.

(1) Payment Schedule. The payment schedule should project quarterly payments due as of the 15th day of the last month of each calendar quarter. Each deposit amount should be sufficient to cover all costs and contingencies anticipated to be incurred on the purchaser's behalf during the succeeding quarter, plus a reserve to cover termination liability (for sales from procurement). Specifically, the deposits should provide for incremental payment of materiel, services, administrative charges, accessorial charges, contractor holdback, termination liability, nonrecurring cost recoupment charges, asset use, and any other applicable contingency or add-on costs.

(2) Revisions to Payment Schedules. Implementing agencies will revise LOA payment schedules as necessary. A new payment schedule should be furnished whenever a substantive change in payment requirements is evident. Obviously, this condition varies by country and case. As a minimum, a DD Form 1513-2 providing a new payment schedule is required when costs are anticipated to vary (increase or decrease) from the existing payment schedule by more than \$500,000 or 10%, whichever is greater, during any 12 month period. This threshold should be reduced when the purchaser's FMS program is relatively small. Implementing agencies should establish procedures to insure that payment schedules on cases valued at \$7 million or more are reviewed against actual financial requirements at least once annually.

2. Preparation of Payment Schedules.

a. General. The preparation of payment schedules require budgetary estimates under conditions of inflationary uncertainty and uncertainty as to the specific dates when: purchasers will accept and return the LOA for implementation; requisitions for items will be initiated; contracts will be let; progress payments must be made to contractors; deliveries of items, particularly spare parts and support equipment, will occur; and personnel costs will be incurred.

b. Criteria. Actual outlays therefore, can be expected to vary from initial payment schedules. This does not negate, however, the requirement to develop a payment schedule for each case. In general, payment schedules will include estimates of outlays for sales from DoD stocks, sales from procurement, DoD services and training, administrative charges, accessorial and transportation charges. The paragraphs that follow provide criteria for developing payment schedules in anticipation of these costs:

(1) Timing and Amount of Payments. All payment dates on Financial Annexes other than initial deposits should be 15 days before the end of each calendar year quarter (e.g., 15 December, 15 March, 15 June, 15

September). Payment amounts should equal the anticipated outlays for the next 90 days after payment date. The timing and amounts of claims for payment will coincide with existing FMS billing procedures as described in DoD 7290.3-M. The payment schedule should specify the initial deposit required at the time of case acceptance. The amount of initial deposit must be sufficient to cover outlays/deliveries anticipated until the first follow-on payment is scheduled for receipt.

(2) Uncertain Date of Acceptance. When the exact date a purchaser will accept an LOA is uncertain, and a payment is needed a specific number of days after that acceptance, assume that the purchaser will accept the LOA 60 days after it is offered, and specify the first payment date accordingly.

(3) Materiel from Stock. The schedule for payments related to materiel to be sold from stock will be based on estimated deliveries during each 90 day period following the quarterly payment dates cited in paragraph (1) above. The basis of forecasting anticipated delivery will be the use of historical delivery information of specific generic codes and other materiel categories and should be supported by an analysis showing the means of forecasting.

(4) Materiel from Procurement. Payment schedules for materiel obtained through procurement requiring progress payments to the contractors will be estimated based on historical cost curves. These curves should be systematically developed for all major DoD weapon systems and should be reviewed periodically for validity. Payment schedules should include both the estimated disbursements to contractors as well as appropriate contract hold-back percentage.

(5) Concurrent Spare Parts. For case lines involving concurrent spare parts, estimate dollar deliveries consistent with the delivery of the end items being supported.

(6) Purchaser-Initiated Requisitions. For cases involving purchaser-initiated requisitions (i.e., open-end or blanket order cases expressed in dollars) over a one-year period, phase payments quarterly for one-fourth of the estimated case value. The first payment should be scheduled 90 days after the estimated date of case acceptance and initial deposit.

(7) Personnel Services. For cases involving personal services, develop a monthly phasing based upon the scheduled dates and elements of cost of the services being provided.

(8) Training Cases. For training cases involving foreign student entry into courses, schedule the payment in consonance with known or estimated entry into the training courses involved. Open-end or blanket order training cases will require an initial deposit of 25% when the case exceeds \$25,000.

(9) Royalties or Pro-Rata Nonrecurring Cost Charges. For cases involving royalties or pro-rata nonrecurring costs or asset use charges, schedule the payment in consonance with production schedules of the end item for which the payment is being collected.

(10) Administrative and Accessorial Charges. Schedule administrative and accessorial costs in consonance with payment schedules for the primary items or services being provided under the case. However, one half (50%) of the administrative fee reflected in block 23 of the DD Form 1513 will normally be required with acceptance of the LOA. * *

3. Budgetary Authority for FMS Orders. To protect the integrity of the FMS purchaser's financial commitment and to ensure proper accounting for fiscal resources of the DoD components, the DoD uses a series of uniform, DoD-wide budgetary controls for FMS agreements. Budgetary control of an FMS agreement begins after acceptance of the sales offer by the purchaser. The purchaser forwards three signed copies of the accepted agreement to the SAAC together with any required initial deposit. If the terms of sale have been observed by the purchaser, the SAAC records acceptance of the LOA and releases to the appropriate DoD agency specific values of obligational authority. The DoD agency must then account for, control, and report all obligations incurred against the authority received. The essence of the budgetary control system is the "FMS Planning Directive" (DD Form 2061) and the "Request and Approval of FMS Obligational Authority" (DD Form 2060). Each of these documents form a building block of fiscal data in support of the "FMS Status of Budget Execution Report" (DD Form 1176). Specific detailed controls for use of these forms for FMS sales are prescribed in DoD 7290.3-M.

4. Collection of FMS Payments.

a. Trust Fund Accounts. The AECA requires FMS monies to be collected in advance of delivery, service performance, or contractual progress payments. The SAAC performs accounting operations for these monies from two parent FMS trust fund accounts: (1) 978242, (Deposits, Advances, Foreign Military Sales, Defense) and (2) 97-11X8242, (Advances, Foreign Military Sales, Executive, Defense). The 978242 account is used for "receipt" of payments from customers for FMS sales. Account 97-11X8242 is for "disbursements" made to suppliers on behalf of the FMS purchasers.

b. Integrity of Payment Identification. Cash collections into the FMS Trust Fund are the result of initial deposits at acceptance or are based on requests for funds (billings) prepared by the SAAC. Each deposit made is recorded to the appropriate FMS case accepted by the purchaser. If the deposit is not identifiable at time of payment it is recorded in the FMS customers' "Holding Account" pending identification. Throughout the life of the FMS case, the integrity of case-level accounting for deposits will be maintained by the SAAC.

c. Holding Accounts. Cash payments often are received cumulatively which are in excess of the final value of a particular case. With purchaser approval, these surplus funds can be transferred into a Trust Fund "Holding Account" similar to a pseudo-case. Monies on deposit in the holding account are available to the purchaser for application to other FMS cases. However, upon purchaser demand these overpayments will be refunded provided there are no collection delinquencies for other FMS cases for that purchaser.

d. Payment Office. All payments, whether cash or credit, must be made to the Security Assistance Accounting Center, Denver, Colorado, 80279, for deposit to the FMS Trust Fund account for the purchaser. All payments

should identify the specific reason for the payment. SAAC is responsible for billing and follow-up collection action for indebtedness incurred by FMS customers on FMS cases. Implementing agencies will not make requests to FMS customers for payments on FMS cases, but will refer collection problems to the SAAC for appropriate action.

e. Movement of Customer Funds. SAAC takes action on requests for movement of funds to and from holding accounts or between cases only when such requests are properly channeled through the FMS customer's designated representative or as directed in a memorandum of agreement between SAAC and the FMS customer regarding the use of holding accounts and transfer of funds. The use of notes or other references in LOA documents (1513, 1513-1, or 1513-2) concerning transfers or refunds of FMS customer funds is not authorized.

f. Initial Deposit Follow-up. When SAAC receives a customer-signed LOA (DD Form 1513) or amendment (DD Form 1513-1) that is not accompanied by a required initial deposit, SAAC will initiate follow-up action on the tenth working day following receipt of the signed LOA.

(1) SAAC will notify the in-country security assistance organization (e.g., MAAG, ODC, MILGP, DAO, etc.), the customer organization responsible for payment, and the U.S. implementing agency case manager that the initial deposit has not been received. This notification will state that implementation of the LOA or amendment is being held in abeyance pending receipt of the initial deposit.

(2) Based on circumstances applicable to the case, including the continued validity of the P&A data supporting the case, the case manager will determine whether to extend the offer expiration date for a longer period pending receipt of the initial deposit. The implementing agency will issue a letter or message extending the offer expiration date or notifying SAAC, SAO, and DSAA that the offer cannot be extended beyond its current expiration date.

(3) If the expiration date cannot be extended, or if the extended date expires without receipt of the initial deposit, SAAC will obtain DSAA-COMPT-FMD concurrence to cancel the case. A new LOA will be required if the customer's requirement is still valid.

(4) These procedures do not apply to offers where SAAC has been notified that the initial deposit is in the hands of another USG agency (e.g., IA, SAO, Embassy), that a courtesy deposit has been made on SAAC's behalf, that funds have been wire transferred (with transaction number), or where the LOA is financed by Military Assistance Program or FMS credit funds.

5. Disbursement Authority for FMS Agreements.

a. Case-Level Accounting. FMS monies collected in advance of delivery, service performance, or contractual progress payments are available for reimbursement to U.S. appropriations or direct-cite payment to U.S. producers. Although these disbursements are controlled on an FMS country basis, accounting for FMS transactions is on an individual case basis. In other words, country cash deposits may be disbursed for the financial requirements associated with any of that country's cases with its consent, expressed or

FIGURE 7-III-2

CONTRACT ADMINISTRATION RECIPROCAL AGREEMENTS

<u>COUNTRY</u>	<u>EFFECTIVE DATE</u>	<u>COST WAIVED</u>
Canada (CN)	27 Jul 1956	Contract Audit Quality Assurance and Inspection
United Kingdom (UK)	30 Oct 1979 30 Dec 1985	Contract Audit Quality Assurance and Inspection **
France (FR)	17 Jul 1981	Contract Audit
Netherlands (NE)	18 Apr 1985 9 Apr 1982	Contract Audit Quality Assurance and Inspection
Italy (IT)	7 Jan 1983	Quality Assurance and Inspection
Belgium (BE)	26 Apr 1983	Quality Assurance and Inspection
Germany (GY)	6 Dec 1985 6 Dec 1983	Contract Audit Quality Assurance and Inspection
Denmark (DE)	3 Apr 1985	Quality Assurance and Inspection
European Participating Governments (EPG)	19 Dec 1980	Contract Audit Quality Assurance and Inspection (F-16 Follow-on Buy)
NATO Integrated Communication System Management Agency (NIC SMA) (N2), (K4)	30 Sep 1981 6 May 1980	Contract Audit Quality Assurance and Inspection
NATO (All infra- structure programs administered by a NATO Command or NATO Agency)	30 Sep 1981 28 Oct 1980	Contract Audit Quality Assurance and Inspection
NATO (All other infrastructure pro- grams administered by a host country)	10 Feb 1981	Quality Assurance and Inspection
NATO E-3A (N1), (K7) (K8), (W1)	Program Conception	Full waiver of all contract administration

 FIGURE 7-III-2. Contract Administration Reciprocal Agreements.

FIGURE 7-III-3

FINANCIAL ANNEX
SUPPLEMENTARY FINANCIAL TERMS AND CONDITIONS

1. This agreement is financed entirely with cash, FMS loan funds, MAP funds, or any combination thereof as indicated in Block 27 of DD Form 1513, Letter of Offer and Acceptance (LOA), or Block 28 of DD Form 1513-1, Amendment to Offer and Acceptance. The Purchaser agrees to make payments in such amounts and at such times as may be specified by the U.S. Government, including any initial deposit indicated on the LOA required to meet financial requirements arising from this case.

2. The Foreign Military Sales Billing Statement, DD Form 645, will serve as the statement of account and billing statement. An FMS Delivery Listing identifying items physically or constructively delivered, and services performed during the billing period, will be attached to the billing statement. The Security Assistance Accounting Center (SAAC) forwards billing statements to Purchasers no later than 45 days before payments are due, and Purchasers will forward payments in U.S. dollars (cash or request for advance of loan funds) to the U.S. Government in time to meet prescribed due dates. For cases financed with MAP funds, these funds are merged in the trust fund and applied to the cases. Such costs as may be in excess of the amount funded by MAP or credit agreement funds must be paid by the purchaser, if additional MAP/credit funds are not available. Questions concerning the content of DD Form 645 billing statements and requests for billing adjustments should be submitted to the Security Assistance Accounting Center (SAAC/FS), Lowry AFB, Colorado 80279-5000.

3. Cash payments in U.S. dollars for inditial deposits and amounts due and payable on Quarterly Billing Statements (DD Form 645) are to be forwarded to the SAAC or other formally-agreed-upon depository in time to meet prescribed payment due dates. The preferred method for forwarding cash payments is by bank wire transfer. The following addresses apply for cash payments:

- a. Bank Wire Transfer to SAAC:
Federal Reserve Bank of Kansas City, Denver Branch
FRB/DVR (3801) Air Force AFAFC/SAAC
- b. Bank Wide Transfer to Federal Reserve Bank of New York:
Federal Reserve Bank of New York
Foreign Accounts Control Staff
33 Liberty Street
New York, New York 10045
- c. Check mailing address to SAAC:
AFAFC/SAAC
Lowry AFB
Denver, Colorado 80279

FIGURE 7-III-3. Supplementary Financial Terms and Conditions

sensitivity of technology contained in the defense articles, defense services, or design and construction services proposed to be sold, and a detailed justification providing the reasons necessitating the sale of such defense articles or services in view of the sensitivity of such technology. The AECA, Section 36(b), paragraph (4) requires that each certification cite any quarterly report submitted under Section 28 of the Act which listed a Price and Availability (P&A) estimate or a request for LOA, which was a basis for the proposed sale. The FAA, Section 620C(d), requires a special certification for notifications of proposed sales to either Greece or Turkey. The International Security and Development Cooperation Act of 1985, Section 130(c), requires a special certification for notifications of proposed sales to Jordan pertaining to United States advanced aircraft, new air defense systems, or other new advanced military weapons. These Jordan certifications, prepared by the State Department and signed by the President, will be appended to Section 36(b)(1) notifications to the Congress involving such items. *

(2) The AECA, Section 36(b)(1) states that the LOA shall not be issued to the North Atlantic Treaty Organization (NATO), any NATO member country, Japan, Australia, or New Zealand, if the Congress, within 15 calendar days after receiving such certification, or to any other country or organization, if the Congress within 30 calendar days after receiving such certification, adopts a joint resolution stating that it objects to the proposed sale, unless the President states in his certification that an emergency exists which requires such sale in the national security interests of the United States. If the President states in his certification that an emergency exists he shall set forth in the certification a detailed justification for his determination, including a description of the emergency circumstances which necessitate the immediate issuance of the LOA and a discussion of the national security interests involved. *

(3) In addition, the President shall, upon the request of the Committee on Foreign Relations of the Senate or the Committee on Foreign Affairs of the House of Representatives, transmit promptly to both such committees a statement setting forth:

(a) A detailed description of the defense articles, defense services, or design and construction services to be offered, including a brief description of the capabilities of any defense article to be offered;

(b) An estimate of the number of officers and employees of the United States Government and of United States civilian contract personnel expected to be needed in such country to carry out the proposed sale;

(c) The name of each contractor expected to provide the defense articles, defense services, or design and construction services proposed to be sold (if known on the date of transmittal of such statement);

(d) An evaluation, prepared by the Director of the Arms Control and Disarmament Agency in consultation with the Secretary of State and the Secretary of Defense, of the manner, if any, in which the proposed sale would:

1. Contribute to an arms race;
2. Increase the possibility of an outbreak or escalation of conflict;

3. Prejudice the negotiation of any arms controls;
or
4. Adversely affect the arms control policy of the
United States;

(e) The reasons why the foreign country or international organization to which the sale is proposed to be made needs the defense articles, defense services, or design and construction services which are the subject of such sale and a description of how such country or organization intends to use such defense articles, defense services, or design and construction services;

(f) An analysis by the President of the impact of the proposed sale on the military stocks and the military preparedness of the United States;

(g) The reasons why the proposed sale is in the national interest of the United States;

(h) An analysis by the President of the impact of the proposed sale on the military capabilities of the foreign country or international organization to which such sale would be made;

(i) An analysis by the President of how the proposed sale would affect the relative military strengths of countries in the region to which the defense articles, defense services, or design and construction services which are the subject of such sale would be delivered and whether other countries in the region have comparable kinds and amounts of defense articles, defense services, or design and construction services;

(j) An estimate of the levels of trained personnel and maintenance facilities of the foreign country or international organization to which the sale would be made which are needed and available to utilize effectively the defense articles, defense services, or design and construction services proposed to be sold;

(k) An analysis of the extent to which comparable kinds and amounts of defense articles, defense services, or design and construction services are available from other countries;

(l) An analysis of the impact of the proposed sale on United States relations with the countries in the region to which the defense articles, defense services, or design and construction services which are the subject of such sale would be delivered;

(m) A detailed description of any agreement proposed to be entered into by the United States for the purchase or acquisition by the United States of defense articles, defense services, or design and construction services or defense equipment, or other articles, services, or equipment of the foreign country or international organization in connection with, or as consideration for, such LOA, including an analysis of the impact of such proposed agreement upon United States business concerns which might otherwise have provided such articles, services, or equipment to the United States, an

foreign policy and national security objectives as outlined in the policy justification portion of the notification.

(e) When an exception to NDP-1 has been granted for release of the classified or sensitive technology, a separate paragraph on the Sensitivity of Technology Statement (Table 7-IV-4A) should provide information to the effect that the sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the policy justification. Moreover, the benefits to be derived from the sale, as outlined in the policy justification of the notification, outweigh the potential damage that could result if the sensitive technology were revealed to unauthorized persons. Additional justification for granting the exception to NDP-1, such as that included in the request for the exception, should also be provided in that paragraph when that information is available.

(f) The DSAA will forward the required Sensitivity of Technology Statement by a separate classified annex since the public disclosure of such information could adversely affect the foreign and defense policy interests of the United States.

(2) Section 36(b)(5)(A) of the AECA requires that a report * will be sent to Congress when the sensitivity of technology or the capability of major defense articles (including electronic devices, which, if upgraded would enhance the mission capability of a weapons system), major defense equipment, or services are enhanced or upgraded from the level of sensitivity or capability described in the original Section 36(b)(1) certification. This legislation also provides a continuing requirement for ten years following the original certification unless deliveries are completed sooner. Only such changes in the levels of sensitivity or capability as previously described in the Section 36(b)(1) certification provided to the Congress are required to be reported to Congress and this action must be performed at least 45 days prior to delivery of the article or equipment or the furnishing of the service. Accordingly, it is necessary for the military departments and other agencies to monitor programs before deliveries are made to determine whether enhancements or upgrades have occurred. Copies of the original Section 36(b)(1) certification may be obtained from the DSAA Comptroller. Should reportable enhancements or upgrades be identified, military departments and agencies will submit a report to DSAA (FMSCD):

(a) Describing the manner in which the technology or capability has been enhanced or upgraded, including the significance of such enhancement or upgrade, and

(b) Providing a detailed justification for the sale of such enhancement or upgrade.

This report will be sent to DSAA (FMSCD) in the format provided in Table 7-IV-4B with a copy of the original Section 36(b)(1) certification attached. A minimum of an additional 15 days prior to delivery of the items to the purchaser (a total of 60 days) is required for DSAA review and transmittal to the Congress. Rather than submitting multiple 36(b)(5)(A) reports to DSAA, * the military departments and agencies should consolidate and provide these reports to DSAA not less than 60 days prior to the forecast delivery of the affected equipment or services. Note that it is essential for the military

departments and agencies to maintain adequate documentation of each decision that justifies non-submission of Section 36(b)(5)(C) reports. A Section 36(b)(5)(A) report is not required before delivery of enhancements or upgrades previously identified in a Section 36(b)(5)(C) notification. *

(3) Section 36(b)(5)(C) of the AECA requires that any enhancement or upgrade, the net cost of which meets or exceeds dollar thresholds for Section 36(b)(1) certification, as outlined in Section IV, paragraph B.1.a.(1) of this chapter, must be treated as though it were a separate LOA. Accordingly, if the net cost of an enhancement or upgrade of the previously described sensitivity of technology or capability of major defence equipment or defense articles as well as defense services or design and construction services meets or exceeds Section 36(b)(1) thresholds, the military department or agency will provide 36(b)(1) input that clearly describes the enhancement or upgrade, explains the level of sensitivity or capability that the change produces, and provides the estimated net cost of the change. The requirement to report enhancement or upgrade of previously described capability or sensitivity of technology applies only to items or services that have not been delivered or performed. When the capability was clearly described in the Section 36(b)(1) certification and there is a current request to purchase an enhancement or upgrade thereof, data will be provided on Table 7-IV-4C only when the net cost of the enhancement or upgrade portion reaches the Section 36(b)(1) dollar threshold as follows: *

<u>Equipment/Services To Be Enhanced</u>	<u>Net Cost of Enhancement (Millions)</u>
Major Defense Equipment	\$ 14
Other Defense Equipment/Services	\$ 50
Design and Construction Services	\$200

Statutory notification for enhancements or upgrades of sensitivity of technology should be submitted within 30 days of the request to purchase in the format provided in Table 7-IV-4C to DSAA (FMSCD) for review and submission to Congress. Such changes in enhancement or upgrade requiring 36(b)(5)(C) certification may not be implemented nor may a corresponding DD Form 1513, DD Form 1513-1, or DD Form 1513-2 be issued until the certification has been processed to the Congress and the required time period pursuant to Section 36(b)(1) has elapsed. Deliveries of unmodified items on a case for which other items are to be enhanced or upgraded, such as unmodified spare parts, are unaffected and may continue to be delivered without interruption. Advance 20-day notifications prior to the statutory certifications will not be required for enhancement certifications. *

*(deletion)

to \$50 million or more, does not require prior Section 36(b) notification to the Congress.

(2) A FMSO I transaction for \$50 million or more, or an amendment to a FMSO I transaction which adds \$50 million or more to the previous case total, or a LOA for a FMSO II transaction for \$50 million or more does require prior Section 36(b)(1) notification to the Congress.

h. The above exception to Section 36(b)(1) notification of FMSO I amendments is based on the following:

(1) FMSO I cases must be amended each year to adjust the dollar values based on requisition activities and new LOAs for this purpose are not practicable, and

(2) FMSO I cases reflect customer equity in the U.S. supply system and defense articles upon which these cases are based are not shipped to the country, but are drawn down against a corresponding FMSO II LOA.

2. Issuing Letters of Offer for \$50 Million or More or for MDE of \$14 Million or More.

a. The AECA provides that the LOA shall not be issued if Congress, within 30 calendar days (15 calendar days for NATO, NATO member nations, Japan, Australia, or New Zealand) after receiving the notification, adopts a joint resolution stating that it objects to the proposed sale, unless the President, in his notification to Congress, had certified that an emergency exists which requires such sale in the national security interests of the United States. *

b. If Congress adopts a concurrent resolution objecting to a proposed sale, the Director, DSAA will promptly notify the applicable DoD component of that fact, seek the guidance of the President as to the course of action which should be taken, and advise the cognizant DoD component of the action to be taken (see paragraph B.2.d. above).

3. Additional Required Congressional Submission Relating to Letters of Offer for \$50 Million or More. In compliance with the USC, title 10, Section 133b, the Secretary of Defense is required to submit a report to the Congress when there is a LOA to sell or a proposal to transfer defense articles that are valued at \$50 million or more from the inventories of a regular component of the armed forces or from current production.

D. PROCEDURES.

1. Categories of Purchasers.

a. The AECA makes a distinction between exempted purchasers (i.e., NATO, NATO countries, Japan, Australia, and New Zealand) and non-exempted purchasers (all others).

b. For exempted purchasers:

(1) Advance notification is not required.

(2) The waiting period after statutory notification is 15 days.

2. State and Defense Relationship, Staffing Agreement, and Timing.

a. Prior to any advance or statutory notification to Congress under the AECA, Section 36(b)(1), the DSAA must receive clearance from the Department of State for that notification.

b. Representatives of the State and Defense Departments have agreed that State policy deliberations, intra-agency coordination, and submission for Presidential approval (if required) and Defense preparation of the Section 36(b)(1) notice, Section 133b report, and the LOA all aim toward the common objective of completing these actions within 60 days after receipt of the prospective purchaser's complete request. The procedures established in this section are designed to meet these objectives.

c. Under normal circumstances the milestones indicated in Figures 7-IV-1 and 7-IV-2 should be met by all functional areas involved in the processing of Section 36(b)(1) notifications and LOAs.

3. Submission of Supporting Data.

a. Concurrent with LOA or LOI preparation, the cognizant DoD component must submit the supporting data required for Congressional notification to the DSAA/Comptroller-Foreign Military Sales Division (DSAA/Compt-FMSCD). If the LOR case information has not been previously entered into the 1200 system, DSAA will make the entry. Supporting data (including purchaser's reference and date of receipt by the implementing agency) are to be submitted, using the prescribed formats, within ten days of receipt of the letter of request from the purchaser. In order to enable the notification process to begin as soon as possible after receipt of the country request, it is essential that appropriate actions be accomplished by DoD components. The submission is to include a statement as to whether or not a Section 133b report will be required to be sent to the Congress.

b. Appropriate steps will be taken by the DoD components to assure that the ten-day requirement to provide data to DSAA is met. Consistent with this requirement field inputs will be obtained by DoD components on an expedited basis as necessary. Additionally, cost estimates will include separate identification of the estimated dollar value of the MDE portion of the proposed sale. Rough order of magnitude cost estimates are acceptable for processing Congressional notifications. In the exceptional situation, if it is determined by the DoD component that the ten-day requirement cannot be met, approval for extension must be sought from the DSAA Comptroller (Chief, FMS Control Division).

c. Requests from exempted prospective purchasers require the following data to be submitted: Military Justification (see Table 7-IV-2), Statutory Notification (see Table 7-IV-3), and, as required, Sensitivity of Technology Statement (see Table 7-IV-4A) and Impact on Current Readiness Report Data (see Table 7-IV-5).

d. Requests from non-exempted prospective purchasers require the following data to be submitted: Notification as specified in Table 7-IV-1, Advance Notification; Table 7-IV-2, Military Justification; and, as required, Table 7-IV-4A, Sensitivity of Technology.

e. To the extent possible for non-exempted prospective purchaser requests, the submission should also include the supporting data required to meet the statutory notification requirement as specified in Table 7-IV-3. If these data can be provided during the initial submission, and no Section 133b report is required, no further data are needed by DSAA to process the advance and statutory Section 36(b)(1) notifications. However, if all data are not available, the advance notification data only should be submitted to meet the ten-day data submission requirement.

f. To the extent that it is not possible for the DoD component to provide statutory notification Table 7-IV-3 data with the initial submission, these data along with data in support of Section 133b reporting requirement (Table 7-IV-5), if appropriate, will be forwarded to DSAA/Compt-FMSCD as early as possible but no later than ten days after the start of the 20 day advance notification period so that the follow-on statutory notification will not be delayed. Should it be impractical to meet the ten day deadline, approval for extension must be sought from Chief, FMS Control Division, DSAA.

g. As the process evolves, the cognizant DoD component will be informed via message of each Congressional notification and provided with a copy of the letters which transmit the advance and statutory Section 36(b)(1) notifications to the Congress.

h. Following completion of the 20 day advance notification period and after State clearance, the Director, DSAA, will provide the statutory Section 36(b)(1) notification of the proposed sale to the Congress. At this time, and after receiving express authority from the Comptroller, DSAA, and coordination with DSAA Operations, the cognizant DoD component will furnish a copy of the unsigned LOA to the purchaser as an enclosure to a transmittal letter in the format of Table 7-IV-6 (Transmittal Letter for the Unsigned LOA). If Congress adopts a joint resolution objecting to a proposed sale, the Director, DSAA will promptly notify the applicable DoD component of that fact, seek the guidance of the President as to the course of action which should be taken, and advise the cognizant DoD component of the action to be taken. *

i. DoD components will submit signed LOAs to the DSAA/Compt-FMSCD, Countersignature Branch no later than five working days prior to completion of the statutory 15 or 30 day Congressional review period. Unless there are appropriate reasons to do otherwise, the expiration date assigned by the DoD components will allow for normal country review periods beyond the final date of the Congressional review. When the signed LOA and all subsequent amendments and notices are submitted to the DSAA, they will include in Block 11 under "DSAA Accounting Activity" the identifying DSAA Transmittal Number used for the statutory Congressional notification (e.g., 85-29). This number will be shown on the message sent to the DoD component advising of the dispatch of the statutory notification.

j. Cases for \$7 million or more must be submitted to the Counter-signature Branch with a termination liability worksheet -- except for FMSO I and II cases, spare parts requisition cases, training cases, equipment and services cases where the source is DoD inventories, or programs for which termination liability requirements have been waived pursuant to DoD 7290.3-M.

k. Upon the expiration of the statutory 15 or 30 day waiting period the Comptroller, DSAA, will, if Congress has not adopted a joint resolution objecting to the proposed sale, countersign the LOA and return the original to the cognizant DoD component and forward a copy to SAAC. Upon receipt of the DSAA countersigned LOA, the cognizant DoD component may forward the original signed LOA to the prospective purchaser. *

E. CLASSIFICATION.

1. Advance Section 36(b)(1) Notifications. All data, information, and advance Congressional notifications of proposed sales to all prospective purchasers will be treated as, and marked "SECRET" or "CONFIDENTIAL" until the statutory notification is provided to the Congress. The following classification guidelines apply to all inputs of supporting data required for advance notifications by the Foreign Military Sales Control Division:

a. If none of the data presented is classified, the documents will be stamped "SECRET" or "CONFIDENTIAL" on the top and bottom of each page, all paragraphs will be preceded by "(U)," and the following marking will be shown on the bottom of the first page of each submittal:

"CLASSIFIED BY SAMM (DOD 5105.38-M) (CHAPTER 7, SECTION IV)
DECLASSIFY ON STATUTORY NOTIFICATION TO
CONGRESS UNLESS REQUIRED OTHERWISE
BY COMPETENT AUTHORITY."

b. If any of the data presented is classified, the documents will be stamped with the required level of classification on the top and bottom of each page, each classified paragraph will be marked with the required classification, and the appropriate "classified by" and "declassify on" data are to be entered on the bottom of the first page of each submittal. The marking indicated in paragraph 1.a. above will not be used on these submittals.

2. Statutory Section 36(b)(1) Notifications. As specified in the AECA, Section 36(b), each statutory notification provided to the Congress is to be unclassified except that the dollar amount and quantity of the offer and details of the description of the defense articles or services offered may be classified. Furthermore, the justification may also be classified. However, if any of the items are to be classified, the rationale must be provided, fully justified, and the justification attached to the statutory notification data submission (Table 7-IV-3). Supporting data inputs pertaining to statutory notifications will be submitted to DSAA/Compt-FMSCD in accordance with the following classification guidelines:

a. If none of the data presented is classified, the procedures indicated in paragraph 1.a. above are to be followed.

TABLE 7-IV-4B

ENHANCEMENT OR UPGRADE OF SENSITIVITY OF TECHNOLOGY OF ITEMS
 PLANNED TO BE DELIVERED, SECTION 36(b)(5)(A) REPORT

*

MEMORANDUM FOR (OR LETTER TO) THE COMPTROLLER, DSAA (ATTENTION: FMSCD) (U)

SUBJECT: Enhancement or Upgrade of Sensitivity of Technology of Item(s)
 Planned to be Delivered, Section 36(b)(5)(A) Report (U)

*

1. The following data are provided in accordance with Chapter 7, DOD 5105.38-M:

- A. (*) Purchaser:
- B. (*) DOD Component:
- C. (*) Case Designator:
- D. (*) Section 36(b)(1) Certification Number:

2. A. (*) Description of the manner in which the technology or capability has been enhanced or upgraded, including the significance of such enhancement or upgrade from the level previously described in the original Section 36(b)(1) Certification:

- B. (*) Estimated net cost of enhancement or upgrade:
- C. (*) Item(s) or service(s) to which change(s) apply (indicate whether MDE):
- D. (*) Next planned delivery date of item(s) or service(s):
- E. (*) Detailed justification for the sale of such enhancement or upgrade:

Attachment: Copy of original Section 36(b)(1) Notification.

CLASSIFIED BY: (See DOD 5105.38-M, Chapter 7, Section IV.)

(CLASSIFICATION)

(*) Indicate required security classification paragraph markings per Chapter 7, Section IV.

TABLE 7-IV-4B. Enhancement or Upgrade of Sensitivity of Technology of Items
 Planned to be Delivered, Section 36(b)(5)(A) Report.

*

TABLE 7-IV-4C

STATUTORY NOTIFICATION DATA ON ENHANCEMENT OR UPGRADE
OF CAPABILITY OR SENSITIVITY OF TECHNOLOGY

(CLASSIFICATION)

MEMORANDUM FOR (OR LETTER TO) THE COMPTROLLER, DSAA (ATTN: FMSCD) (U)

SUBJECT: Data for Statutory Section 36(b)(1) AECA Notification of Enhancement
or Upgrade of Capability or Sensitivity of Technology, Section 36(b)(5)(C) (U) *

1. The following supporting data are provided in accordance with Chapter 7, DOD 5105.38-M, regarding items or services that are proposed to be added to a previously notified sale.

- A. (*) Prospective Purchaser:
- B. (*) DOD Component and Case Designator(s):
- C. (*) Original Congressional Notification number and previously notified dollar value:
- D. (*) Estimated net cost of enhancement or upgrade of capability or sensitivity of technology:
- E. (*) Description and quantity of the items and/or services for which enhancement or upgrade of capability or sensitivity of technology is proposed (which items are being enhanced?): Include all major defense equipment, defense articles or services; or design and construction services, segregating them by dollar values:
- F. (*) Description of enhancement or upgrade of capability or sensitivity of technology (what is being done to provide the enhancement or upgrade?):
- G. (*) Expected security classification of the sale of the enhancement or upgrade in capability or sensitivity of technology (if it is to be classified, cite rationale and attach justification):
- H. (*) Sales commission, fee, etc., paid, offered, or agreed to be paid on the enhancement or upgrade in capability or sensitivity of technology (if none, so state):
- I. (*) Identification and location of the prime contractor or principal contractor of the enhancement or upgrade in capability or sensitivity of technology:

TABLE 7-IV-4C. Statutory Notification Data on Enhancement or Upgrade of Capability or Sensitivity of Technology.

TABLE 7-IV-6

TRANSMITTAL LETTER FOR THE UNSIGNED LOA

Dear

Enclosed for consideration and analysis by your Government is an unsigned advance copy of the "United States Department of Defense Offer and Acceptance," DD Form 1513, for FMS case (case designator).

Section 36(b) of the Arms Export Control Act requires that notification be given to the Congress of the United States before the Department of Defense issues any offer to: (1) sell defense articles and services, the estimated total costs of which are \$50,000,000 or more, or (2) sell major defense equipment, the estimated total costs of which are \$14,000,000 or more. Section 36(b) further provides that the offer to sell not be issued if the Congress, within (*) calendar days after receiving such notification, adopts a joint resolution stating in effect that it objects to the proposed sale. * Under the Constitution of the United States, a concurrent resolution of the Congress does not require Presidential approval and is not subject to veto by the President.

The Department of Defense has transmitted the required notification of the enclosed proposed FMS case (case designator) to the Congress on (date). Assuming that the Congress does not object to this proposed FMS case, enclosed DD Form 1513 will be signed and issued to your Government by the authorized Department of Defense representative on or about (date). In the event that the Congress should object to this proposed sale, you will be notified promptly of that fact.

Should your Government wish to accept this proposed FMS case, wait until receipt of the signed DD Form 1513 (forwarded after the Congressional notification period is completed) and complete Blocks 29 through 37 on the original and top three copies of the signed DD Form 1513 only. Completion by your Government of Blocks 29 through 37 on the enclosed unsigned advance copy of the DD Form 1513 will not be deemed to be valid.

Sincerely yours,

- * For non-exempted purchasers enter: thirty (30)
For exempted purchasers enter: fifteen (15)

TABLE 7-IV-6. Transmittal Letter for the Unsigned LOA.

SECTION V - CASE MANAGEMENT

A. THE SCOPE OF CASE MANAGEMENT.

1. The Military Departments and Agencies will, according to Paragraph 70002H, DOD 7290.3-M, "assign a case manager to each active FMS case." The FMS case manager is to be designated by the DoD Component responsible for implementing sales agreements (DD Form 1513) and leases. The case manager is defined as that individual who is designated to accomplish the task of integrating functional and inter- and intra-organizational efforts directed toward the successful performance of a Foreign Military Sales case.

2. Cases will vary in dollar magnitude and complexity. For example, a \$2 billion sale of a major weapon system is extremely complex. A \$100 million case for off-the-shelf replacement spares is less complex. While the two are different in complexity and dollar value, they both require emphasis and special management attention (even a very low value case may involve many different functional activities), and both are managed in accordance with well-defined guidelines.

3. The case manager is the focal point for management activity on a case. The task of the case manager is to ensure the objectives of the assigned case are achieved while adhering to applicable laws and regulations.

4. These objectives are threefold: (1) to accomplish the case (performance) on schedule, (2) to accomplish the case within the case value, and (3) to close the case as planned. Successful performance is realized when the objectives of the case are met.

5. The case manager acts as the focal point for case activities by coordinating and integrating organizational actions and resources assigned to Security Assistance functions. Critical decisions involving managerial prerogatives must be coordinated with the case manager.

6. The case manager has a role in each of the major elements of the case: acquisition, programming, logistics and finance, and shall be involved in every aspect of planning and executing assigned cases.

7. The case manager functions as an integrator and a generalist. There are no definite ground rules for determining where the case manager is placed in the organization. This must be decided by the DoD Component responsible for the management of the case. Case management begins during P&A and LOA preparation and should include total package concept/total package approach. Each FMS case must be assigned a case manager no later than case implementation.

B. CASE MANAGEMENT AUTHORITY, RESPONSIBILITY, ACCOUNTABILITY, AND CONTROL.

1. The case manager should be guided by existing policies and management directives, and case activities should be governed by these regulatory documents. Direct communications with participating organizations is

(3) DRMS Status. DRMS is an element of the DoD. As such, it has absolutely no connection with commercial firms which offer surplus U.S. military supplies and equipment for sale to the general public.

(4) Relation to Other Agreements. The FMS policies and procedures promulgated by DRMS are not intended to repeal or circumvent existing or proposed direct support agreements between other DoD components and foreign governments or international organizations, or any other government-to-government agreements. Where such agreements are in effect, it is expected that the governments concerned will continue to requisition or otherwise procure materiel and services covered by the agreements from the U.S. DoD components with which the agreements have been concluded.

(5) References. The DRMS publishes two documents which provide information on the specifics of the DRMS excess program and on articles which are available for sale.

(a) Foreign Military Sales Customer Information Guide. This document provides information on how to use this service and specifics of the program.

(b) Declared Excess Personal Property List. This is a weekly listing of excess property published by the DRMS. Countries eligible to receive the DRMS Declared Excess Personal Property Lists are identified at Table 8-III-1 of this section.

(6) MDE and SME. All MDE and SME excess items being sold under FMS procedures must be clearly defined in the LOA. Accordingly, only defined order type cases will be utilized for sales of MDE or SME. *

B. REQUISITION PROCEDURES.

1. Use of MILSTRIP.

a. Standard Items. Once an FMS case has been established and funded, MILSTRIP requisitions may be initiated either by the purchaser or by a designated DoD component. For standard material items, requisitions will be prepared in MILSTRIP format by the military service, or will be converted to MILSTRIP format by the Military Service Requisition Control Office (RCO). RCOs will verify MILSTRIP requisitions prepared by countries prior to introduction into the U.S. logistics system. Supply and shipment status will be provided in accordance with MILSTRIP procedures. Service designated RCOs are:

(1) Army. U.S. Army Security Assistance Center, New Cumberland, PA 17070.

(2) Navy. Navy International Logistics Control Office (NAVILCO), Philadelphia, PA 19111.

(3) Air Force. Air Force Logistics Command, Wright-Patterson AFB, Ohio 45433.

b. Non-Standard Items. Although purchasers are encouraged to procure material which is standard to the U.S. Armed Forces, non-standard equipment may be requisitioned after mutual agreement with the DoD component concerned. Such requisitions, as well as requisitions for services (e.g., training, etc.), will be in a letter format rather than under MILSTRIP procedures.

2. Uniform Material Movement Priority System (UMMIPS).

a. Use in Requisitioning Process. The Uniform Military Priority System (UMMIPS), as delineated by DoD Instruction 4410.6, is applicable to all requisitions. Force Activity Designators (FADS) are established by the JCS for all customer countries and international organizations. Component activities will take the necessary steps to assure that participating foreign countries and international organizations are properly instructed in the establishment of the Issue Priority Designator. SAOs, if they process FMS requisitions, will verify country and international organization established Issue Priority Designators to assure accuracy.

b. Correction of Erroneous Designators. Erroneous designators will be corrected by the reviewing activity. Doubtful cases will be referred to the appropriate U.S. or purchaser representative for clarification or correction.

3. Delivery Commitment Date (DCD).

a. Use. A DCD will be applied to all FMS cases that include a line for a principal item and for which there is no corresponding MILSTRIP Required Availability Date (RAD) in the supply system. The DCD will be identified through the use of a three digit numeric code, the first two representing the fiscal year, and the third representing the quarter of the fiscal year. The DCD when applicable, should be placed in the Availability and Remarks Block of the LOA. (The DD Form 1513-2 Notice to countries of slippages over 90 days is required on DCD revisions only and not on slippages of items controlled within the MILSTRIP RAD system.)

b. DCD Slippage. In the event it is determined that a slippage in delivery date in excess of 90 days will occur, but a firm alternative delivery date cannot be established with a reasonable time, a DD Form 1513-2 will be provided to the purchaser deleting the previous delivery date, providing an explanation of the circumstances involved, and containing a statement that an additional DD Form 1513-2 will be provided as soon as the new delivery date has been established.

i. Use of the Defense Transportation System (DTS).

(1) When Required. Exceptions to delivery policy will be noted on the LOA on a case-by-case basis and approved by DSAA Operations with concurrence of OSD/A&L. Procedures for shipment via the DTS are contained in the Military Traffic Management Regulation and MILSTAMP, DoD 4500.32R. Shipment through the DTS to the point indicated for the shipment of the following types of items is authorized on a reimbursable basis with pricing in accordance with DoD 7290.3-M: *

(a) Hazardous Sensitive Material. Firearms, explosives, lethal chemicals, and when required certain other hazardous material will be moved within the DTS or other U.S./DoD-arranged transportation under U.S./DoD control on a Government Bill of Lading (GBL). To meet these requirements, the LOA will require, delivery FOB vessel/aircraft, CONUS port of exit delivery term code 8. The onward movement of these items may be effected by purchaser-owned or controlled aircraft or purchaser-owned, operated or controlled surface vessels (see para (c) below).

(b) Oversize Air Cargo. Air cargo of such size that the item exceeds commercial capability may be delivered to the overseas port of discharge through the DTS using military aircraft.

(c) Use of DoD Controlled Ports. FMS material which requires exceptional movement procedures, such as sensitive and as required certain hazardous material (as defined in DoD 4500.32-R, Vol. 1, Chapter 2, paragraph 12-15 Military Traffic Management Regulation Chapter 226 and Title 49 CFR Part 170-179 and 397, and DoD 5100.76M), will be shipped through CONUS water or aerial port facilities controlled by DoD. All material entering the DTS must be documented under DoD 4500.32-R, Vol. I and Vol. II. This will require that the terms of delivery of the LOA cite as a minimum, delivery FOB Vessel/Aircraft, CONUS Port of Exit Delivery Term Code 8.

j. Classified Shipments.

(1) It is the policy of the United States Government to release classified military information to foreign governments and international organizations, when considerations relating to the foreign policy and military objectives of the U.S. indicate that the national interest will benefit from such action. Such releases must be consistent with the U.S. National Disclosure Policy (NDP).

(2) The United States national interest requires that foreign recipients of U.S. classified military information and materiel provide substantially the same degree of security protection, to include transmission and transit storage procedures, given to the same information and materiel by the Department of Defense.

(3) Classified shipments of FMS materiel usually will be made within the DTS or by other U.S./DoD-arranged transportation modes which will provide the required security and enable the U.S./DoD to maintain control and custody of the materiel until delivery to the purchaser is made. DoD Directory 5105.38-D (MAPAD), however, lists certain freight forwarders who have been cleared to receive classified materiel which could be shipped FOB origin

on a Commercial Bill of Lading (CBL). (See Chapter Five for additional security information.)

k. Discharge of FMS Materiel Moving Through the DTS.

(1) The local U.S. military representative is responsible for supervision of the discharge at destination of FMS materiel and equipment moving through the DTS. This responsibility includes, but is not limited to:

- (a) Making arrangements for reception of the cargo,
- (b) Assuring the establishment by the purchaser of adequate procedures for checking the equipment and materiel against manifests and shipping documents,
- (c) Providing technical advice regarding proper discharge of cargo, and
- (d) Initiating transportation discrepancy actions and documents prescribed in AR55-28/NAVSUPINST 4610.33C/AFR 75-18/MCO 4610.19D, DLAR 4500.15, Reporting of Transportation Discrepancies in Shipments.

(2) Where there are U.S. military forces positioned or deployed in areas that are receiving FMS materiel, and where these forces are supported by U.S. Military Terminal Units or Support Activities, arrangements may be initiated by the local U.S. military representative who may designate these units to act as the agent or representative of the local U.S. representative to accomplish the functions incident to the delivery of FMS materiel to the recipient country via the DTS.

(3) If compliance with Paragraphs k(1) or (2) above is not feasible or possible, the responsible DoD components will amend all agreements for FMS materiel to provide that custody shall pass within CONUS and that transportation support beyond CONUS will be the responsibility of the purchaser.

1. Re-delivery Policy and Use of the DTS.

(1) When a DoD component solicits the buy back of a defense item from an FMS purchaser, use of the DTS may be authorized if deemed appropriate by the cognizant DoD component with funding by that DoD component.

(2) When a DoD component is requested by an FMS purchaser to buy back previously purchased defense articles, transportation normally should be arranged and funded by the FMS purchaser. Unsolicited buy backs of sensitive, hazardous and classified cargoes may be moved within the DTS, with reimbursement from the FMS customer, if deemed appropriate by the cognizant DoD component.

m. Government Bill of Lading (GBL).

(1) Shipment via GBL is not authorized except when specified in the LOA and approved by the cognizant DoD component as an exception.

(2) When the GBL is used, the DoD retains responsibility for the associated administration of processing claims against carriers or for obtaining proof of delivery at destination on movements to freight forwarders/country representatives, military controlled terminals, and commercial ports.

(3) When a GBL is used, the DoD is performing a reimbursable service for the FMS purchaser and custody must not be construed to mean retention of title or acceptance by DoD of the risk of loss or damage.

n. Collect Commercial Bill of Lading (CCBL) or Prepaid Shipment to Freight Forwarder/Country Representatives. This procedure normally will be used for FMS shipments on movements to freight forwarders and country representatives. Purchasers will be informed by the DoD component concerned that they are responsible for: (1) acceptance and payment of CCBL shipments made in accordance with DD 1513 terms, (2) providing appropriate insurance coverage from the point of delivery to the carrier, and (3) in-transit accounting and settlement of claims against carriers. 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 are applicable:

(1) Only when the LOA so authorizes may the shipping transportation office guarantee payment of charges on collect CCBLs, or;

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

3. Responsibilities of the U.S. Government.

a. Initiation of Shipments. The U.S. Government will normally initiate shipments to freight forwarders, country representatives, or the CONUS Port of Exit in accordance with the transportation instructions inserted on the LOA.

b. Evidence of Shipment. The U.S. Government is required only to provide evidence of shipment. Any movement document or receipt, duly signed by a carrier representative, which shows that the U.S. has shipped or released the materiel in question to a carrier for shipment to the country's designated representative, constitutes evidence of shipment. Such documents generally show the quantity, national stock number, mode, date, transportation control number, notice of availability number/bill of lading/parcel post insured or registered number, addressee, vessel, or flight number (to the extent possible), name of shipper and carrier, etc. This information is essential for adjudication of Reports of Discrepancy (ROD). If the freight forwarder has not received the advance copy of the bill of lading, and proof of delivery to a carrier is requested, a duplicate of the bill of lading or other appropriate documents establishing evidence of shipment will be provided to the customer representative.

c. Proof of Delivery. The term "proof of delivery" is construed to mean "constructive delivery" (tender of the materiel to a designated carrier at point of origin). Establishment of proof of delivery to a country destination is not the responsibility of the U.S. Government under a CCBL. The U.S. Government can only provide proof of delivery when movement was

effected within the Defense Transportation System or other transportation provided under U.S. Government auspices.

d. Materiel Shipment. Shipment of materiel is made by the U.S. DoD in accordance with the provisions of the implemented case and delivery term codes therein (including mode of shipment, if specified, and the offer/release code, at customer expense to the customer representative/freight forwarder designated in the MAPAD).

e. Processing of Claims. The applicable DoD component will provide necessary shipping information to assist customer representatives/freight forwarder in processing claims that may arise for lost or damaged shipments in the same manner it processes claims for U.S. Government-owned materiel. On all CCBL shipments, this assistance will be limited to administrative advice and provision of evidence of shipment and constructive delivery to the carrier, when requested by the purchaser representative/freight forwarder. When the discrepancy is determined attributable to the shipper, the Transportation Office that originated the shipment will initiate action to recover reparation for losses, damage, or destruction of property incident to shipment.

f. Liaison Assistance. The DoD components concerned will provide technical assistance and guidance to purchaser representative/freight forwarders in order to assist in any manner that will improve the transportation support in the best interests of the FMS program. Such assistance will include, but is not limited to, purchaser representative/freight forwarder orientation in FMS transportation policies and procedures, MAPAD information, MILSTRIP/MILSTAMP documentation, ROD processing, and resolution of specific transportation problems incident to U.S./DoD sponsored shipments. It is emphasized that the DoD components have no intervening authority in resolving purchaser/freight forwarder disputes or problems, nor in prescribing the manner in which freight forwarder activities are managed.

g. Controlled Substances. The export from the U.S. of FMS purchased materiel that is a controlled substance or narcotic drug shall be in accordance with the Controlled Substances Import and Export Act, 21 U.S.C. 951 et seq., and the procedures governing the exportation of controlled substances in 21.C.F.R. Part 1312. Prior to each export, the U.S. Military Services shall obtain the necessary import documents from the purchaser as provided by 21 U.S.C. 953(a)(3) and (e)(1). The Services shall submit the import documents to the Administrator of the Drug Enforcement Administration (DEA), Department of Justice, requesting the export permits be issued for the particular controlled substance or narcotic drug. Upon obtaining the export permit from the DEA, the Services are responsible for furnishing the Defense Personnel Support Center the export permit number, the expiration date of the export permit, and the port of exportation. This information will accompany the requisition. The Services are also responsible for ensuring that their FMS customers are aware that they must submit import documentation for controlled substance(s) or narcotic drug requisitions. **

4. Responsibilities of the Purchaser. When the purchaser request has been established as a firm FMS case by acceptance of an LOA, the following management action should be accomplished by the purchaser:

a. Employment of a Freight Forwarder. If not established, the service of an international freight forwarder should be employed to accomplish those actions required to effect movement of FMS materiel to destination. The responsibilities which the purchaser elects to delegate to the freight forwarder should be clearly defined in the contract between the parties, and the action and operations of the freight forwarder, as pertain to the handling of FMS shipments, should be closely managed by purchaser representatives.

b. Receipt, Handling, and Processing of Materiel. These functions are the responsibility of the purchaser and are normally accomplished by the freight forwarder. The purchaser should assure that the freight forwarder has adequate receiving and storage facilities for processing shipments of various configurations for onward movement, with materiel handling equipment required for loading/unloading of commercial carrier conveyances. Specific authorization must be received from the DoD to receive and store classified, hazardous, or sensitive materiel.

c. Export License. The customer must obtain an Export License from the Department of State to authorize lawful export movement of purchased FMS materiel from the U.S. to the country, whenever the items sold are to be in the custody of a freight forwarder or other non-governmental party. This must be among the first management actions accomplished in order to assure that materiel is not delayed when ready for shipment. When shipments originate from a third country the purchaser will normally be required to obtain the necessary licenses and export documents.

d. Title Transfer. The U.S. Government normally transfers title to equipment and materiel to the purchaser at the CONUS point of origin where U.S. Government responsibility terminates. Movement from this point onward to the country destination is the responsibility of the purchaser.

e. Export Declaration and Customs Clearance. The purchaser must assure that export declaration (U.S. Department of Commerce Form 7525-V, Shipper's Export Declaration) are prepared for all FMS shipments and that such declarations are filed and validated by a Collector of Customs. After the declaration has been prepared, the shipment must be cleared through U.S. Exit Customs by submission of documents to the Collector of Customs or Export Control Officers. These actions are normally accomplished by the freight forwarder.

f. Transportation. The purchaser is responsible for arranging onward movement of materiel to destination, either by its own government carrier or commercial carrier. Cargo space must be obtained from and the shipment booked with an air or surface commercial carrier, materiel delivered to and loaded aboard the carrier, and applicable ocean bill of lading, air waybill, and/or manifests prepared. These actions are normally accomplished by the freight forwarder.

g. Carrier Selection. It is the purchaser's responsibility to clearly designate to the freight forwarder the mode of transportation and type of carrier desired for onward movement of materiel. Some purchasers prefer all movement aboard an air or surface carrier of the purchaser's flag registry. However, Public Resolution 17, 46 USC 1241-1, expresses the sense of Congress that export cargo generated as a result of loans made by Federal

instrumentalities should be carried in U.S. flag vessels. FMS Loan Agreements, both DoD Direct and Federal Financing Bank (FFB) guaranteed, executed between the United States and foreign governments require that all items financed with these funds shall be shipped on U.S. flag vessels, unless an exception has been obtained by the purchaser from the DSAA or the Maritime Administration of the U.S. Department of Transportation. See Chapter 9 for detailed instructions on Marine Transportation Waiver Procedures. It is the customer's responsibility to notify its freight forwarder of the FMS case identifier related to the LOA utilizing loan funds and of any charges to accepted offers resulting in the use of loan funds, and to ensure that the shipment of materiel under these case identifiers is made on U.S. flag vessels. Cargo not purchased with U.S. loans may be moved utilizing purchaser-owned/operated aircraft or vessels when conditions permit this type of delivery (i.e., pilot pick-up by country-owned military aircraft or by naval vessels). In accordance with standard loan terms no loan proceeds may be used to pay ocean or air freight costs of carriage of defense items on vessels or aircraft of non-United States Registry, nor may such standard loan terms be waived.

h. Overseas Customs Clearance. Upon receipt of formal documentation, the purchaser is responsible for effecting overseas customs clearance of all FMS materiel through its customs agencies upon receipt at the aerial or water port of discharge, and for arranging delivery to the appropriate destination.

i. Notice of Availability (NOA). If the authorized offer/release code specifies that the freight forwarder/country representative will be notified when materiel is ready for shipment, the purchaser will assure that the freight forwarder responds promptly to each NOA requesting shipping instructions. This will preclude undue holding and storage at the point of origin and will facilitate timely and orderly flow of materiel to the freight forwarder. Delays in response to NOA cause storage problems at origins and may result in storage charges to the purchaser.

j. Payment for Transportation Services. Many U.S. domestic carriers are reluctant to accept shipments on a commercial collect basis due to difficulty experienced in collecting freight charges, or are prohibited from accepting collect shipments for export due to carrier tariff bureau restrictions. The purchaser will assure that the freight forwarder effects prompt settlement of these freight charge accounts, through payment of charges upon delivery or establishment of credit arrangements with delivering carriers. The purchaser may consider the establishment of a specific address for payment of transportation charges in accordance with DoD 5105.38-D (MAPAD).

k. Follow-Up on Shipping Status. When the materiel manager furnishes shipping status, and materiel has not been received, the purchaser is responsible for conducting its own tracer action. Such action should be directed to the purchaser's freight forwarder to determine if the item has been received. If the item has been received and transshipped by the freight forwarder, it should be traced to the addressee. If the item has not been received by the freight forwarder, a request for shipping information should be sent to the activity from which shipment status was received to ascertain evidence of shipment. That activity will provide a copy of the bill signed by the carrier and all shipping information such as Transportation Control Number

(TCN), bill of lading number, carrier, date of shipment, etc. Further follow-up should then be made to the freight forwarder to ascertain if the item has, in fact, been received. If the item is still missing, the purchaser should assure that the freight forwarder either starts tracer action with the carrier to locate the materiel, obtains proof of delivery, or makes a claim against the carrier for loss of the shipment on behalf of the purchaser.

l. Claims for Loss or Damage. The purchaser should assure that the freight forwarder can place claims for loss or damage of FMS materiel while in custody of the carrier, and that the purchaser is credited with an amount recovered. RODs covering shortages (non-receipt) should be submitted by the purchaser to the freight forwarder for review and response prior to submitting them to the appropriate DoD Component's Security Assistance Organization.

m. Claims Against the DoD for Incorrect Shipment. The purchaser agrees by acceptance of the LOA, 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.

n. Reparable Return Materiel. All materiel returned to the U.S. Government for repair and return (repair, overhaul, servicing, etc.) should normally be shipped at purchaser expense and handled outside the Defense Transportation System (DTS) unless use of the DTS is authorized on the LOA. Shipments are normally moved through the freight forwarder, who is responsible for clearing the shipment through U.S. Customs and transshipping materiel prepaid to the designated CONUS repair facility. The purchaser should assure that all such reparable shipments are accompanied by appropriate shipping documents and a customs declaration, and that the purchaser's freight forwarder has the capability for receiving and transshipping such materiel.

o. Insurance. Unless a purchaser is self-insured, commercial insurance should be obtained to provide coverage against loss and damage of property, injury to or death of persons, or other transportation risks incurred while the purchaser's property is in custody of the freight forwarder, aboard any carrier, or transiting any port facility. This includes shipment of reparable materiel. It is recommended that any commercial insurance be placed with United States private firms, to the extent possible. Freight forwarders will normally be covered for liability insurance against injury or death of persons. Purchase of separate liability insurance by the customer would be a duplication.

p. Updating Military Assistance Program Address Directory (MAPAD). This is a directory of purchaser representatives and freight forwarder addresses and codes ("Ship to," "Mark for") used by DoD shipping activities. It is essential that the purchaser maintain this directory in current status to assure delivery.

5. Responsibilities of the Freight Forwarder.

a. General. The services of an international freight forwarder are procured under contract by the purchaser for the purpose of receiving, processing, and transshipping FMS materiel. The purchaser is responsible for negotiating with the freight forwarder for services and for management of the

functions related to handling of FMS materiel. The U.S. Government has no jurisdiction, nor responsibility for, accomplishing these functions. This paragraph lists actions and responsibilities considered by the U.S. Government as essential to provide the purchaser with the most effective transportation support required for delivery of its FMS materiel. Requirement of these services and delegation of responsibility for accomplishment are entirely at the discretion of the purchaser. The freight forwarder should be provided appropriate export and import licenses for all FMS cases for materiel expected to be handled.

b. Warehousing and Storage Facilities. Adequate warehousing facilities should be available for segregated receipt, processing, and temporary storage of materiel from the time of delivery from one carrier until transshipped by another. Suitable materiel handling equipment is required for off-loading and loading commercial carrier equipment. This is required since most shipments will be offer release coded "A" for automatic release/shipment.

c. Receipt or Staging of Materiel. When materiel is delivered by the commercial carrier, inspection should be made immediately to assure that the number of pieces and identification of materiel corresponds with items listed on the shipping documents. If there is shortage, damage, or pilferage, the transportation documentation should be annotated accordingly to substantiate claim action against the carrier. If there are discrepancies, hold the materiel in a designated area, pending resolution of claim action. If the shipment checks out with no apparent discrepancy, the carrier will be released and materiel moved to staging area or designated collection point for further processing.

d. Processing Materiel for Transshipment. The processing of materiel for onward delivery should include, but not be limited to, the following:

(1) Advance Copies of DD Form 1348-1.

(a) Hold advance copies of DD Form 1348-1 and DD Form 250 in suspense file pending receipt of materiel.

(b) Match the advance copies of DD Form 1348-1/DD Form 250, or those received after receipt of materiel, with the actual case contract (i.e., items ordered) or with documentation received with the shipment, by TCN/document number, stock number, quantity, case number, "Mark for" address, or any other element of identification that will assure that shipment received is fully identified with an appropriate FMS case and actually destined for movement to the purchaser represented.

(2) Discrepancies. Document materiel discrepancies on Standard Form 364, Report of Discrepancy (ROD) for submission to the customer representative.

(3) Marking Verification. Examine exterior markings on the shipping containers to ascertain that markings are correct and adequate to fully identify the shipment upon receipt of the materiel by the requisitioner at the destination.

(4) Documentation. Assure that the accompanying documents remain intact in the Packing List Envelope affixed to the exterior of the containers to facilitate ready identification and processing by the in-country recipient. Appropriate documentation should be prepared for each shipment, i.e., bills of lading, air waybills, air or ocean manifests, customs declaration and clearance documents, or other required documentation.

(5) Shipping Container Adequacy. Examine all shipping containers for adequacy to withstand handling, storage, and movement risks incurred for the air or surface over-ocean type of transportation selected.

(6) Recooperage. Repackage, recrate, or reinforce inadequate containers. The freight forwarder should have a recooperage capability in connection with the processing facility for accomplishing these actions. Although an export pack is prescribed for FMS shipments, some shipments may be domestic pack for CONUS delivery only, or small parcel post shipment may not conform with export packaging specifications. Some packages may burst open, be crushed, or weakened due to rough handling but with no apparent damage to contents. When, in the opinion of the freight forwarder, the shipment will not withstand further handling and over-ocean movement, it should be repackaged. This is normally a freight forwarder service to provide adequate onward protection to the property, and the purchaser is responsible for any legitimate costs.

(7) Package Consolidation. Small packages should be consolidated into larger containers, by case, priority, and final destination, to the extent possible. The new shipping container should have proper markings for identification at destination.

(8) Priority Transportation. Packages marked for priority delivery normally should be air transported.

e. Containerization. Cargo should be loaded in Seavan or Sealand type containers to minimize loss, damage, and pilferage, if the freight forwarder or the purchaser at the overseas port of discharge can offload from containers and forward cargo to its destination. A complete listing of all shipments containerized should be provided.

f. Transportation Arrangements.

(1) Book Cargo Space. Cargo space should be obtained and shipment booked with the selected air or surface carrier.

(2) Delivery to Carrier. Cargo should be delivered to and loaded aboard the air or surface carrier.

(3) Documentation. All movement documentation should be provided upon tender of the shipment to the designated carrier. When materiel has been loaded aboard the carrier, copies of all documentation should be sent to the purchaser as expeditiously as possible.

(4) Sensitive, Hazardous or Classified Materiel. Arrange with all shippers to have customer representative on hand to sign, at the site of

or aboard ship or plane, for sensitive, applicable hazardous cargo, or classified cargo that is marked for Delivery Term Codes 3 and 8.

(5) Shipment via U.S. Carrier. Arrange for shipment via U.S. flag vessel when materiel to be shipped has been identified as being funded under a loan arrangement.

g. Customs Clearance.

(1) U.S. Department of Commerce Form 7525-V. Export declaration (U.S. Department of Commerce Form 7525-V, Shipper's Export Declaration) must be prepared for all FMS shipments (except DTS).

(2) Customs Clearance. After the declaration has been prepared, exit customs clearance must be effected by submission of documents to the Collector of Customs or Export Control Officers. Assistance should be rendered to the purchaser in the provision of documentation to effect clearance through the purchaser customs agencies. Customs clearance is addressed further in Chapter 5, Section IV, this Manual.

(3) Bills of Lading. The freight forwarder is responsible for obtaining and submitting bills of lading connected with the export and attending to certain other formalities, such as consular invoices, certificates of origin, and other required documents.

(4) Reporting to Department of Commerce. All export of FMS materiel will be reported to the U.S. Department of Commerce as required by federal statute.

h. Payment for Transportation Services. When FMS materiel is shipped to the freight forwarder on a CCBL, prompt settlement of freight charge accounts should be effected. This should be through payment of charges upon delivery or establishment of credit arrangements with delivering carriers.

i. Claims. The freight forwarder/country representative is responsible for filing claims against commercial carriers on behalf of the purchaser for loss, damage, shortages (non-receipt), and pilferage of materiel while in their custody. The purchaser will be credited with any reparation claim action.

j. Return of Reparable Materiel. There should be the capability to receive materiel returned from the purchaser for repair, overhaul, or servicing, clear it through U.S. Customs, and forward it prepaid to the designated CONUS repair facility. After repair, materiel will be shipped to or through arrangement of freight forwarder in accordance with normal delivery procedures.

k. Insurance. Commercial insurance coverage should be provided for protection of all purchaser-owned FMS materiel while in custody of the freight forwarder, aboard any carrier, or transmitting any port facility unless the purchaser is a self-insurer.

l. Notice of Availability (NOA). If the offer/release code specifies prior notification when materiel is ready for shipment, the freight forwarder should provide expeditious response to each NOA requesting shipping instructions. Any alternate shipping instructions, such as a different carrier mode, shipping address, port or consignee other than that specified in the MAPAD, will be observed. Instructions for holding the materiel until a specified future delivery or until availability of a vessel will not ordinarily be honored, as the DoD shipping activities should not be used as storage facilities for the convenience of freight forwarders or the purchaser. Items held for over 15 days are subject to a U.S. Government storage charge.

m. Tracer Action. Every assistance possible will be provided the purchaser on follow-up tracing of specific materiel shipments. The purchaser should be provided all receipt and transshipment data. If no record of receipt is indicated and the purchaser provides evidence of shipment from the shipping activity, tracer action will be initiated with the carrier and the purchaser informed of findings.

n. Multiple Delivery Addressees. Shipments will be made only to the single address specified in the MAPAD or in the official response to the NOA. Delivery is authorized only to the consignee indicated on the bill of lading. Any further reconsignment, diversion, storage, or other deviation directed by a freight/forwarder that results in additional costs will be at the freight forwarder/purchaser expense.

o. Discrepancy Reporting. The purchaser representative will advise by means of SF Form 364, Report of Discrepancy (ROD) of any discrepant shipments, i.e., misaddressed shipments, erroneous documentation, faulty marking that precludes identification, or any other discrepancy that appears to be the responsibility of the USG. Faulty packaging will be reported with pictures if possible, to accompany the SF 364. The purchaser representatives will take action with the appropriate MILDEP security assistance activity.

p. Pilot Pick-up of Materiel. When the freight forwarder is advised that a purchaser-owned/operated aircraft is scheduled into the CONUS to pick-up purchaser-owned property from the freight forwarder, arrangements should be made with the DoD Aerial POE for loading the purchaser's aircraft. Materiel will be transported at freight forwarder expense Free-Along-Side (FAS) the aircraft. Any loading, off-loading, or handling services performed by DoD personnel will be reimbursed by the purchaser. If storage of materiel is necessary prior to loading date/time, off-base storage facilities will be required. Under no circumstances will U.S. military facilities or personnel be used for storage and handling of purchaser-owned property, or loading/unloading of the purchaser aircraft, unless specifically authorized by the applicable Military Department and funding is arranged.

q. Administrative Responsibility. The freight forwarder is responsible for accurate files on all FMS transactions. This includes, but is not limited to, due-in files, advance shipping documents, NOA and response, receiving documents, shipping manifests, bills of lading, customs clearance documents, tracer actions, claims actions, container listings, accurate listings of reimbursable expense, invoices, and other documents or correspondence related to the shipments. Sufficient information should be on file to respond to query of the customer on any shipment.

r. Reporting System. A reporting procedure should be devised by the freight forwarder to keep the purchaser representative advised of the current status of FMS shipments. The system should include advance notice of shipments due-in, receipt of shipment, processing status, anticipated forwarding date, vessel name, voyage number, itinerary, and estimated date of arrival at port of discharge. When shipments identified to a specific case, this will enable the purchaser to plan the receipt in advance and minimize the necessity of tracking individual shipments.

s. Control of Shipments. The freight forwarder should maintain complete visibility control over each FMS shipment, from the date of receipt from the carrier, through processing and staging, until finally shipped to the purchaser. This will provide the location and status of the shipment in the system at all times and facilitates immediate response to any query concerning the materiel. In effect, the freight forwarder acts as a traffic manager for the movement of FMS materiel for the purchaser.

t. Notice of Address Change for MAPAD. This is the only source directive in use by DoD shipping activities to determine current shipping addresses. The freight forwarder should immediately advise the purchaser representative when any address for receipt of materiel or documentation is to be changed, preferably 60 days in advance of the change. This will enable the purchaser representative to initiate action with Defense Automatic Addressing System Office (DAASO) to have the revised addresses immediately disseminated to shipping activities and published in the MAPAD. Direct requests from the freight forwarder to shipping activities for address changes are not authorized. It is important that address changes be made immediately to keep the MAPAD current and preclude misdirected shipments.

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TABLE 8-III-1

FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS AUTHORIZED
RECEIPT OF DLA EXCESS PROPERTY LISTINGS

COUNTRIES

<u>Africa</u>		<u>Near East and South Asia</u>	
Botswana	Liberia	Bahrain	Pakistan
Djibouti	Sudan	Bangladesh	Qatar
Kenya	Zaire	Egypt	Saudi Arabia
		India	Sri Lanka
		Israel	(Ceylon)
		Jordan	Tunisia
		Kuwait	United Arab
		Lebanon	Emirates, The
		Morocco	Yemen Arab Rep.
		Nepal	
		Oman	
<u>Europe</u>		<u>Western Hemisphere</u>	
Austria	Malta	Bahamas	Honduras
Belgium	Netherlands	Barbados	Jamaica
Denmark	Norway	Brazil	Mexico
France	Portugal	Canada	Panama
Germany (Federal Republic of)	Spain	Colombia	Paraguay
Greece	Sweden	Costa Rica	Peru
Iceland	Switzerland	Dominica	St Lucia
Ireland	Turkey	Dominican Rep.	St Vincent
Italy	United Kingdom	Ecudaor	Trinidad and
Luxembourg	Yugoslavia	Guatemala	Tobago
		Haiti	Uruguay
			Venezuela

International Organizations

NATO (North Atlantic Treaty Organization and its agencies)

TABLE 8-III-1. Foreign Countries and International Organizations Authorized
Receipt of DLA Excess Property Listings.

TABLE 8-III-2

POTENTIAL SOURCES FOR LISTING OF FREIGHT FORWARDERS

American Import & Export Bulletin
North American Publishing Company
41 East 42nd Street
New York, New York 10017

Shipping Digest, Inc.
25 Broadway
New York, New York 10004

Department of Transportation
400 Seventh Street SW
Washington, DC 20590

National Customs Brokers & Forwarders
of America, Inc.
One World Trade Center, Suite 1109
New York, New York 10048

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TABLE 8-III-2. Potential Sources for Listings of Freight Forwarders.

(4) The estimated financial consequences of selecting such options.

(5) Any time limits for notifying the U.S. Government of purchaser desire to cancel or reduce quantities.

b. Changes initiated by the foreign country or international organization of terms (Block 27, DD Form 1513 and Block 28, DD Form 1513-1) from a type of assistance code (other than M or Z) to a MAP case (code M) or an FMS Credit Case (Code Z) must cite all types, sources, and amounts of financing.

c. Shifts of case value from one FMS case to another by concurrent modification (reference Chapter 8, Section V, Paragraph A.12), provided the following are met:

(1) The foreign government official who requested the shift in case value must have the level of governmental authority of one authorized to accept LOAs by his signature and must indicate in the LOR that he is a duly authorized representative of his government.

(2) The case increases must be limited to changes which are not significant changes in scope, which would be defined as an increase in quantity of SME or MDE items.

(3) The AECA Section 36(b) reporting thresholds outlined in Chapter 7, Section IV, must be observed.

(4) The net change between the two cases must be zero; that, the increase to one case must be equal to the decrease of the other case. The modifications decreasing one case and increasing the other must be issued simultaneously and must cross-reference each other.

(5) The case being increased must currently have collections equal to or greater than expenditures (see Chapter 8, Section V, Paragraph A.10).

(6) If the addition of articles and/or services to the case being increased will generate a requirement for an initial deposit (reference Chapter 8, Section V, Paragraph A.9), a DD Form 1513-1 must be used.

(7) The case being decreased must have adequate funds available to cover outstanding requisitions and obligations.

4. DD Form 1513-2's Requiring No DSAA Coordination or Countersignature.

a. Decreases to the value of DD 1513s or 1513-1s resulting from price reductions, deletions, or decreases in the quantities of articles or services to be sold, or decreases in the value of blanket order cases requested by the foreign government may be accomplished by DD 1513-2s which do not require countersignature.

b. The following additional modifications to a Letter of Offer or Amendment must be made on a DD 1513-2, but do not require DSAA coordination or

countersignature provided there is no change in the "terms of sale" or increase in the "total estimated costs":

- (1) Changes or extensions exceeding 90 days of the delivery commitment date.
- (2) Extensions of the ordering period for a blanket order type case.
- (3) Changes to transportation codes due to the requirement to use the DTS (e.g., shipment of hazardous or sensitive cargo).
- (4) Clarifying notes.
- (5) Changes in payment schedules to LOAs or Amendments.
- (6) Changes in Generic Codes and/or MASL Coding to correct an administrative error only; there should be no change to the description of articles or services to be sold.

5. Price Changes During Case Closure. Price increases or decreases discovered during case closure will be assessed the country during final billing if a closure certificate can be provided to the SAAC within six months of the supply completion date. When case closure certification will take more than six months from the supply completion date and the estimated final cost is expected to vary (increase or decrease) from the current case value by \$500,000 or 10 percent (whichever is less) a DD Form 1513-2 adjusting the case value is required.

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6. General Terms and Conditions. For record purposes, all DD Forms 1513-2 will have appended to them a copy of Annex A, General Conditions, which are part of the original case. Alternatively, at the discretion of the originating office, the DD Form 1513-2 may contain the following note:

"Except as expressly amended hereby, all terms and conditions of the subject case (including without limitations the General Conditions) continue in full force and effect."

7. Identification of Percentage Rate for Certain Costs. The percentage rates used for determining packing, crating and handling costs, general administrative costs, and supply support arrangement costs and other accessorial costs should not be indicated in the applicable blocks of the DD 1513-2. This guidance also pertains to "Other Estimated Costs" (Block 20) should a percentage rate be applicable.

8. Use of DD Form 1513-2 vs DD Form 1513-1. If there is any doubt as to whether to use the DD Form 1513, DD Form 1513-1 or the DD Form 1513-2 in a particular case, that case should be promptly referred to DSAA Operations for determination. [Note: When a DD Form 1513-2 is signed for dispatch, appropriate change card(s) should be submitted to the SAAC by the DSAA for inclusion in the 1200 System.]

9. Detailed Instructions and Format. See detailed instructions on the filling in of the blocks on the DD Form 1513-2 at Figure 8-V-2.

FIGURE 8-V-1

UNITED STATES DEPARTMENT OF DEFENSE AMENDMENT TO OFFER AND ACCEPTANCE				(11) PURCHASER (Name and Address) (Zip Code)				
(2) PURCHASER'S REFERENCE NO.		(3) AMDT NO.		(4) CASE IDENTIFIER				
OFFER TO AMEND								
Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby offers to amend the above case for the purchase of defense articles and defense services subject to all other terms and conditions of the original case remaining unchanged.								
(5) Signature (US Dept./Agency Authorized Representative)				(10) Countersignature (Office of the Comptroller, DAAA) (Date)				
(6) Typed Name and Title				(11) Typed Name and Title				
(7) ADDRESS:								
(8) DATE								
(9) THIS OFFER TO AMEND EXPIRES:								
NOTE: This Amendment to Offer must be accepted not later than the date shown in block 9. Within five (5) days of its acceptance, you must so notify the Office of the Comptroller, USAA. Otherwise, this Amendment to Offer is cancelled and retention of initial deposit by offerer pending disposition instructions shall not be deemed a waiver of such cancellation. Request prompt notification if this offer is rejected.								
(12) DESCRIPTION AND REASON(S) FOR AMENDMENT:								
ITEM OR REF. NO. (13)	ITEM DESCRIPTION (Including Stock Number if applicable) (14)	QUANTITY (15)	UNIT OF ISSUE (16)	ESTIMATED		AVAILABILITY AND REMARKS (19)	OFFER RELEASE CODE (20)	DELIVERY TERM CODE (21)
				UNIT COST (17)	TOTAL COST (18)			
				(a) PREVIOUS COST	(b) AMENDED COST			
(22) ESTIMATED COST				\$	\$			
(23) ESTIMATED PACKING, CRATING, AND HANDLING COSTS				\$	\$			
(24) ESTIMATED GENERAL ADMINISTRATIVE COSTS				\$	\$			
(25) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT				\$	\$			
(26) OTHER ESTIMATED COSTS (Specify)				\$	\$			
(27) ESTIMATED TOTAL COSTS				\$	\$			
(28) TERMS								
ACCEPTANCE OF AMENDMENT								
(29) I am a duly authorized representative of the Government of _____ and upon behalf of said Government,								
accept this offer to amend under the terms and conditions contained herein (30) this _____ day of _____ 19____								
(31) TYPED NAME AND TITLE				(32) SIGNATURE				

DD FORM 1 MAR 79 1513-1

PREVIOUS EDITIONS MAY BE USED UNTIL EXHAUSTED

PAGE 1 OF PAGES

FIGURE 8-V-1. United States Department of Defense Amendment to Offer and Acceptance (DD Form 1513-1).

INSTRUCTIONS FOR PREPARING THE UNITED STATES DEPARTMENT OF DEFENSE
AMENDMENT TO OFFER AND ACCEPTANCE (DD FORM 1513-1)

A. BLOCK (1) PURCHASER.

1. For a country, enter "Government of (name of country)" and show the office and address of the purchaser's activity designated to receive the LOA (e.g., Defense Attache, 1111 24th Street, N.W., Washington, D.C. 20301).

2. For an international organization, enter the title of the organization along with the appropriate office and address.

B. BLOCK (2) PURCHASER'S REFERENCE. A reference will always be shown. The reference may be a letter, telegram, conference, meeting, oral request, etc. The reference will always include any pertinent data (e.g., letter serial, number, message date time group (DTG)). In the event that the reference is from other than the purchaser, delete the word "Purchaser" and indicate the source of the request.

C. BLOCK (3) AMENDMENT NUMBER. Enter a consecutive "numerical" amendment number. Do not reuse a number once it has been assigned to an Offer to Amend. When an offer is allowed to expire and a subsequent amendment is issued, it will be annotated to show that the preceding amendment was not accepted by the purchaser.

D. BLOCK (4) CASE IDENTIFIER. Enter the appropriate country code, implementing agency code and case designator (e.g., UK-P-DLG).

E. BLOCK (5) SIGNATURE. This block should be filled in by an authorized U.S. Military Department or Defense Agency representative prior to forwarding the amendment to the DSAA Comptroller for the required countersignature.

F. BLOCK (6) TYPED NAME AND TITLE. Type or stamp the name and title of the U.S. representative who signed Block (5).

G. BLOCK (7) ADDRESS. Enter the name of the issuing organization along with the address (e.g., DA, DCAS-SA, Pentagon, Washington, D.C. 20150).

H. BLOCK (8) DATE. Enter the day, month and year that the Amendment is submitted to the DSAA for countersignature.

I. BLOCK (9) THIS OFFER EXPIRES. Enter the appropriate date, normally 85 days from the date in Block (8).

J. BLOCK (10) COUNTERSIGNATURE. The authorized representative for countersignature within the DSAA Comptroller will sign all DD 1513-1s within this block except as specifically exempted in Chapter 8. Signature will not occur unless all the necessary information is contained on the DD Form 1513-1 and all required attachments are furnished. Amendments exempted from countersignature should contain the following implementing agency entry: "Not Required: SAMM, Chapter 8, Section V, Paragraph A.2. Date Reviewed (Enter Date)."

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FIGURE 8-V-1. (Continued)

K. BLOCK (11) TYPED NAME AND TITLE. Type the name and title of the DSAA Comptroller authorized representative for countersignature who signed Block (10).

L. BLOCK (12) PURPOSE OF THE AMENDMENT. Describe the purpose of the amendment (e.g., to add a new line and adjust costs accordingly). Enter the acceptance date of the basic LOA being amended. Do not rely on this block for any required amendment action. Details must be entered in Blocks (13) through (21).

M. BLOCK (13) ITEM OR REFERENCE NO. Enter reference to a specific part of the basic case or previous amendment (e.g., Item 1, Atch 2, basic; Item 1, Block (19), Amendment 2).

N. BLOCKS (14) THROUGH (19). Enter complete description of amended items. Describe whether the action is an addition, modification, or deletion. If there is a cost change, also enter the amount of increase or decrease. If a previous offer to amend has expired, explain and indicate that an affect on cost does not apply to the amendment being processed. Do not make such entries for unaccepted (and unexpired) offers to amend.

O. BLOCKS (20) AND (21) OFFER AND RELEASE CODE AND DELIVERY TERM CODE. Fill in as appropriate in accordance with the instructions contained in Chapter 7, Section II, Table 7-II-2.

P. BLOCKS (22) THROUGH (27).

1. In column (a), enter complete information from the previous accepted document (DD Form 1513 or DD Form 1513-1). In column (b) enter new costs.

2. Care should be taken when computing entries in Blocks 23 through 26 that administrative and accessorial charges are applied only to the appropriate items. If the administrative or accessorial charges are revised, do not show the percentage rate used in determining the cost contained in the applicable block.

Q. BLOCK (28) TERMS. Enter the original terms of sale or any changes thereto. In all cases where DoD direct or guaranteed FMS credit or MAP funding is used, insert the Fiscal Year of the FMS credit or MAP program followed by the words FMS Credit or MAP Merger as appropriate. If the sales agreement is to be financed by a combination of sources, each term of sale and applicable amount will be cited.

R. BLOCKS (29) THROUGH (32). These blocks should be filled in by the purchaser. Signed copies of the DD Form 1513-1 must be returned in order to complete acceptance. If terms remain, or are changed to "Cash with Acceptance" an appropriate payment must be received with the completed documents.

FIGURE 8-V-1. (Continued)

NOTE THE FOLLOWING INFORMATION
BEFORE SUBMISSION OF THIS AMENDMENT FOR COUNTERSIGNATURE

1. The DSAA Comptroller (FMS Control Division) is the point of entry within DSAA for coordination and countersignature of LOAs, LOIs (and amendments thereto), and notices to LOAs. In connection with the countersignature process, DSAA coordination will be accomplished by DSAA-OPS. See Chapter 7, Section II, Paragraphs C.9 and C.10.
2. Submit for countersignature to the DSAA Comptroller (FMS Control Division) all DD 1513-1s, except as specifically exempted in this section, with the original and two copies (three copies for FMS credit or MAP financed cases).
3. Attach a Financial Annex to all DD Forms 1513-1 except FMSO I cases, which result in changes to the payment schedule.
4. Indicate the date of acceptance of the basic case. (The acceptance date is the date the DD Form 1513 is signed by the customer representative). The acceptance date should be conspicuously annotated in the upper right hand corner of Block 12, Description and Reason(s) for Amendment. (Example: "Basic Case accepted 25 Aug 1980").
5. Before notifying the customer of a change to cost or increase in scope prior to acceptance, obtain approval from DSAA/Operations.
6. Whenever a DD Form 1513-1 increases the original case value by more than \$50,000, the DD Form 1513-1 will be treated as a new case. Therefore, the DD Form 1513-1 information must be entered in the Letter of Request (LOR) system (in the same way the information was entered for the original DD Form 1513).
7. Attach a termination liability worksheet for each case of \$7 million or more that meets the criteria in Chapter 7, Section II, para C.8.c.(2).
8. Attach a financial analysis worksheet for each line item (end-items or services) with a total case value of \$14 million or more, or as required. (Reference Chapter 7, Section II, Para C.8.c.(1)(b)).
9. Amendments to Letters of Offer reported to the Congress [Sec. 36(b) AECA] will include below Block 11 the latest identifying DSAA Transmittal Number used in the Statutory Notification (e.g., 85-29).
10. The name and telephone number of the action officer responsible for the preparation of the DD Form 1513-1 should appear at the bottom of all copies submitted to the DSAA for countersignature, excluding the original.

FIGURE 8-V-1. (Continued)

INSTRUCTIONS FOR PREPARING THE UNITED STATES DEPARTMENT OF DEFENSE
NOTICE OF MODIFICATION OF OFFER AND ACCEPTANCE (DD FORM 1513-2)

A. BLOCK (1) PURCHASER

1. For a country, enter "Government of (name of country)" and show the office and address of the purchaser's activity designated to receive the Note of Modification of Offer and Acceptance (e.g., Defense Attache, 1111 24th Street, N.W., Washington, D.C. 20301).

2. For an international organization, enter the title of the organization along with the appropriate office and address.

B. BLOCK (2) PURCHASER'S REFERENCE. A reference will be shown when appropriate. A reference may be a letter, telegram, conference, meeting, oral request, etc. The reference will always include a date and any other pertinent data.

C. BLOCK (3) NOTICE NO. Use numbers in consecutive sequence. Do not mix Notice Numbers with Amendment Numbers. Number of Amendments (DD Form 1513-1) and Notices (DD Form 1513-2) are independent, thus a possible sequence of events might be: (1) Letter of Offer, (2) Notice 1, (3) Amendment 1, (4) Notice 2, (5) Amendment 2.

D. BLOCK (4) CASE IDENTIFIER. Enter the appropriate country or international organization code, implementing agency code and case designator (e.g., UK-P-DLG).

E. BLOCK (5) SIGNATURE. Type or stamp name and title of the U.S. representative. Authorized representative should also sign this block.

F. BLOCK (6) TYPED NAME AND TITLE. Type or stamp the name and title of the U.S. representative who signed Block (5).

G. BLOCK (7) ADDRESS. Enter the name of the issuing organization along with the address (e.g., DA, DCAS-SA, Pentagon, Washington, D.C. 20150).

H. BLOCK (8) DATE. Enter day, month and year.

I. BLOCK (9) COUNTERSIGNATURE. The authorized representative for countersignature within the DSAA Comptroller will sign all 1513-2s within this block except as specifically exempted in this chapter. Signature will not occur unless all necessary information is contained on the DD 1513-2 and all required attachments are furnished. Modifications exempted from countersignature should contain the following implementing agency entry: "Not Required: SAMM, Chapter 8, Section V, Paragraph C.4. Date Reviewed (Enter Date)." *
*
*
*

FIGURE 8-V-2. (Continued)

J. BLOCK (10) TYPED NAME AND TITLE. Type the name and title of the DSAA Comptroller authorized representative for countersignature who signed Block (9).

K. BLOCK (11) DESCRIPTION OF AND REASONS FOR MODIFICATION. Describe briefly the modification(s) and the reason(s) requiring that such modification(s) be made. Such information should be sufficiently clear, complete and specific that it could reasonably be anticipated to satisfy the customer without recourse to further correspondence. (These remarks may be continued on the reverse of the DD Form 1513-2, under Box 26, Continuation). Enter the acceptance date of LOA or amendment being revised. In all cases where DoD direct or guaranteed FMS credit or MAP funding is being used, insert the Fiscal Year of the FMS credit or MAP program followed by the words FMS Credit or MAP Merger as appropriate. If the sales agreement is financed by a combination of sources, each term of sale and applicable amount will be cited.

L. BLOCK (12) ITEM OR REFERENCE NUMBER. Enter reference to a specific part of the basic case or previous amendment.

M. BLOCKS (13) THROUGH (18). List only the items modified. Show dollar amounts in whole dollars only. For all notifications of price changes enter the previous cost along with the revised cost.

N. BLOCKS (19) THROUGH (24). Enter in Column "a" the previous applicable costs from the original offer and acceptance or prior amendments and/or notices of modifications thereto for the applicable cost lines. The best estimate of the revised costs should then be entered in Column "b". If the administrative or accessorial costs change, do not indicate the percentage rate used to determine the costs conditioned in the applicable block.

O. BLOCKS (25) THROUGH (28) ACKNOWLEDGEMENT OF RECEIPT. An authorized official of the foreign purchaser should sign and forward the document to the Military Department or Defense Agency concerned to ensure that the Notice of Modification has been received.

NOTE THE FOLLOWING INFORMATION
BEFORE SUBMISSION OF LOA FOR COUNTERSIGNATURE
(See paragraph C.4. of this section for those 1513-2 actions
exempt from countersignature requirement)

1. The DSAA Comptroller (FMS Control Division) is the point of entry within DSAA for coordination and countersignature of LOAs, LOIs (and amendments thereto), and notices to LOAs. In connection with the countersignature process, DSAA coordination will be accomplished by DSAA-OPS. See Chapter 7, Section II, Paragraphs C.9. and C.10.

2. Submit for countersignature to the DSAA Comptroller (FMS Control Division) all DD 1513-2s, except as specifically exempted in this chapter, with the original and two copies (three copies for FMS credit or MAP cases).

FIGURE 8-V-2. (Continued)

3. Attach a Financial Annex to all DD Forms 1513-2 except FMSO I cases, which result in changes to the payment schedule.

4. Indicate the date of acceptance of the basic case. (The acceptance date is the date the DD Form 1513 is signed by the customer representative.) The acceptance date should be conspicuously annotated in the upper right hand corner of Block 8, Description of and Reason(s) for Modification. Example:

"Basic Case accepted 25 Aug 1980". This date is important to determine the fiscal year to which the change is applicable.

5. The name and telephone number of the action officer responsible for the preparation of the DD Form 1513-2 should appear at the bottom of all copies submitted to the DSAA for countersignature, excluding the original.

6. Modifications to Letters of Offer reported to the Congress [Section 36(b) AECA] will include below Block (11) the latest identifying DSAA transmittal number used in the statutory notification (e.g., 85-29).

FIGURE 8-V-2. (Continued)

CHAPTER NINE

FMS DIRECT CREDIT AND GUARANTEED LOAN FINANCING

SECTION I - GENERAL

A. PURPOSE. This chapter presents the Foreign Military Sales (FMS) direct credit and guaranteed loan financing management policies and procedures. It describes the types of loans currently issued to foreign governments to finance such sales, the standards and criteria applicable thereto, and the procedures for implementing the FMS credit program. This chapter does not cover the use of Grant Aid (MAP) funding such as authorized by the FAA, Section 503(a)(3) (use of MAP funds to finance FMS) and the FAA, Section 506(a) (special authority), subjects which are covered in Chapter 11.

B. INTRODUCTION. Foreign Military Sales (FMS) direct credit and guaranteed loan financing has continued to grow in scope and direction. Concurrently, the management of such financing has become correspondingly complex. There are a number of stipulations, limits, actions and responsibilities involved in various aspects of this management that reflect variations in international relations and U.S. foreign policy. This chapter examines those aspects and their legislated guidelines.

C. ARMS EXPORT CONTROL ACT (AECA) AUTHORIZATION. The Arms Export Control Act (AECA), as amended, provides authority for FMS direct credit and guaranteed loan financing as follows:

1. Credit Sales. Section 23 of the AECA authorizes the President to finance procurements of defense articles, defense services, and design and construction services by friendly foreign countries and international organizations. Loans financed under the authority of Section 23 are commonly called direct loans. Historically, this type of loan financing has been used to assist those FMS countries in the process of economic development. Direct loans require that funds be appropriated by the Congress in an amount equal to the principal loan values. Direct loans are currently used as the vehicle for implementing "repayment waived" loans as authorized by the Congress.

2. Guaranties. Section 24 of the AECA authorizes the President to guarantee any individual, corporation, partnership, or other juridical entity doing business in the United States [excluding United States Government agencies other than the Federal Financing Bank) against political and credit risks of nonpayment arising out of their financing of credit sales of defense articles, defense services, and design and construction services to friendly countries and international organizations. Loans financed under authority of Section 24 are commonly called guaranteed loans. Fees are charged for the guaranties and all guaranties are backed by the full faith and credit of the United States. Section 25(a)(7) of the AECA prescribes that the President must advise the Congress of the total amount of funds in the Guaranty Reserve at the end of each fiscal year. Additionally, the President must provide an assessment of the adequacy of guaranty reserve funds to make payment of claims under guaranties issued in view of the current debt servicing capacity of

borrowing countries. Guaranteed loan financing constitutes the major portion of the current FMS credit program. Since 1975 all guaranteed loans have been issued to eligible borrowing countries by the Federal Financing Bank, an instrumentality of the Department of the Treasury. Such loans are guaranteed by the DSAA against all political and credit risks of nonpayment.

D. ADDITIONAL PROVISIONS OF THE ACT. In addition to Sections 23 and 24, the AECA addresses the purposes of FMS and the use of credits and guaranties in numerous other sections of the AECA as follows:

1. Purposes for which Military Sales by the U.S. are Authorized. According to Section 4 of the AECA, defense articles and services may be sold to friendly countries as follows: (1) for internal security, (2) for legitimate self-defense, (3) to permit the recipient country to participate in regional or collective arrangements consistent with the Charter of the United Nations or as requested by the United Nations to maintain or restore international peace and security, and (4) for the purposes of enabling foreign military forces in less developed friendly countries to construct public works and to engage in other activities helpful to economic and social development.

2. Violations. Section 3(c)(1)(A) of the AECA requires that no credits (including participation in credits) may be issued and no guaranties may be extended for any foreign country if such country uses the defense articles or services in substantial violation of an agreement under Section 4 of the AECA (as noted in paragraph 1. above), transfers the articles or services without the consent of the President, or fails to maintain the security of the articles or services. Also, according to Sec. 3(f) of the AECA and Sec. 620A of the FAA, the President shall terminate all sales, credits, and guaranties to any government which aids or abets, by granting sanctuary from prosecution to any individual or group which has committed an act of international terrorism unless the President finds that national security requires otherwise.

3. Prohibition Against Discrimination. Section 5 of the AECA concerns prohibition against discrimination. No sales should be made and no credits (including participation in credits) or guaranties extended to or for any foreign country which through its laws, regulations, official policies, or governmental practices prevents any U.S. person from participating in the furnishing of defense articles or services on the basis of race, religion, national origin, or sex.

4. Foreign Intimidation and Harassment of Individuals in the U.S. Section 6 of the AECA concerns foreign intimidation and harassment of individuals in the U.S. No credits or guaranties may be extended to any country determined by the President to be engaged in a consistent pattern of acts of intimidation or harassment directed against individuals in the U.S.

5. Prohibition Against Certain Military Export Financing by Export-Import Bank. Section 32 of the AECA specifically prohibits Export-Import Bank financing of defense articles or services to economically less developed countries.

6. Authorization and Aggregate Ceiling on Foreign Military Sales Credits. Section 31 of the AECA establishes the authorization and aggregate ceiling on FMS credits. For example, Section 31 normally indicates the

(20) Pricing comparisons are being performed on a selective basis as part of the contract review process. When prices are discovered which appear to be unjustifiably excessive in comparison to DOD FMS or commercial prices, the purchaser will be notified. The objective is to maximize the benefits of limited FMS funds; however, it is recognized that certain circumstances, especially delivery schedules, may justify paying higher prices. Unjustifiably excessive prices may be cause for disapproval of FMS loan financing.

(21) It is extremely important to emphasize the requirement that the purchaser provide prior notification to DSAA of their acquisition plans. The form at Table 9-III-8 should be used for this purpose. A completed form should be submitted for each requirement for which the purchaser anticipates making a direct commercial purchase with FMS loan funding. The identification of requirements should be provided as far in advance as possible (preferably 60 days) before solicitation of bids or initiation of contract negotiations. This will allow the DOD sufficient time to evaluate the proposed acquisition and seek any required clarification prior to solicitation.

(a) While the DSAA does not desire to delay the procurement of defense materiel, early identification of prospective purchases through direct commercial contracts is necessary. If prior notification is not provided to the DSAA prior to submission of contracts, it may result in contract review being delayed or contracts being returned without review.

(b) Additionally, it is highly recommended that, whenever possible, several U.S. manufacturers be contacted by the purchaser for solicitation of bids to meet its specific needs. When the purchaser has made a selection and a direct commercial contract is submitted to DSAA for FMS loan financing review, by separate letter the purchaser should identify the various contractors solicited as well as the basis for selection. If the contract was not competitive and the firm was selected on a sole source basis, the reasons for such selection should be provided when the contract is submitted for review. If this information is not provided, the contract review will be delayed pending verification of the use of competitive contracting.

b. These guidelines are additive to the requirements contained in FMS loan agreements. Contracts and supporting documentation should be submitted to:

Defense Security Assistance Agency
ATTN: FRCPD
1400 Wilson Boulevard
Suite 535
Arlington, Virginia 22209

Questions concerning these policies and procedures should be directed to:

DSAA Operations Management Division
(DSAA/OPS-E)
The Pentagon
Washington, D.C. 20301

2. Documents and Statements. Requests for payment of FMS loan funds to U.S. commercial suppliers must be accompanied by certain documents/statements

as set forth in the Annexes and Attachments to each FMS loan agreement. These supporting documents must be provided to the DSAA by the borrower, and not by the commercial supplier.

J. OFFSHORE PROCUREMENT (OSP).

1. Statutory Requirement. Section 42(c) of the AECA provides that "funds made available under this AECA may be used for procurement outside the United States only if the President determines that such procurement will not result in adverse effects upon the economy of the United States or the industrial mobilization base, with special reference to any areas of labor surplus or to the net position of the United States in its balance of payments with the rest of the world, which outweigh the economic or other advantages to the United States of less costly procurement outside the United States."

2. OSP Determinations. The authority for issuance of OSP determinations has been delegated to the Director of DSAA with concurrence of the Departments of State and Treasury. The granting of such determinations has historically been infrequent. DODD 2125.1 outlines OSP procedures when non-merged MAP funds are involved (See Chapter 11, Section I, Para. A.1.e.) *
*

K. REPAYMENTS OF FMS LOANS.

1. Payment Due Dates. Repayments on FMS loans are due on or before the dates specified in the promissory notes and are repeated in both the FFB and the DSAA billing statements.

2. Extensions. Repayments falling due on a Saturday, Sunday, holiday or other day on which the Federal Reserve Bank (FRB) of New York is not open for business, shall be made on the first business day thereafter. Such extension of time is included in computing interest in connection with such payment, but excluded from the next interest period.

3. Late Repayments. If the borrower fails to make a repayment when due, the amount payable is the overdue installment of principal or interest, plus interest thereon at the rate specified in the promissory note from the due date to the date of actual payment.

4. Repayments Overdue More than One Year. Overdue repayments which continue in arrears for more than one year are subject to the sanctions of the "Brooke Amendment" which is an integral part of each recent foreign assistance appropriation act and related programs appropriations act and continuing resolution. The Amendment states: *
*

No part of any appropriation contained in this Act shall be used to furnish assistance to any country which is in default during a period in excess of one calendar year in payment to the United States of principal or interest on any loan made to such country by the United States pursuant to a program for which funds are appropriated under this Act.

Although the provision specifically states only USG foreign aid funds which are appropriated, are affected, Section 24(c) AECA has the practical effect of making the Brooke Amendment applicable to FMS guaranteed loans as well. Consequently, Brooke Amendment sanctions are activated by arrearages of more than a year on either aid-financed or FMS-financed loans (direct and guaranteed).

Once invoked, the restrictions apply to most U.S.-funded foreign aid programs (economic and military).

a. Specific sanctions under the Brooke Amendment are as follows: **

(1) New loan agreements or guaranties cannot be offered or issued. **

(2) FMS Letters of Offer (LOAs) financed with FMS Credit (FMSCR) or Military Assistance Program (MAP) funds that were or may be accepted by a country on or after the effective date of the sanction will not be implemented. **

(3) New or pending FMSCR or MAP financed LOAs will not be countersigned or issued to the country for acceptance. **

(4) Modifications to existing implemented FMS cases are allowed as long as commitment of previously uncommitted FMSCR or MAP funds is not required. **

(5) New IMET students may not travel to the U.S. or other locations for initiation of training. IMET students presently in training on the effective date of the sanctions may complete courses in which they are currently enrolled. Such students may not enter sequential courses and should normally be returned to their home country as soon as possible after termination of enrollment. **

(6) IMET funded Mobile Training Teams (MTTs) and Language Training Detachments (LTDs) may not be dispatched or extended beyond their scheduled termination date. **

(7) IMET funded training aids may not be issued from supply nor placed on contract by the supplying agency. **

(8) The foregoing sanctions remain in effect until payment is received or a bilateral debt rescheduling agreement is signed by both the country and the U.S. Government. All concerned will be advised by DSAA of a change in status of sanctions. **

b. Cash FMS purchases are not subject to Brooke sanctions. Cash payments from national funds may be used to sustain existing FMS cases or fund new cases since available credit or MAP funds cannot be committed. However, in most instances it is preferred that a country under the Brooke Amendment use its available national funds to eliminate the arrearage rather than undertake new programs. FMS credits or MAP funds committed to LOAs accepted before the imposition of Brooke remain available to pay implemented FMS cases citing such funds. **

c. Pipeline deliveries on materiel blanket open-ended cases implemented prior to the effective date of Brooke sanctions are allowed to continue regardless of term. **

d. Requisitions on materiel blanket open-ended cases may be processed. **

5. DSAA Role as Guarantor of FFB Loans. Overdue repayments on FFB (guaranteed) loans which remain unpaid ten days after the payment due-date are paid by the DSAA from its Guaranty Reserve Fund. This action does not in any way relieve the borrowing country from its obligation to repay--interest continues to accrue on the overdue amount until the repayment is received from the borrowing country.

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TABLE 9-III-1

DOD GUARANTEED LOAN AGREEMENT
ISSUED BY THE FEDERAL FINANCING BANKLOAN AGREEMENT

LOAN AGREEMENT made and entered into as of the _____ day of _____ between the _____ ("Borrower") and the Federal Financing Bank ("FFB").

WHEREAS, The Borrower desires to enter into purchase contracts ("Purchase Arrangements") with Military Departments and Agencies of the United States Department of Defense ("DoD"), various United States commercial suppliers, or both of them for the purchase of defense articles and defense services of United States Origin (with regard to articles and services financed hereunder, hereinafter collectively referred to as "Defense Items"); and

WHEREAS, the Borrower has requested a loan from the FFB to finance payments required to be made by the Borrower under the Purchase Arrangements; and

WHEREAS, it has been determined by the Defense Security Assistance Agency ("DSAA") of the DoD that the aforesaid requested loan will facilitate the purposes of the Arms Export Control Act, as amended ("AECA").

NOW, THEREFORE, in consideration of the premises and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. COMMITMENT

1.1 Subject to the terms and conditions of this Loan Agreement ("Agreement"), the FFB agrees to make advances to the Borrower from time to time the date of this Agreement to and including _____ in an aggregate principal amount not to exceed _____ (U.S. \$), the obligation of the FFB under this section being hereinafter called the "Commitment".

1.2 The Commitment shall be used only to procure Defense Items purchased under Purchase Arrangements approved by the DSAA for this purpose. The current DSAA procedures for obtaining this approval are, without being incorporated herein, attached hereto as Exhibit A.

1.3 Before requesting any advance hereunder, the Borrower shall execute and deliver to the FFB a promissory note ("Note") substantially in the form attached hereto as Annex I.

1.4 (a) Each advance hereunder shall be made upon the delivery to the FFB of a letter request from the Borrower, and a certificate from the DSAA approving the requested advance. The letter request and certificate shall be in the form set forth in Annex II and shall be delivered to the FFB not less than four business days before the Disbursement Date. The current DSAA procedures for obtaining this certificate are, without being incorporated herein, attached hereto as Exhibit B.

guaranties authorized to be issued under the Act, (iii) the Guaranty has been duly executed and delivered by a duly authorized representative of DoD, and (iv) the Guaranty constitutes the valid, legal and binding obligation of the United States, enforceable in accordance with the terms thereof and backed by the full faith and credit of the United States;

(c) Evidence of the authority of each person who (i) signed this Agreement on behalf of the Borrower, (ii) signed the Note, and (iii) will sign on behalf of the Borrower, any notices, requests for advances, or other documents contemplated by this Agreement; and

(d) The Note executed by the duly authorized representative of the Borrower.

4.2 The obligation of the FFB to make any advance hereunder is subject to the further conditions precedent that:

(a) No event of default within the meaning of Section 6 hereof shall have occurred.

(b) The FFB shall have received a letter request executed by the duly authorized representative of the Borrower and certified by the DSAA in the form specified in Annex II.

(c) All legal matters incident to the Guaranty, the Note, and this Agreement shall be satisfactory to the Counsel of the FFB.

SECTION 5 . COVENANTS.

The Borrower covenants and agrees that from the date of this Agreement and so long as any amounts remain unpaid on the note or otherwise under this Agreement:

(a) All payments of principal and interest on the Note and other fees and expenses shall be made free and clear of, and without deduction for, any taxes, levies, duties, fees, charges, deductions, withholdings, restrictions or conditions of any nature whatsoever now or hereafter imposed, levied, collected or assessed with respect thereto, by or with request to the Borrower or any authority thereof or therein;

(b) Any claim which it may not or hereafter have against any person, corporate or other entity (including without limitation, the United States, DoD, the FFB, any assignee of the FFB, and any supplier of Defense Items in connection with any transaction, for any reason whatsoever, shall not affect the obligation of the Borrower to make the payments required to be made to the FFB under this Agreement or the Note, and shall not be asserted as a defense to the payment of such obligation or as a setoff, counterclaim, or deduction against such payments;

(c) It will pay all taxes, now or hereafter in effect, imposed with respect to this Agreement or the Note by any government other than the Government of the United States of America and will save and hold harmless any

TABLE 9-III-1. (Continued)

holder of the Note from all losses or liabilities resulting from any delay or omission to pay such taxes; and

(d) Any legal action or proceeding against it by the FFB with respect to this Agreement or the Note may be brought in the Superior Court of the District of Columbia or in the courts of the Borrower, as the FFB may elect, and by execution and delivery of this Agreement, the Borrower submits to each jurisdiction. In the case of the Superior Court of the District of Columbia or of the United States District Court for the District of Columbia, the Borrower consents to the service of process out of said courts by mailing copies of such process by registered United States mail, postage prepaid, to it at its address set forth in Section 8.3(a) hereof.

*

SECTION 6. DEFAULTS.

6.1 A condition of default shall exist upon the occurrence of any of the following events of default:

(a) If the Borrower fails for a period of ten calendar days to make any payment of principal or interest on the Note when due;

(b) If a default shall have occurred on any other loan to the Borrower by the DSAA, a holder of the Note, or the United States of America or any agency thereof;

(c) If any representation or warranty made by the Borrower herein or in any certification of the Borrower required herein proves to be at any time incorrect in any material respect;

(d) If (i) the Borrower defaults in the performance of any of the provisions in Section 1, 2 or 7 hereof, and (ii) such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given by the DSAA to the Borrower; or

(e) If the Borrower defaults in the performance of any other provisions in this Agreement and such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given to the Borrower.

6.2 Upon each and any such event, the holder of the Note may declare immediately due and payable the unpaid principal and accrued interest on the Note and any other note or other indebtedness of the Borrower held by the holder of the Note and thereupon such amount shall become immediately due and payable without protest, presentment, notice or other demand of any kind, all of which are hereby expressly waived by the Borrower, and if such event occurs before the full amount of the Loan Proceeds has been disbursed or before any other loan commitment of the holder of the Note to the Borrower has been fulfilled, the holder of the Note may terminate or suspend such commitments. The Borrower shall pay all costs and expenses, including attorney fees incurred in the collection of amounts due hereunder after default.

TABLE 9-III-1. (Continued)

authorized under, the laws of the Borrower, and all actions necessary to authorize the borrowings hereunder and the execution, delivery and performance of this Agreement and the Note have been duly taken; and

(c) This Agreement has been, and the Note when issued will be, duly executed and delivered by persons duly authorized, and this Agreement constitutes, and the Note when issued will constitute, the valid, legal and binding obligation of the Borrower, enforceable in accordance with their respective terms.

SECTION 4. CONDITIONS OF LENDING.

4.1 The obligation of the Lender to make advances hereunder is subject to the conditions precedent that, prior to the first disbursement, it shall have received, satisfactory to it in form and substance:

(a) Evidence of the authority of each person who (i) signed this Agreement on behalf of the Borrower, (ii) signed or will sign the Note, and (iii) will sign on behalf of the Borrower, any notices, requests for advances, or other documents contemplated by this Agreement. Evidence of this authority shall be in the form of the letter at Annex IV; and

(b) The Note executed by the duly authorized representative of the Borrower.

4.2 The obligation of the Lender to make any advance hereunder is subject to the further conditions precedent that:

(a) No event of default within the meaning of Section 6 hereof shall have occurred;

(b) The DSAA shall have received a letter request executed by the duly authorized representative of the Borrower and prepared in accordance with the procedures for disbursement of Loan Proceeds; and

(c) All legal matters incident to the Note, and this Agreement shall be satisfactory to the General Counsel of the DSAA.

SECTION 5. COVENANTS.

The Borrower covenants and agrees that from the date of this Agreement and so long as any amounts remain unpaid on the Note or otherwise under this Agreement:

(a) All payments of principal and interest on the Note and other fees and expenses shall be made free and clear of, and without deduction for, any and all taxes, levies, duties, fees, charges, deductions, withholdings, restrictions or conditions of any nature whatsoever now or hereafter imposed, levied, collected or assessed with respect thereto, by or with respect to the Borrower or any authority thereof or therein;

TABLE 9-III-3. (Continued)

(b) Any claim which it may now or hereafter have against any person, corporation or other entity (including without limitation, the Government of the United States, DoD, DSAA and any supplier of Defense Items) in connection with any transaction, for any reason whatsoever, shall not affect the obligation of the Borrower to make the payments required to be made to the Lender under this Agreement or the Note, and shall not be asserted as a defense to the payment of such obligation or as a setoff, counterclaim, or deduction against such payments;

(c) It will pay all taxes, now or hereafter in effect, imposed with respect to this Agreement or the Note by any government other than the Government of the United States of America and will save and hold harmless any holder of the Note from all losses or liabilities resulting from any delay or omission to pay such taxes; and

(d) Any legal action or proceeding against it by the Lender with respect to this Agreement or the Note may be brought in the Courts of the District of Columbia or in the United States District Court for the District of Columbia or in the courts of the Borrower, as the Lender may elect, and by execution and delivery of this Agreement, the Borrower submits to each jurisdiction. In the case of the Courts of the District of Columbia or of the United States District Court for the District of Columbia, the Borrower consents to the service of process out of said courts by mailing copies of such process by registered United States mail, postage prepaid, to it at its address set forth in Section 8.3(a) thereof.

SECTION 6. DEFAULTS.

6.1 A condition of default shall exist upon the occurrence of any of the following events of default:

(a) If the Borrower fails for a period of ten calendar days to make any payment of principal or interest on the Note when due;

(b) If a default shall have occurred on any other loan to the Borrower by the DSAA, a holder of the Note, or the Government of the United States of America or any agency thereof;

(c) If any representation or warranty made by the Borrower herein or any certification of the Borrower required herein proves to be at any time incorrect in any material respect;

(d) If (i) the Borrower defaults in the performance of any of the provisions in Sections 1, 2 or 7 hereof, and (ii) such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given by the DSAA to the Borrower; or

(e) If the Borrower defaults in the performance of any other provision of this Agreement, and such default shall continue unremedied for thirty calendar days after written notice thereof shall have been given to the Borrower.

TABLE 9-III-3. (Continued)

Security Assistance Agency, Room 4E841, Department of Defense, Washington, D.C. 20301. *

f. Each application for a non-availability waiver should contain the following information:

- (1) Identification and address of the applicant
- (2) Recipient country
- (3) Date and source of loan (FFB, etc.)
- (4) Manufacturer and/or exporter
- (5) List and description of commodities to be shipped
- (6) FAS value of commodities
- (7) Shipping date
- (8) Loading port
- (9) Discharge port
- (10) Estimated ocean freight cost
- (11) Proposed vessel(s) to be used
- (12) Weight of shipment
- (13) Cube measurement of shipment
- (14) Original point of production

3. Security Waivers.

a. Consideration will be given to waiver applications to authorize vessels flying the flag of the country to whom the agreement applies on the basis of reasonable security needs in regards to the cargo and the arrival of such cargo at its destination. A security waiver may be requested for a specific shipment or series of shipments under this agreement where sabotage may reasonably be expected or a state of emergency exists.

b. Application for security waivers need not be submitted if a general waiver has been approved and the recipient nation will use U.S. Flag Vessels to carry over 50 percent of the cargo under this agreement. Applications are required where a general waiver (1) has not been applied for; (2) has not been approved, or (3) has been approved but, on a shipment-by-shipment basis, use of recipient country flag vessels will exceed 50 percent of the cargo under this agreement. If a general waiver has been approved, every effort should be made to ship those defense articles and equipment involving special security or safety requirements under the recipient country's portion of the cargo available under the general waiver. Therefore, waiver applications for security or safety reasons where a general waiver has been approved should be submitted only under unusual circumstances.

c. Applications on the basis of security must provide the specific security or safety requirements and information involved in the shipment(s) to be made at least 21 days in advance of the intended shipment(s) dates to enable verification of the security or safety requirements and to process the application.

d. The application should be provided to the Director, Defense Security Assistance Agency, Room 4E841, Department of Defense, Washington, D.C. 20301, with copy to the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, D.C. 20590. *

C. REPORTS TO U.S. DEPARTMENT OF TRANSPORTATION. In order to monitor the use of marine transportation under this agreement, pertinent information should be forwarded as early as possible but not later than 90 days after shipment to the Director, Office of Market Development, Maritime Administration, U.S. Department of Transportation, Washington, D.C. 20590, for all shipments of goods financed in whole or in part with credit and/or Guaranteed Loan funds. The following information must be reported:

1. Date and source of loan (FFB, etc.)
2. FAS value of Cargo
3. Manufacturer
4. Freight forwarder
5. Ocean freight cost
6. Name of vessel
7. Vessel flag of registry
8. Date of loading
9. Port of loading

CHAPTER TEN

TRAINING PROGRAM MANAGEMENT

SECTION I - INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET)
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A. INTRODUCTION.

1. International Military Education and Training Program Guidance. This section provides guidance and instructions for providing military training and training aids to foreign countries as grant aid in a manner that will ensure the greatest benefit to the program.

2. General Authority. The International Military Education and Training (IMET) Program is authorized by Chapter 5, Part II of the Foreign Assistance Act of 1961, as amended, and provides for military education and training on a grant basis to military and related civilian personnel of friendly countries.

3. Scope of Program. Such training and education may be provided through attendance at military educational and training facilities in the United States (other than service academies) and abroad; attendance in special courses of instruction at schools and institutions of learning or research in the United States and abroad; and observation and orientation visits to military facilities and related activities in the United States and abroad. As used in this chapter, the term "Continental United States," (CONUS), excludes Hawaii; the term "United States," or "U.S.," includes both Alaska and Hawaii. For programming purposes, Hawaii is considered to be an overseas location. *

4. Purposes. Education and training activities conducted under this chapter shall be designed to encourage effective and mutually beneficial relations and increased understanding between the United States and foreign countries; to improve the ability of participating foreign countries to utilize their resources, including defense articles and defense services obtained by them from the U.S., with maximum effectiveness, thereby contributing to greater self-reliance by such countries; and to increase the awareness of nationals of foreign countries of basic issues involving internationally recognized human rights.

B. AREAS OF PRINCIPAL EMPHASIS. To the extent consistent with the purposes of IMET, principal emphasis will be placed as follows:

1. Individuals Likely to Occupy Key Positions: Training of individuals who are likely in the future to occupy positions of influence or prominence within the foreign country's armed forces.

2. Encouragement of Professionalism: Training which encourages military professionalism and the interchange of military doctrine, particularly by attendance at U.S. service schools at the advanced career, command and staff and war college levels.

3. Management of Resources: Training related to the management of resources at all levels within the foreign defense establishment.

4. Balanced Program: Training that does not devote an inordinate or excessive portion of funds in any one requirement at the expense of others and one in which host country needs are satisfied by an appropriate mix of IMET, MAP, and national resources subject to the availability of funds.

5. CONUS Training: All of the objectives in paragraph C (below) are best served in the long run by CONUS training and education which offers the best training environment and also exposes Foreign Military Trainees (FMTs) to U.S. society, institutions, and goals and the way in which these factors reflect the U.S. commitment to democracy and the basic principles of internationally recognized human rights.

C. OBJECTIVES OF IMET. Within the above purposes, the objectives of providing grant aid training to foreign countries are:

1. Operation and Maintenance Skills. To create skills needed for effective operation and maintenance of equipment acquired from the U.S.

2. Effective Management. To assist the foreign country in developing expertise and systems needed for effective management of its defense establishment.

3. Development of Training Capability. To foster development by the foreign country of its own indigenous training capability.

4. Provide an Alternative to Soviet Military Training. To reduce indigenous country training dependence on the USSR and its allies.

5. Rapport and Understanding. To promote better understanding of the U.S., including its people, political system, and other institutions and how they reflect the U.S. commitment to the principles of internationally recognized human rights.

Initially, all of the objectives stated above should be pursued simultaneously, with emphasis shifting progressively from operations and maintenance to management of in-country capabilities, and finally to preserving military rapport and understanding of the U.S. The ultimate objective is to limit programs to the latter and should be pursued as rapidly as possible, consistent with the achievement of overall objectives.

D. CONSTRAINTS AND DSAA APPROVAL. FMTs are admitted to a wide range of the courses available through the MILDEPs, consistent with U.S. foreign policy, national security and broad considerations involving legislation, training policy, technology transfer, and national disclosure policy.

1. DSAA Approval. Consequently, requests for the following types of training must be approved by DSAA on a case-by-case basis and must include specific justification:

on-going civilian law enforcement functions. See also Chapter 2, Section IV, "Special Provisions," para. A.8.

m. Intelligence and Other Sensitive Training. The scope of military intelligence training normally available to FMIs is limited to that which is directly related to combat or operational intelligence. Tactical intelligence training provided under security assistance programs will not be extended to include training in support of national intelligence programs of foreign countries. All requests for intelligence training provided by the MILDEPs will be reviewed carefully by the cognizant MILDEP to ensure compliance with this paragraph. Other potentially sensitive training requests should be addressed to DSAA for appropriate guidance, processing, or decision. Requests for the Combined Strategic Intelligence Training Program (CSITP) should be addressed to the Defense Intelligence Agency (ATTN: DIC). Requests which include IMETP funds to support attendance at CSITP must be justified with information copies to DSAA and HQ USAF. See also Chapter 2, Section IV, "Special Provisions," paragraph A.8.

n. Repetitive Training. Repeated participation by foreign individuals in orientations and/or the same training courses, to include formal classroom training following MTT instruction in the same subject material. *

o. Training in Support of FMS Equipment. Training in support of FMS equipment purchases should be programmed and accomplished as a part of the overall FMS agreement. IMET should not be used to support major equipment purchases unless specifically approved by DSAA and included as a part of the FMS agreement.

p. Minimum Duration of Student Training in U.S. Prior DSAA approval is required to program students for training in the U.S. for less than eight weeks total duration if all or part of the overseas travel is paid by IMET. If host country elects to fund round-trip transoceanic travel, no DSAA approval is required to program such training. Mandatory CONUS personnel processing or English language training will not be considered as part of the eight-week requirement. This limitation does not apply to orientation tours or general/flag rank related courses conducted by the Defense Resources Management Education Center. *

q. Deployment of DoD Personnel or Teams. All training which requires U.S. personnel to travel to another country to conduct the training must be approved by DSAA prior to programming the training or making any offer or commitment to the foreign government(s) involved. See paragraph E.2. for specific criteria regarding MTTs. This includes U.S. Navy refresher training conducted outside the United States and its territorial waters.

r. DISAM Training. IMET funds will not be used to finance foreign attendance at DISAM or DISAM MTTs. *

s. Excessive High Cost Training. In principle, IMET funds should not be used for excessive high cost training. High cost training is defined as any education or any single course of training with a tuition cost of \$25,000 or higher. However, selected high cost training will be considered on a case-by-case basis by DSAA when justified, depending upon the training requested, the state of development of the host country, and within an overall *

balanced program. See also paragraph D.1.b. (above) concerning degree training.

2. Requests for Waivers. Requests for waivers to the above constraints will be submitted to DSAA as soon as the requirement for such training is known. Requests will include complete justification for the training and except for Ambassadorial certification for OTs (see paragraph D.1.i. above) will include a statement of SAO chief concurrence. Such requests will be addressed by the SAO to DSAA and the unified command as joint action addressees. DSAA will respond following receipt of unified command recommendation(s).

3. Programming. Training program lines requiring approval by DSAA will be programmed by the MILDEPs with the appropriate waiver code in the DSAA waiver (card column 58) column of the 4/Q cards. SAOs will be required to submit written justifications at the Unified Command Workshops. Waiver requests not submitted at the workshops will be submitted no later than 90 days prior to student report date. If approved, DSAA will authorize the MILDEP to program requested training and include an "A" in Card Column 57 to signify approval. The waiver code in Card Column 58 will be a permanent entry and maintained for historical purposes. Training waivers approved by DSAA at the Unified Command Workshop may be coded "A" in card column 57 by the MILDEPs. *

E. TRAINING GUIDANCE.

1. Training Planning. Particular emphasis should be placed on out-year planning of training requirements by SAOs and Unified Commands. SAOs should maintain an active dialogue with host country counterparts to develop a two-year training plan which consolidates host country training needs from a joint perspective taking into consideration all sources of funding (i.e., FMS, MAP, IMET) and all potential sources of training (i.e., indigenous, third country, commercial, and U.S.). SAOs should use the two-year training plan as the vehicle to encourage host country training counterparts to plan beyond a single year program. SAOs should also use the two-year training plan as part of the SAO input to the training AIASA in view of the overlapping reporting periods and similar statistical summary requirements by training analysis code categories. Specific guidance on preparation and presentation of the two-year training plan is contained in paragraph E.2.d. below. **

2. Joint Service Training Planning Workshops. During each fiscal year Unified Commands will host Joint Service Training Planning Workshops on behalf of the training community. The workshop cycle presently commences during the last week of January with the EUCOM workshop, followed in sequence by the PACOM, CENTCOM, SOUTHCOM and Caribbean workshops. There will be a one-week gap between each workshop with the exception of the Caribbean workshop which will be scheduled to commence on the next Monday after the SOUTHCOM workshop. **

a. Workshop Objectives. **

(1) Review and coordinate the two-year training plans developed by the SAOs and approved by the Unified Commands for the budget year and planning year. **

(2) Finalize the budget year training program for each country. **

(3) Reconcile training policy, program, and planning issues. **

b. Workshop Format. Each workshop, consolidated on a joint service basis, will consist of two phases conducted in not more than five duty days. Phase I (Planning and Policy) will consist of a plenary session with presentations by the Unified Command, SAOs, and CONUS attendees as appropriate. Phase I will focus primarily on training planning and policy issues and the review of SAO requests for exceptions to policy. Phase II (Programs) will consist principally of MILDEP panels devoted to a detailed review of country training program data. **

c. Workshop Attendance. **

(1) SAO attendance will be limited to one representative per country; this should normally be a U.S. training officer. **

(2) Foreign national attendance is not authorized except in those cases where the Unified Command determines that foreign national attendance is critical to the presentation and review of the program. **

(3) Total number of representatives from each MILDEP will be limited to four personnel. **

d. SAO Two-Year Training Plans. SAOs will submit written two-year training plans covering the budget year and the planning year prior to the Joint Service Training Planning Workshop in accordance with guidance from the Unified Command. Two-year training plans will consist of the following topics: **

(1) Overall host country training capabilities. **

(2) Primary suppliers of equipment and training to the host country. **

(3) Overall training program objectives. **

(4) Significant accomplishments toward meeting the objectives. **

(5) Future objectives and program requirements. **

(6) Program development, to include a brief description of the training planning process, highlighting host country and SAO roles, problems if any, and plans for improvement. **

(7) Brief summary of current year, budget year, and planning year IMET training programs broken out by the nine primary training analysis code categories: PME, MGT, PGS, UPT/FLT, TECH, OT, OCONUS, TEAMS, and SUPPORT. Each category should reflect students, dollars, and dollar percentage of the program. FMS training programs should be broken out by total cases, students, and dollars. **

(8) Cost sharing, current status, and budget year forecast, noting service variations, if any. **

(9) Host country English language training (ELT), to include status of language labs, plans to enhance or develop ELT, in-country problems, etc. **

e. SAO Training Plan Presentations. SAOs will provide an oral presentation within a time limit and format prescribed by Unified Commands. At a minimum the SAO oral presentation will cover highlights of the two-year summary (current year/budget year/first plan year) by training analysis code categories broken out by students, dollars, and percentage of dollars for each category. The overall objective of the SAO oral presentation is to highlight and clarify the vital aspects of each plan for Unified Command and CONUS workshop attendees to enable them to better respond to the unique requirements of each country. **

f. SAO Requests for Exception to Policy. SAOs will submit written policy waiver requests to the Unified Command that include full justification for the training, and except for Ambassadorial certification for OTs, include a statement of the SAO Chief's concurrence. Unified Commands and MILDEPs will recommend waiver approval/disapproval by the end of the first day of the workshop. The justifications and recommendations will be provided to the DSAA representative on the second day of the workshop for final approval/disapproval. Unified Commands will coordinate this effort. **

g. MILDEP Presentations. Each MILDEP will make one consolidated presentation during Phase I representing all MILDEP agencies that includes appropriate policy and programming issues. Each MILDEP will provide information copies of MILDEP presentation to the other MILDEPs and the Unified Commands prior to the workshop cycle. DSAA will review MILDEP presentations prior to the workshop cycle. **

3. Student Training. *

a. Training at U.S. Military Facilities and Civilian Institutions. Under budget project and generic code N10, individuals are trained at U.S. military facilities and civilian institutions in the U.S. or abroad. Included

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are formal courses of instruction, observer training (OBT), on-the-job training (OJT), and orientation training tours (OT). For accounting purposes, costs related to the Informational Program are also charged to this account. For programming instructions, see paragraph K of this chapter.

(1) U.S. Military Service Schools. Foreign military trainees (FMTs) desiring to attend U.S. military service schools must meet the same qualifications as U.S. personnel. These requirements are set forth in applicable school catalogs, DoD Instruction 5010.16-C, "Defense Management Education and Training," and other media. Questions concerning specific entrance requirements should be addressed to the military department having cognizance over the particular training facility.

(2) U.S. Civilian Schools. Training at non-military institutions is authorized only if equivalent training is not available at U.S. military facilities. DSAA approval is required prior to programming. (Resulting approval will be indicated by placement of an "A" in column 58 of "4" and "Q" cards.)

(3) U.S. Service Academies. IMETP funds cannot be used to fund attendance at the service academies.

b. English Language Training. Technical control of all English language training programs is the responsibility of the Defense Language Institute English Language Center (DLIELC). All English language training -- basic, intermediate and advanced, provided to achieve the English comprehension level required for entry into training, and provided under the provisions of International Military Education and Training or Foreign Military Sales, will be conducted by DLIELC. Exceptions to this may be approved on a case-by-case basis by the Director, DSAA.

(1) Minimum English Comprehension Level (ECL). It is the responsibility of the foreign country to ensure that trainees meet the ECL required for attendance at the particular course of instruction, regardless of how or where the language training is conducted. Except as may be specifically authorized elsewhere in this manual, 55 is the minimum ECL cut-off score for entry into English language courses, other than language instructor or refresher training at the Defense Language Institute English Language Center (DLIELC). Exceptions to this requirement require prior DSAA approval and will be granted only where clearly justified by unusual circumstances. Countries permitted to attend DLIELC under the minimum ECL cut-off score of 55 will be notified at the beginning of each fiscal year (IMET only).

(2) Foreign Countries' Responsibility. With few exceptions, all foreign countries are considered to possess the resources (e.g., public and private schools, commercial institutions) needed to provide the necessary English language training to meet the ECL level set forth immediately above. Countries will be expected to increase their English language training capability above the minimum 55 ECL requirement. Assistance may be provided under the IMET program by training of instructors at DLIELC, by providing English language mobile training teams (MTTs) or field training services (FTS), and by providing appropriate English language training aids and equipment. Information on these MTTs and FTS is contained in DLIELC 1025.1-M.

following listing, therefore, is intended as a guide to subjects generally considered to pertain to this field of activity.

(2) Planning. Defining defense objectives and making decisions among alternative courses of action to achieve these objectives.

(3) Programming. Establishing schedules for achieving objectives, collecting functions and activities sharing the same objective into families (programs), and estimating resource requirements for each.

(4) Budgeting. Formulating detailed yearly projections of resource requirements for the programs, obtaining and allocating associated funds, and balancing priorities in the competition for limited resources.

(5) Management of Capital Assets. Acquisition and disposition of goods and services. Management systems relating directly to tactical use of weapons and support systems are normally excluded.

(6) Management of Resources of Operating Activities, Including Employment of Manpower Resources. Administering the acquisition of consumable resources and their consumption in the execution of assigned missions.

(7) Accounting. Measuring results and status, usually in financial terms, for both organizational units and functional areas.

(8) Reporting. Transmitting financial and non-financial information on status and results of operations and investment to the appropriate levels of management.

(9) Evaluating. Analyzing defense activity performance and test results to determine the merit or degree of effectiveness of the activity or resources concerned.

(10) Auditing. Reviewing the accuracy of reported results and judging the adequacy of and compliance with established policies and procedures.

(11) Financial. Budget submissions, status reports on obligations and allotments, general ledger accounting, working capital fund reports.

(12) Manpower. Military and civilian authorization procedures, manpower status reports, management engineering methods.

(13) Supply. Item and weapon system supply management, inventory accounting, property disposal.

(14) Maintenance. Field maintenance management procedures, depot maintenance industrial fund, standard cost accounting and workloading.

(15) Facilities. Management reports, contract construction procedures.

(16) Acquisition. Contractual procedures, cost information reports.

(17) Research and Development Test and Evaluation. R&D concept papers, project control documents, test design, analysis, reliability.

f. On-the-Job Training. On-the-Job Training (OJT), or qualification training for CONUS Air Force courses, 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. Programmed OJT 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 material used by the country concerned. OJT conducted independently and not in conjunction with formal courses of instruction will be authorized in the U.S. only when no course covering the desired training is available. OJT in overseas schools and installations will be provided in accordance with the policies established by the Commander of the Unified Command concerned.

4. Mobile Training Teams (MTTs). MTTs are provided under budget project/generic code N20, and are composed of MILDEP personnel on temporary duty for the purpose of training foreign personnel. *

a. Approval Criteria. As with any other aspect of a particular IMET country program, the decision to use MTTs should be based on consideration of all of the advantages and disadvantages inherent in the use of the particular MTT at a particular time, and in a particular country. A fundamental objective of IMET is to reach foreign military personnel who are, or are likely to be, influential in their services/countries by having them attend professional level CONUS training. The intent is to expose the foreign trainee to the American people, their way of life, institutions, beliefs, and aspirations. While this objective is not exclusive or overriding with respect to other considerations, it must be considered when selecting MTTs versus CONUS training. Moreover, any decision to use MTTs solely for their apparent cost benefits runs the risk of detracting from accomplishment of overall IMET objectives. Finally, MTT requests under IMET should clearly demonstrate that MTTs are the best training option and IMET is the only funding option. Every attempt should be made to provide MTTs through FMS rather than IMET.

b. Other Criteria Bearing on MTTs. Within the guideline established above, MTTs should be considered when one or more of the following factors are clearly present:

(1) The training must be accomplished in the most rapid manner possible or in response to a particular threat or adverse condition affecting the security of the country concerned.

(2) The training is of relatively short duration and must reach a large number of trainees and entails extensive use of interpreters or language-qualified team members.

(3) The training can only be conducted on equipment or in facilities located in the foreign country.

c. Authorization Criteria. MTTs may be authorized for deployment to foreign countries and also to U.S. installations and facilities as follows:

(b) Training Aids. Training aids (including PCH&T) will be programmed separately in the country program under generic code N2, description: MTT-TRNG AIDS (MASL Item-ID 309000-CONUS, 319000-0/S). This program line will show the next appropriate sequential "alpha" in column 65 of the worksheet control number. Only those training aid requirements for use by the MTT which cannot be predetermined and requisitioned under FMS will be included under this procedure, subject to approval by DSAA.

j. Not Authorized for Technical Assistance. MTTs are not authorized for the purpose of providing "technical assistance."

5. Technical Assistance. Technical Assistance Teams (TATs) and Technical Assistance Field Teams (TAFTs) are provided under generic code M, and are normally requested at the time major equipment is ordered. *

a. TATs are composed of U.S. DoD personnel deployed to a foreign country in a TDY status to place into operation, maintain and repair equipment provided under foreign military sales (FMS) or grant aid programs. TATs are not considered to be security assistance training and are not provided under IMET, except in the case of the installation of English language laboratories. *

b. TAFTs are composed of U.S. DoD personnel deployed in a PCS status for the purpose of providing in-country technical support to foreign personnel on specific equipment, technology, weapons, and supporting systems, when MTTs and ETSSs are not appropriate for the purpose requested. TAFTs are not considered to be security assistance training and, therefore, are not provided under IMET.

6. Field Training Services (FTS). Budget project N30 provides funds for DoD Engineering and Technical Services Specialists (ETSS) and Contract Field Services (CFS) personnel, as specified below: *

a. Approval Criteria. See paragraph 2.a. above.

b. DoD Engineering and Technical Services Specialists (ETSS). ETSS are DoD military and civilian personnel technically qualified to provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems.

(1) Administration. ETSS will be attached to the SAO rather than assigned and carried on the Joint Table of Distribution (JTD). They will not be provided as an augmentation to the SAO staff to perform duties which are normally the responsibility of that staff. They will not be used for follow-on retraining or in advisory roles, except in rare instances when the recipient country is not capable of providing qualified personnel from its own resources or of hiring qualified personnel from non-indigenous sources and the SAO recommends it in the interest of the U.S. ETSS provided as English language instructors, supervisors, or advisors on detached duty status from DLIELC will be attached to the SAO, as specified above.

(2) Duration. ETSS may be provided for periods up to but not exceeding one year, unless specifically approved by DSAA. In those rare cases

where the technical services are required for periods in excess of one year, ETSS personnel will be attached to the SAO for operational control and administrative and logistical support.

(3) Programming Instructions. ETSS will be programmed under generic code N30.

(a) Requirements. ETSS personnel will be programmed on the basis of man-month requirements. The program cost will include:

CONUS Travel,
Transoceanic Travel (round trip),
In-Country Travel,
Station Allowance (military or civilian),
Overseas Allowance (military or civilian),
Official Baggage, including excess, if justified,
Salaries of DoD Civilians.

(b) In-Country Travel. For programming purposes, a factor of \$40.00 per man per month is authorized to cover the cost of in-country travel, if the actual cost is unknown.

(c) CONUS Travel. For programming purposes, a factor of \$320.00 is authorized to cover the cost of CONUS travel.

(d) Overseas Living Allowance. For programming purposes, a factor of \$210.00 per man per month is authorized as a living allowance.

(e) Official Baggage. For programming purposes, \$150.00 round trip per man is authorized for official baggage (five pieces of checked luggage, not to exceed 150 pounds total; 84 pounds excess).

b. Contract Field Services (CFS) Personnel. CFS are furnished under contract with private industry. They provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems. CFS will be utilized only when necessary for accomplishment of a military mission, provided that it can be clearly shown that personnel of the required skill are not available from DoD resources and the MILDEP involved determines that satisfactory provision of services by DoD personnel is not practicable. Conditions of CFS must be approved by DSAA.

(1) Programming Instructions. CFS requirements will be programmed on the basis of man month requirements. The program cost will include:

Transoceanic Travel (round trip),
Contract Cost (per month),
Living Allowance,
Official Baggage, including excess, if justified.

(a) Contract Cost. Contract cost will be based on a per month rate and will include cost of transportation from home office to the U.S. port of embarkation, less the living allowance payment (in local currency) described below.

(b) Local Currency Living Allowance. A daily living allowance (payable in local currency) is authorized for CFS Personnel. For programming purposes, a factor of \$210.00 per man per month is authorized (payable in local currency) as a living allowance. The \$210.00 factor will be programmed as a dollar requirement.

(c) Official Baggage. Unless other and more accurate cost requirements are known, program \$150.00 round trip per man for official baggage (150 pounds total, 84 pounds excess). CFS may be programmed on a one-year basis in a fiscal year program for total man-month cost regardless of whether the duration (man-month service) extends into the subsequent fiscal year.

7. Orientation Tours (OT). This category includes orientation tours and, for programming and accounting purposes, related Informational Program requirements. *

a. Orientation Tours and Policy Guidance.

(1) Objective. 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. 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 those of participating nations.

(2) Country Team Evaluation. OTs for IMET funding should be programmed only after the U.S. ambassador attests to their importance to the country's efforts with adequate supporting rationale provided by the SAO to DSAA for approval. OTs should not comprise a major portion of an established program nor be a routine use of country program funds.

(3) Foreign Participants. OTs are generally intended for key personnel. The basic premise under which OTs are offered is that only officers holding important positions, or those with the possibility of holding such positions, shall be selected. Visits by foreign military cadets to U.S. service academies are not authorized under IMET. Participation in orientation tours should be limited to officers 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 the U.S. MILDEP concerned. Based on DSAA approval, IMET funds may be considered on a case-by-case basis to finance portions of such visits, after they have been approved by the appropriate service chief.

(4) Student Selection. Selection of students for orientation tours and the design of itineraries should be made on the basis of maximum accomplishment of orientation tour objectives as outlined in paragraph C. Where tour objectives are specific in terms of exposure to specialized techniques, procedures, and facility operation, the schedule 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 schedule in which the tour objectives are obscure. Visits to large metropolitan centers which do not directly relate to orientation tour objectives should be avoided. DSAA approval of the orientation tour itinerary and areas of interest is required prior to commitment to the host country.

(5) Approval of Exceptions. Requests for OTs which fall short of the objectives as stated herein will be forwarded to DSAA with supporting rationale and justification for approval prior to any proposal to country officials which could be construed as an agreement to provide a tour.

(6) Official Entertainment. Official entertainment in connection with OTs (luncheons, dinners, receptions) should be 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 should be avoided.

(7) Size of Tour Groups. Large group OTs are discouraged. Experience indicates that orientation tours for large groups are difficult to manage and usually result in a bland experience for the majority of participants, at a disproportionate cost. In addition, since OTs are expensive in terms of both service support resources and IMET funds, the number of personnel comprising OTs should be kept to a minimum.

(8) Assignment of Executive Agency and Escort Officers. An executive agency is assigned to conduct and provide escort officers for OTs in the CONUS. The executive agency is the MILDEP having primary interest in the tour, or the MILDEP 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, an SAO representative should not be used as escort officer. However, in exceptional cases and with prior approval of DSAA, the executive agency may consider an SAO representative to serve as an escort officer when justified, e.g., because of special qualifications, workload, unusual rapport with key host country personnel, and associated projects/contacts which might be beneficially exploited to the U.S. advantage. The SAO representative selected as an escort officer will be under the complete jurisdiction of the executive agency and will remain with the tour at all times until the tour participants return to host country. TDY travel and per diem costs for the escort officer for the duration 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 tour implementation are not authorized to accompany tour groups. A factor of \$600.00 per man week is authorized for programming (N7B) when escort officer services are required in connection with orientation tours. The dollar value of escort officers is programmed in columns 51-56 of cards 4 or Q, as applicable.

(9) Leave for Participants. When authorized in student Invitational Travel Orders (ITO), leave may be taken by tour participants at the conclusion of an OT at no additional expense to IMET.

b. Types of Tours. OTs for Distinguished Visitors (DV) and orientation tours are authorized for IMET programming. When submitting orientation tour requirements, the positions held by the visiting officers will be indicated for the type of tour selected. *

(1) Orientation Tours for Distinguished Visitors. OTs for DVs are authorized for the purpose of providing an OT for senior country officials holding positions of major importance and higher authority below the equivalent U.S. position of Chief of Staff or Chief of Naval Operations. Requests for OTs at the Chief of Staff and higher levels will not be funded under IMET and should be referred to the corresponding U.S. element for action. DV tours are restricted to not more than one per service per year, subject to MILDEP capability to implement the tour. DV tours are normally for a period not to exceed 14 calendar 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 5.a.(1), (2), and (3) above apply.

(2) Orientation Tours (OTs). OTs are authorized for the purpose of providing an orientation tour for selected officers 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 participants. The overall target should be to reduce the cost of the tour by restricting the number of participants involved. Instructions contained in paragraphs 5.a.(1), (2), and (3) above apply. *

8. Observer Training. 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 although it sometimes supplements or follows a student's formal training. *

a. Conditions for Authorization. Observer training will be authorized only when no course covering the desired training is available. This includes specialist-type training.

b. Exclusions. In addition, certain observer training explicitly excludes "hands on" training. For example, foreign personnel enrolled under medical observer training will be prohibited from actual hands-on patient care.

9. DoD Informational Program (IP). In accordance with DoD Directive 5410.17, each trainee attending a formal course in the U.S. is given the opportunity to participate in the 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 their military experience while in the U.S. In addition, the program gives foreign personnel the opportunity to gain maximum benefits from their learning experience by participation in extracurricular activities arranged by the MILDEP in order to facilitate their adjustment to their new surroundings. Activities such 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. *

In the interest of fostering understanding and goodwill, the program should include frank explanation and free discussion with the trainees of our governmental structure, our judicial system, the two-party system, the role of our free press and other communications media, minority problems, the purpose and scope of labor unions, our economic system, our educational institutions, and the way in which all of these elements reflect the U.S. commitment to the basic principles of internationally recognized human rights. Consistent with the responsibilities and duties of trainees, the Geneva Convention (concerning the principles and rules of the laws of armed conflict) should be included.

a. Applicability. The program applies to foreign military trainees and military-sponsored visitors in the U.S. under the security assistance program. As appropriate to the surrounding environment, the IP also applies to DOD training installations overseas performing security assistance military training functions.

b. Responsibility for Implementation. MILDEPs are responsible for implementation of the IP. Cost factors for implementing the program will be included in and derived from the course tuition costs. Commanders of U.S. training installations will designate a foreign training officer (FTO) for consolidated administration of FMTs and to conduct the IP.

c. Funding. Extraordinary expense funds (N60), as limited by foreign assistance appropriations and foreign assistance acts, are also authorized for use in conducting certain IP activities for IMET FMTs.

d. Scope of Funded Activities. IP activities include transportation, meals, lodging, admissions, programs, and related incidental expenses. 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. IP funds may be used to finance the cost of distinctive medallions, plaques, ornaments, or mementos which 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 feeling on the part of FMTs that reciprocation is required.

(1) Use of Local Civic Groups. IP activities should make maximum use 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 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 civilian aspects of the program. When program objectives cannot be fully satisfied in the local area, visits to other communities are authorized.

e. Visits to Washington, DC. A major goal of the IP is to enable officer students and, when justified and approved by DSAA, selected senior enlisted students to visit Washington, DC. 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.

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

g. Duty Status of Trainees. Trainees participating in IP tours are considered to be in a duty status. The living allowances authorized for IMET trainees at their training centers (see Table 10-II-2 of this chapter) will be continued throughout the duration of the tour.

h. Participation of Dependents. Dependents who accompany or join FMTs in the U.S. will be encouraged to participate in IP activities, but at no additional cost to the program.

10. Country Liaison Personnel. Use of foreign personnel as liaison officers to assist U.S. training activities with FMT administration is authorized only after the MILDEP concerned has acknowledged the need for assistance and has the capability to provide logistic support. Liaison personnel will normally be authorized only in those instances in which a country is scheduled to train a large number of students or where student background warrants liaison personnel assistance. Programming procedures for travel and living allowance are the same as for FMTs, if funded under IMET. Liaison personnel will be programmed under generic code N10. Liaison officers will not be authorized to pursue a course of instruction concurrently with liaison duties. *

11. Correspondence Courses. Correspondence courses are not eligible for IMET funding. *

12. Self-Invited Visits. Self-invited visits are outside the purview of security assistance. Requests should be submitted outside of security assistance channels, from the host country Washington Attache to the cognizant MILDEP in accordance with applicable MILDEP regulations. *

13. Contractor Training. Contractor furnished training is normally not eligible for IMET funding and should be obtained through FMS. Requests for exceptions will be considered on a case-by-case basis and only when the specific training is not available from the MILDEPs. *

14. Civilian FMT Privileges. Civilian FMTs under ITOs are authorized commissary and exchange privileges subject to MILDEP and unified command regulations. *

15. Foreign Military Trainee Positions of Prominence and Influence Reporting. Per OSD message 232357Z May 86, each Unified Command will submit data by mail to DSAA (ATTN: COMPT-TMD) annually regarding positions of prominence achieved by former FMTs trained under the U.S. Military Security Assistance Training Programs. The data will be used to assess the effectiveness of the programs in reaching trainees who subsequently achieve positions of prominence and for justification to the Congress of the annual security assistance budget submissions. **

a. Description of Military Ranks for Reporting Purposes. For purposes of this report, prominent military positions include all general and **

flag rank officers and lesser ranks such as military attaches to major world capitals, commanders of elite or singular units with a special task such as guarding the nation's capital, or colonels or navy captain equivalents serving as a chief of a service, senior cabinet aides, senior positions on the joint or general staff, or commanders of training installations which would be held by general or flag officers in the U.S.

b. Description of Civilian Ranks for Reporting Purposes. Civilian graduates under military security assistance training programs achieving positions of prominence and influence include heads of state (includes royalty), government cabinet and deputy cabinet ministers, ambassadors, members of parliament and, where known, chiefs of leading business enterprises and other leaders of the civilian community. **

c. Data Collection Responsibility. Data should be collected from the SAOs by the Unified Commands and submitted to DSAA/TMD, along with any supplemental information deemed appropriate. **

d. Data Format. The data will be composed of both an update on individuals previously reported if his position or status has changed and the inclusion of any additional former FMTs who have achieved positions of prominence or influence since the last report. The data should be formatted in the following order: (1) country; (2) source of funding (i.e., FMS, IMET, MAP funded); (3) name (last, first, MI); (4) current rank (foreign and U.S. equivalent); (5) prominent positions held (to include all previous positions of prominence); (6) current position; (7) specific training completed (course name or subject); (8) place of training (name of installation); (9) academic degree (if appropriate); (10) year(s) attended. **

e. Reporting Period and Timing. Information should be submitted annually, by 1 Jan for the preceding fiscal year. **

f. Reports Control Symbol. This requirement is established as a standardized DSAA report under DSAA reports control symbol assigned DSAA (A) 1230. **

F. GENERAL GUIDANCE CONCERNING STUDENTS.

1. Selection and Utilization of Trainees.

a. Selection of Trainees. To the extent practicable, personnel trained under the auspices of the IMET program, and particularly those attending CONUS schools, will be selected from career personnel likely in the future to occupy key positions in the foreign country's defense establishment. Except as may be authorized specifically by DSAA, the requirement for selection of career personnel is mandatory for attendance at professional level schools (e.g., command and staff or equivalent and higher, and college level).

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b. Utilization of Trainees. Under the direction and supervision of Commanders of Unified Commands, SAOs are responsible for obtaining appropriate assurances that personnel trained under the auspices of this program are properly and effectively utilized. Such utilization is defined as prompt employment of the individual in the skill for which trained for a period of time sufficient to warrant the expense to the U.S.

(1) A system of periodic review of trainee assignments should be incorporated into SAO operating procedures. As a guide, optimum assignment periods are considered to be three years for flight instruction and highly technical training such as missile training, and not less than two years for other training, particularly instructor training.

(2) To the extent consistent with available resources, SAOs are expected to maintain surveillance over utilization of U.S. trained personnel, with emphasis on the more critical and higher level skills and personnel attending CONUS schools. Periodic reports rendered by appropriate foreign authorities normally will satisfy this requirement.

2. Student Security Screening. A security screening of trainees will be accomplished by U.S. officials in country prior to issuance of the ITO for all scheduled training, regardless of level of classification. Additional information is required for trainees attending classified courses.

a. Attendance in Classified Courses. The SAO must receive a statement in writing from the foreign government that the government concerned sponsors the trainee, that the trainee has been subjected to a security screening and that the level of security clearance granted by his government does not constitute a security risk to the United States, that the information to be obtained during the training will not be released to another nation without the specific authority of the U.S. Government, that classified information will be provided the same degree of security afforded it by the U.S. Government, and that any proprietary rights involved (patented/copyrighted or not) will be respected and protected. When this certification is obtained, the applicable statement will be checked in Block 8 of the ITO, DD Form 2285 (Figure 10-II-1, this chapter).

b. Access to Classified Material. The security certification described above does not constitute a U.S. clearance as the basis upon which to release classified material to the trainee. When classified instruction is requested, action will be taken with the MILDEP concerned to establish the authority and determine the classification of material to be released during training, based on a need to know and disclosure agreements with the country making the request.

3. Transportation and Accommodations for FMTs. It is DoD policy to encourage foreign countries to assume the cost of transportation for their students so that IMET funds are utilized to permit higher numbers of students to be enrolled in training.

a. Travel within Student's Country. The program will not pay travel costs of trainees traveling within their own country.

b. Use of Foreign Flag Carriers. Whenever possible, SAOs assigned to countries which have national flag carriers with routes to or part way to the U.S. will obtain agreement from the host countries to transport their respective trainees on such carriers at no cost to the U.S.

c. Modes of Transportation when Furnished by the U.S. Travel between home country and the training center for those FMTs provided transportation by the U.S. Government will be the most direct route, except as specified below.

(1) Travel to/from CONUS by Military Airlift Command (MAC) Aircraft. FMTs are authorized to travel by MAC aircraft. Transportation of FMTs including those whose country elects to pay the cost of the transportation will be at common user rates.

(2) Travel to/from CONUS by U.S. Commercial Air or Surface. Travel to and from the U.S. will be via U.S. Government transportation (MAC) to the fullest extent feasible. When the use of U.S. Government transportation for the entire trip does not permit the trainee to meet course or class convening dates, combinations of U.S. commercial air or surface common carrier (tourist class) and government transport will be used. Where this combination has been used, U.S. Government transportation for the return travel to the home country will be utilized to the fullest extent possible.

(3) Travel within CONUS. Transportation to and from training installations within the U.S. generally will be by surface common carrier or commercial aircraft. Travel by privately owned vehicle (POV) may be authorized except in those instances in which it would be prejudicial to the best interests of the U.S. Government.

d. Funded Travel. Transportation may be funded except for those students from countries with which the U.S. has reached agreement for such countries to pay transportation expenses.

e. Transportation for Dependents of Trainees. Transportation for dependents of trainees will not be provided at U.S. Government expense. If the trainee elects to bring his dependents to the U.S. (or to an overseas training installation) for those courses identified in Table 10-II-2, Note 4, he may be allowed the cost of his transportation as prescribed in his ITO so that he may travel with his dependents. When this option is selected, the student is required to utilize U.S. flag carriers if available. In these instances, the trainee will be reimbursed for travel costs as follows:

(1) The MAC tariff rate if MAC transportation would have been the mode utilized through U.S. Government arrangements, or the actual cost of travel, whichever is lower.

(2) Category Z rate or the actual cost of travel, whichever is lower.

f. Transportation for Emergency Leave. Round trip transportation costs for a trainee returning to his homeland on emergency leave will be paid by the trainee or his government if he is to return to the U.S. for continuation of training.

g. Deviations From Planned Travel Routes. When a trainee is permitted by his government to deviate from the most direct route for the purpose of visiting other countries, U.S. sponsorship will terminate at the point and time of such deviation. Further, should a trainee elect to remain at a point enroute to his homeland beyond the time normally required to make travel connections, funding of allowances during that excess time is not authorized.

h. Enroute Accommodations. Accommodations on U.S. installations provided to foreign students enroute will be commensurate with those provided U.S. personnel of equivalent grade.

i. Travel to Non-Resident SAO. SAOs responsible for managing an IMET program for a country in which it is not resident may program transportation to/from that SAO for briefing/debriefing of IMET FMTs, so long as there is no U.S. representation in the country of the IMET trainee that could provide the service and when requested by the Ambassador. This does not apply for cost sharing countries.

4. Living Allowances for FMTs. The IMET living allowance is a standard rate, equally applicable to all countries, and is intended to cover an average cost differential of the trainee living away from his home station. It is not a substitute for normal compensation. Responsibility for timely payment of sufficient overall compensation to allow for decent living standards and effective completion of the training rests with the trainee's country. It is DoD policy to encourage foreign countries to assume the cost of all living allowances so that IMET funds are utilized to permit higher numbers of students to be enrolled in training.

a. Entitlements for Trainees in Travel Status. When IMET pays travel and living allowance, trainees are entitled to living allowances during travel status, to include the day of departure from home country, through the day of arrival at their first training location. Living allowance in training status will commence the day after arrival at the training location. Living allowance in a travel status will resume the day of departure from the last training location and terminate the day of arrival in home country, excluding any leave period authorized by trainee's government following termination of training or any unauthorized delay enroute. In no case will the program pay travel costs or living allowances of trainees traveling within their own country. Living allowances will be computed incrementally in accordance with the JTR on the day of departure from home country and the day of arrival in home country.

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(1) Transoceanic Costs Borne by Foreign Country. Trainees whose travel to the U.S. is paid by their own government are entitled to living allowances in a travel status to include the day of departure from the U.S. entry port enroute to the training location, through the day of arrival at the training location. Living allowance in a travel status will resume the day of departure from the last training location and include the day of arrival at the U.S. departure point. This policy also applies to FMTs whose country pays a portion of the transoceanic travel costs, e.g., from homeland to London and return.

b. Entitlements for Trainees in Training Status. A living allowance will be programmed for all trainees in a training status, unless otherwise directed, as indicated in paragraph F.4. (above). See Table 10-II-2 of this chapter. For programming purposes, a standard factor will be used for

2. 50 pounds for all other courses.

(b) Packing and Labelling. This material is to be packaged and labelled at the training installation and shipped via the most expeditious means to the SAO of the country for delivery to the FMT, or to the official address for classified material. A copy of the student's ITO will be placed inside the package. Use of the APO/FPO address of the sponsoring SAO is authorized; packages must be addressed to the SAO, not to the FMT.

(c) Personal/Unauthorized Matter. The training installation will ensure that no personal effects or other unauthorized matter is shipped with the instructional material.

(d) Cost to Students. Students wishing to send their instructional materials via international mail, and/or send instructional materials in excess of the total maximum allowance, will do so at their own expense.

b. Unauthorized Baggage. Shipment of baggage in excess of the weight allowance contained in 5a(1) above is not authorized. Disposition of unauthorized baggage will be made at the expense of the trainee or his government. Commanding officers of the training or administrative installation should ensure that unauthorized baggage is shipped at the trainee's expense prior to his departure from the installation. Trainees reporting to ports of departure with unauthorized baggage will be requested to forward the unauthorized baggage by commercial means at their expense. If lack of time prohibits this, unauthorized baggage will be taken into custody by the traffic representative, and the trainee will be given a receipt for the baggage. The trainee will remain on the scheduled flight or carrier. After departure of the carrier, the traffic representative will deliver the unauthorized baggage to the nearest appropriate foreign consulate.

c. Guest Instructors at Panama Canal Area Military Schools (PACAMS [SCIATTS and IAAFA]) and CONUS-USARSA.

(1) Costs incidental to the use of foreign guest instructors at SCIATTS, IAAFA, and CONUS-USARSA are to be included in the fixed operating budgets of each school and not included in course tuition costs. These costs include travel of guest instructors and their authorized dependents, shipment of household goods and living allowance in accordance with Table 10-II-2.

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(2) Shipment of household goods from the Panama Canal area or CONUS to their home country is authorized for Latin American guest instructors who have completed a tour of duty at PACAMS or USARSA. The net weight allowance is 2000 pounds for married guest instructors and 200 pounds for single guest instructors. A net weight allowance of 4,000 pounds is authorized for married Latin American guest instructors when assigned as Deputy Commandant. In addition to net weights listed above, weight allowances are authorized for crating and packing materials on the same basis as for U.S. military personnel and in accordance with the JTR. Shipment of household goods in excess of authorized net weight will be at the expense of the guest instructor or his

government. Shipment will be by surface common carrier. Air freight may be used only when surface common carrier is not available.

6. Uniforms and Personal Clothing. Except for charges for uniforms required for students in the Inter-American Air Forces Academy (IAAFA), furnishing uniforms or any items of personal clothing, other than special items of training clothing or equipment, is not authorized.

7. Visits to Canada and Mexico. Foreign trainees attending instruction in the CONUS may be authorized visits of not over 72 hours to Canada and Mexico. They must comply with all immigration and customs regulations. Such visits will not affect the trainee living allowances.

8. Dependents of Trainees. Dependents will be discouraged from accompanying or joining trainees except in those cases where the MILDEP concerned determines for specific trainees and courses that housing and other amenities are available and presence of dependents will make an important contribution to the student's learning experience. Where dependents are authorized by the MILDEP, i.e., for officers attending selected courses as indicated in Note 4 of Table 10-II-2, a living allowance may be paid in accordance with rates established in this table. In no event, however, will transportation of dependents or medical treatment be at U.S. expense. *

9. FMT and Dependent Employment. FMTs and alien dependents of FMTs are not allowed to seek employment during their stay in the United States. U.S. Embassy and/or security assistance personnel should make every attempt to explain this fact to FMTs at predeparture briefings in order to discourage such employment. In this connection, U.S. country team personnel should take all action necessary to insure that passports with A-2 Visas or related documents concerning FMTs and their alien dependents are not annotated with "Employment Authorized."

10. Disposition of FMTs in Event of an Emergency. In the event of a national emergency, procedures and policy for the disposition of trainees and other foreign military visitors in the U.S. and at U.S. installations abroad will be promulgated by DSAA.

G. EXTRAORDINARY EXPENSES. Extraordinary expenses (budget project N60) are defined as those expenses incident to representational activities for FMTs. They include costs of commandant's welcome, receptions, banquets for civilian and military sponsors, class/seminar dining-ins, faculty-student luncheons, graduations, and other similar activities which bridge cultural differences and enhance the relationship between school officials, local community supporting participants, and foreign students while attending courses of instruction in U.S. and overseas facilities. N60 funds are limited by legislation contained in Section 636(g) of the Foreign Assistance Act of 1961 and related appropriation acts.

1. Use in Connection with IP and Orientation Tours. Extraordinary Expense funds may also be used for activities described in paragraph G (above) in connection with IP and orientation tours. Conditions contained in Section E.6. will guide such arrangements. The expenditures of N60 funds for other than students sponsored under IMET is not authorized. However, joint activities with FMS funded foreign trainees are often cost effective. In that

level with priority D having the higher priority. Valid training priority coded D and E is defined as training in keeping with IMET policies and objectives, that MILDEPs can accommodate, for which the host country can provide qualified candidates and which has a dollar value that the SAO can reasonably expect to receive at mid-year/end-of-year if funds are available. In most cases, this should not exceed approximately 10 percent of the budget level. SAOs should code all training lines in a WCN series to reflect the code of the program line with the highest priority within that series.

3. Initial Funding of Current Year Training Program. As soon as the apportionment of IMETP funds is received from the Office of Management and Budget, DSAA will fund all priority codes A, B, and C within the apportioned funding/allocation level. SAOs should ensure that priority codes are appropriately adjusted so that the total of all priority A, B, and C training lines equals the allocation level. Adjustment of prioritization will be required if the apportionment level is less than the budget request level.

4. Additions/Increases to Current Year Program. If subsequent additions/increases to current year programs will cause the funded program to exceed the country allocation level, the SAO should simultaneously (1) submit deletions of funded lines sufficient to offset requested funding and/or (2) forward programming to lower the priority codes of selected funded lines to D or E. In the latter case, DSAA will withdraw funding of those lines and they will remain the program in an unfunded status.

5. Mid-Year Review of IMET Allocation Levels. Unified Commands will provide comments and recommendations concerning the status of individual country IMET allocation levels to DSAA by 15 May. Unified Commands will (1) identify those countries that will not be able to utilize all of their currently allocated IMET levels and recommend revised country allocation levels; (2) identify those country programs that have valid training requirements (as defined in paragraph 2 above) above currently allocated IMET levels and recommend corresponding increases to country allocation levels; and (3) those country programs that will require no change in allocation levels. Recommendations for increases will be prioritized within each Unified Command and will include a descriptive narrative to identify the type of training and number of students associated with the dollars requested. Specific WCN numbers should be identified. Unified Commands will ensure that SAOs submit appropriate program additions/changes reflecting priority codes D or E and quarter availability no earlier than the fourth quarter for those countries that are recommended for increases. *

6. End-of-Year Review of IMET Allocation Levels. Unified Commands will provide comments and recommendations concerning the final country IMET allocation levels to DSAA by 1 August. The same procedures used for the Mid-Year Review will apply.

7. Training Analysis Codes. Training Analysis Codes allow training program data to be grouped by categories that facilitate analysis of country IMET programs as they relate to overall IMET objectives. These codes replace the material-oriented generic code structure for training and enable the training community to match country requirements with policy considerations, particularly in the preparation of two year training plans and training AIASA's. A complete listing of all Training Analysis Codes is at Table 10-II-4. The nine primary analysis code categories are:

<u>Category</u>	<u>Description</u>
PME	Officer Professional Military Education
MGT	Officer Management
PGS	Officer Postgraduate/Degree Related Training
UPT/FLT	Undergraduate Pilot and Other Flight Training
TECH	Technical, Operations, Maintenance, Medical and Enlisted Training
OT	Orientation Tours
OCONUS	OCONUS Student Training
TEAMS	Mobile Training Teams and Field Training Services
SUPPORT	English Language Equipment, Materials, PCH&T, Medical Lines and other Training Support

L. PROGRAM DEVELOPMENT AND SUBMISSION.

1. Purpose. The following provides guidance and instructions governing the preparation and submission of detailed program data, including changes thereto, and the conversion of these data into approved and funded programs authorized for implementation by the MILDEPs. Further, more specific programming guidance is contained in paragraph K of this section.

2. Development Guidance.

a. Sources. In addition to guidance and instructions contained in this manual, the following documents provide information for the development of training programs: (1) The Military Articles and Services List (MASL), and (2) JSAT Regulation (AR 12-15, OPNAVINST 4950.1H, and AFR 50-29).

b. Refinements of Budget Year Program. The refinement of the budget year program should be accomplished at the training workshops. The workshops are hosted by the Unified Command, with representation from DSAA and MILDEPs for the purpose of determining training capability and to provide policy and procedural and technical advice concerning the programs proffered by the SAOs on behalf of their host countries. MILDEPs submissions of refined budget year and plan year training requirements resulting from the training workshop review will be completed and processed to DSAA by 15 April.

c. Availability of Detailed Data to MILDEPs. Detailed training data for the first plan year program will be made available by SAOs to MILDEPs for processing to DSAA by 15 September, or as may be directed.

3. General Programming Instructions. In addition to individual courses of instruction available from MILDEPs for foreign students, other categories of training assistance which may be required in developing the program are contained in the MASL in line-item detail. A summary of all categories of training N10 through N70 is shown in Appendix D, Table D-9 of this manual. This summary provides a reference for identifying specific training contained in the MASL.

4. Submission of Program Data. Training requirements under IMET will be recorded in the DSAA 1000 system. Training data for these programs will be maintained current by continual updating by the SAOs.

living allowance while in a travel status. Note: In all cases students are required to travel over the most direct, least cost route.

(3) Living Allowances While in Training Status. A living allowance will be programmed for all trainees in a training status, unless otherwise directed, as indicated in paragraph F.4. of this section.

(4) Special Instructions.

(a) Cross Training, Sequence or Prerequisite Training. Cross training, sequence training, or prerequisite training is training following an initial course of instruction or preceding a course of instruction (prerequisite), without the trainee returning to home country between courses. When programming of this type is required, column 65 of cards 4 or Q is to be used by program originators to indicate whether the training is a single line item or whether cross training is involved. If cross training is programmed, the letter "A" will be entered in column 65 for the initial course, the letter "B" will be entered in column 65 for the second course, the letter "C" for the third course, and so on in alphabetic sequence. When English language is programmed as a prerequisite course, the worksheet control number suffix (column 65) will be the letter "L," and the courses following will have worksheet control number suffixes A, B, C, etc. Each course will be costed separately. Course "A" will be charged with the round trip trans-oceanic travel costs and the round trip CONUS costs from U.S. port of entry to the first training location and from the last training location to U.S. port of exit. For sequential training conducted at another location, the best estimate of transportation costs will be programmed. When English language training is a prerequisite, the cost of round trip will be included in the "A" line computed on the basis of the location of the "L" line. The living allowance while in a training status will be costed separately for each course in accordance with paragraph 1b(3) above. *
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(b) Cross-Service Training. Cross-service training is a training series for a foreign student provided by more than one U.S. military service.

1. Training in Schools of Another Service. When a trainee from one foreign military service is selected for training exclusively within schools of another U.S. military service, such training will be requested in the program of, and administered by, the U.S. military service providing the training.

2. Training in Schools of More Than One Service. When a trainee is selected for training involving courses of more than one military service, the training will be programmed by the service providing the majority of the training (excluding English language training).

3. Orientation Tours to U.S. Installations of More Than One Service. Orientation tours to U.S. military installations of more than one military service will be programmed and administered by the U.S. military service corresponding to the military service of the trainee(s) or by the service having predominant interest.

4. Joint Service Courses. Joint service courses will be included in the program of the service having administrative agency responsibility for the course.

(4) Cancellation of Training - Penalty Charge. Rescheduling or cancellation requests must be received 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 start date, the country's IMET program will be charged 50% (100% of contract training cost) of the tuition rate for cancellations or a proportionate share of the tuition rate for trainees not completing a course of instruction, for courses which fall within that 60 day period. Penalty charges will be determined by MILDEPs and requests for waivers to these penalty charges should be addressed to the responsible MILDEP. The cancellation penalty will not be applied when (a) cancellation is due to the fault of the U.S. (deletion of classes, rescheduling, etc.), (b) cancellation is due to unavoidable circumstances within country, such as national disaster, or (c) cancellation entails no loss to the U.S. in terms of cost or training capability. These charges are to be programmed for applicable courses, and will be earmarked by an "S" in column 65 to indicate that a penalty fee was charged for that particular training line. MILDEPs may also use "T" for attrition, "U" for recycle or setback, and "V" for "no show."

(5) Orientation Tours.

(a) TLA Entries. The TLA entry for columns 51-56 should be computed as the composite cost of living allowances, transportation based on itinerary, and excess baggage. A total of 100 pounds is authorized.

(b) Escort Officers. An escort officer may be programmed for orientation tours. A factor of \$600.00 per man week will be used and entered under TLA in columns 51-56.

(c) Living Allowances for Participants in OCONUS Orientation Tours. A factor of \$100.00 per man week will be used to cover travel and living allowance in the overseas area where the tour is being conducted. The \$100.00 factor will be added to the cost of the round trip travel and the total amount per personnel space will be entered in columns 51-56 of cards 4 or Q.

(d) Observer Training. The procedures above do not apply to observer training. Observer training will be costed in the normal manner described in paragraph 1a. above.

(6) Temporary Duty Costs. A factor of \$1,000 per personnel space may be added to cover the cost of temporary duty travel for country liaison officer, when programmed.

2. Formal Training Overseas (O/S) (Generic Codes N1N - N1W). The same two cost elements described in paragraph 1 (IMET unit price and TLA), are involved in determining the total cost entry in columns 73-80 for students who will train at overseas schools and facilities. The course cost shown in the IMET MASL will be entered in columns 36-43 of cards 4 or Q. The TLA factors

for overseas training also differ from United States training and are described below, by Command.

a. U.S. European and Pacific Commands.

(1) Travel Costs.

(a) Trainees in Own Country. Each country will pay its own transportation for those trainees training in their home country.

(b) Training Costs for Sequential Training. Travel costs for courses subsequent to the original course will not be included; however, \$50.00 per trainee will be added for travel (including living allowance during travel) for courses which follow the initial course and are conducted at a different location.

(2) Living Allowance While in Training Status.

(a) Trainees Training in Their Own Country. Each country will pay its own living allowance rates for trainees training in their home country.

(b) Trainees Training Outside Their Own Country. If training is conducted at a location other than within their home country, the programming factor for living allowance while in training status will be computed at the applicable JTR rates.

(c) Sequential Training. In some cases students have a waiting period before entering a follow-on course. The living allowance is authorized for the waiting period, and will be included in the TLA for the follow-on course.

b. U.S. Southern Command.

(1) Living Allowances While in Training Status.

(a) Programming Factor, Panama Canal Area Military Schools (PACAMS). The programming factor for student living allowance for students while in training status at U.S. service schools in the Panama Canal Area Navy Small Craft Instruction and Technical Training School (SCIATTS) and Air Force Inter-American Air Forces Academy (IAAFA) will be computed at the rate of \$98.00 per week for officers and \$75.00 per week for enlisted personnel.

(b) Reimbursement to MILDEPs for Enlisted Personnel Services. Not all of the \$75.00 per week programmed for enlisted personnel is paid to the student. The rate of daily living allowance payment is shown in Table II of this chapter. The remainder is reimbursed to the appropriate MILDEP for student laundry and subsistence.

(c) PACAMS Trainees from the Republic of Panama. Panamanian trainees attending PACAMS or other training conducted in the Republic of Panama will be paid living allowances for periods of training only if they reside in quarters provided by the U.S. Government.

(2) Special Instructions.

(a) OJT/Observer Training. A living allowance while in a training status will be paid by IMET. Living allowances will be programmed in accordance with paragraph b.(1), above.

(deletion)
*

c. Third Country Training. Third country training should be encouraged, with the two participating countries making their own arrangements for the training and associated costs.

(1) Tuition Funding by the U.S. When it is considered necessary that tuition costs be funded by the U.S., the SAO, in coordination with the Chief of the Diplomatic Mission, should submit a request for offshore procurement certification, in accordance with DoD Directive 2125.1, to the Director, DSAA, with information copies to the appropriate MILDEP, Unified Commander, and Component Commander.

(2) Requests for Offshore Procurement Certification. The request for offshore procurement certification should include a detailed description of tuition costs and training services to be provided. In no case will costs include items acquired under the security assistance program by the country providing the services.

(3) Commitments for Third Country Training. No commitment to the third country offering the training will be made until the request for offshore procurement certification is approved. SAOs will use the fund citation contained in the student ITO to provide reimbursement of tuition costs to the country furnishing the training.

N. IMPLEMENTATION. Program implementation and the movement of trainees to training facilities and activities is authorized only after IMET orders, program directives, or other specific approvals are issued by DSAA. Such orders, directives, or approvals are required prior to the issuance of ITOs or the obligation of funds for programmed training. When necessary in cases of emergency, requests for approval to issue ITOs prior to receipt of IMET Orders will be submitted directly to DSAA, and authorized via message or telephone by DSAA Comptroller.

1. IMET Orders.a. Purpose.

(1) Definition. The term "IMET Order" is used to describe the document issued by DSAA which authorizes and directs the furnishing of military training to designated IMET recipients. It also identifies the fund source for each program line. For example, FY 1984 funding is indicated by a "4" in column 71 to indicate funding from the 1984 appropriation.

SECTION II - FOREIGN MILITARY SALES TRAINING
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A. PURPOSE.

1. This section provides guidance and instructions for providing military training to eligible foreign countries and international organizations as authorized under the Arms Export Control Act (AECA).

2. Basic guidelines for FMS training are similar to those for IMET (see Section I). This section addresses training matters which are unique to FMS training or which require some change from IMET procedures. Detailed FMS training programming instructions are provided by each MILDEP.

B. BASIC GUIDELINES.1. AECA Provisions.

a. Nature of Training. 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 institutions), 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.

b. Prohibitions. Personnel providing defense services (including training) are prohibited from performing duties of a combatant nature by the AECA, Section 21(c). This precludes activity related to training and advising which may engage U.S. personnel in combat activities, outside the U.S., in connection with the performance of defense services. This prohibition is applicable only during hostilities involving the country where the training is taking place.

c. Reimbursement. In compliance with prescribed pricing categories, the cost to the USG in furnishing FMS training must be paid by the foreign purchaser. Payment must be cash on acceptance, unless a determination is made in the national interest that payment be made prior to "performance" of the training. For billing purposes, formal training is considered "performed" on the date that the student enters the course or, in the case of Mobile Training Teams (MTTs) or Field Training Services (FTS), when a team member leaves his home station. At all times, there must be cash available to the DoD in advance of the performance of the training. Normally, a training case for the current fiscal year will not be used to fund any element of the training case for the following year. * *

d. Bilateral, Combined, or Multilateral Exercises. Bilateral, combined, or multilateral exercises conducted to test and evaluate mutual capabilities do not require authorization or funding under the AECA. Costs of foreign participation in these exercises may not be paid directly or reimbursed from DoD funds, including O&M funds. DoD funds may be used to pay just the costs of U.S. armed forces participation which would have been incurred in the 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. This is because providing exercise support is providing a defense service as defined in the AECA, Section 47(4) and Section 47(5).

e. Separate and Specific Statutory Authorization. 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 FMS case. If there is separate and specific statutory authorization for such training, as in the case of the senior ROTC program or U.S. service academies, this general rule may not apply. Existing authority and regulations do not permit formal or informal training on a non-reimbursable or quid-pro-quo basis. This includes orientation, observation, or familiarization tours, as opposed to short formal visits.

2. FMS Training Initiation and Program Development Sequence.

a. Initiation. The same general initiation and annual programming process applies to FMS training as applies to IMET. Foreign purchasers may initiate training requests through normal FMS channels as they would for any other defense service. Requests for establishing new FMS training programs in countries where no FMS training program previously existed should be made through the American Embassy to the Department of State, with a copy to the Secretary of Defense (DSAA). Foreign governments (host-country defense establishments), with the help of the SAO, are encouraged to develop annual FMS training programs.

b. Annual Country Program Review. Except for some countries with large, complex FMS programs, annual FMS training programs should be reviewed and, where appropriate, integrated with the country's IMET requirements during the unified command training workshop. Programs presented by the country representatives should be fully coordinated with host governments and, to the extent practical, represent the country's annual training requirements. FMS programs will be accepted for planning and for allocating quotas. When appropriate, programs may also be accepted as requests for LOAs. FMS training should be scheduled annually through regular workshop procedures.

c. Fund Deposits. 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 where the training is less than 90 days duration. Countries having both IMET and FMS training programs should ensure that the programs complement each other.

d. Unprogrammed Requirements. Unprogrammed FMS training requirements, not included in the annual program, are handled on an exception basis. Unscheduled requirements have an adverse impact on the total training effort. This is particularly true in the case of courses where quota availability is a major constraint, for short notice assignment of MTT personnel from operational units for specialized requirements, or the preparation of tailored curricula. 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 by the host government during the program year being generally discouraged.

<u>ADDITION CARD 4</u>	<u>CHANGE CARD Q</u>	<u>DELETION CARD R</u>	<u>COLUMN</u>
Avail	Avail		
<u>Report Qtr</u>	<u>Report Qtr</u>		<u>70</u>
<u>Blank</u>	<u>Blank</u>		<u>71</u>
<u>Rqmts</u>	<u>Rqmts</u>		
<u>Priority Code</u>	<u>Priority Code</u>		<u>72</u>
			<u>73</u>
<u>Total Cost</u>	<u>Total Cost</u>	<u>Blank</u>	<u>80</u>

 TABLE 10-II-1. (Continued)

TABLE 10-II-2

**

TABLE OF DAILY SUPPLEMENTAL LIVING ALLOWANCES
FOR IMET FOREIGN MILITARY TRAINEES

	OFFICER [And Civilian	ENLISTED(1) Equivalents]
In Travel Status, Including Unscheduled Delays(2).....	Various	Various
In Training Status:		
Senior PME Students with either Quarters and Mess Available or Dependents Authorized (3)(4)	\$45	N/A
Dependents Authorized (4)(10)	40	N/A
Neither Quarters Nor Mess Available.....	40	40
Orientation Tour Participants (5).....	27	N/A
Mess Available, Quarters Not (6).....	27	22
Quarters Available, Mess Not (6).....	24	20
Both Quarters and Mess Available (6)(7)(12).....	17	9
Both Quarters and Mess Available, Officers Charged for Mess (Aboard Ship).....	12	N/A
Both Quarters and Mess Available, Free of Charge (Aboard Ship).....	9	9
In Military Hospital (8).....	9	9
On Leave (10).....	Various	Various

NOTES:

- (1) Not applicable to enlisted foreign military trainees (FMTs) attending training at the Small Craft Instruction and Technical Training School (SCIATTS) or the Inter-American Air Forces Academy (IAAFA). The daily living allowance rate authorized for these enlisted FMTs is \$3.50 per day.
- (2) Travel allowance rate is authorized to include the day of arrival at, and day of departure from, training installation except for FMTs who receive no U.S. Government living allowance. Rates on travel status, including unscheduled delays, are based on rates equal to those in the JTR for U.S. personnel.
- (3) This rate is authorized only for FMTs attending senior level professional military education courses as follows: Army Command and General Staff College, Army War College, and National Defense University; Air Force Command and Staff College and Air War College; Naval Staff College and Naval Command College; USMC Command and Staff College, Armed Forces Staff College; and USARSA Command and Staff College.
- (4) This rate is authorized only for accompanied FMTs attending the following courses designated by the MILDEPs: Army Command and General Staff College, Army War College, and National Defense University; Air Force Squadron Officer School, Air Force Command and Staff College, Air War

TABLE 10-II-2. Table of Daily Living Allowances for IMET FMTs.

College, and Air Force Institute of Technology; Naval Staff College, Naval Command College, and Naval Postgraduate School; USMC Command and Staff College, Armed Forces Staff College; and USARSA Command and Staff College. This rate is also authorized for prerequisite courses, follow-on courses, and authorized leave periods. This rate is applicable regardless of availability of quarters and is payable whether FMT lives on or off post.

- (5) Meal Allowance Only. Cost of quarters to be paid from programmed funds by Class A agent/cashier escort officer.
- (6) In overseas areas, including Hawaii where U.S. Government quarters and mess are not available, the rates authorized are equal to those authorized for U.S. personnel in the JTR. "Quarters Available" means that U.S. Government quarters were either furnished or made available. "Mess Available" means three meals per day were available in a U.S. Government mess, whether or not actually consumed. U.S. Government mess excludes open mess and is not considered available to officer FMTs except during maneuvers, field exercises, training in the field or when an officer's field ration mess is specifically available (e.g., officers field ration mess is available at Lackland AFB and Maxwell AFB, both with a heavy student load). MILDEPs will be reimbursed from IMETP funds for costs of meals and quarters furnished free of charge to eligible FMTs. All FMTs not authorized a U.S. Government living allowance will pay for their meals. Meals taken in other food service facilities will be paid for by the FMT at the menu rates.
- (7) Enlisted students from countries that participate in cost-sharing of travel and living allowances who are not entitled to meal cards may receive per diem in an amount greater than \$9. A higher rate is authorized as long as the programmed rate is less than the \$9 plus the daily cost of mess hall meals. When the programmed rate reaches or exceeds the \$9 plus the cost of meals, students will be issued meal cards and will be paid \$9 per day.
- (8) In those cases where an officer FMT is authorized an increased living allowance for accompanying dependents and is subsequently hospitalized, an increased living allowance (\$40) shall apply during period of hospitalization rather than the reduced rate specified herein.
- (9) Living allowance for leave periods following termination of training is not authorized. Leave with living allowances may be granted during periods of class breaks, authorized holidays, between consecutive courses and delays at a port while awaiting transportation at the rate that is appropriate to the training status.
- (10) This rate is authorized for guest instructors at CONUS-USARSA.
- (11) The rate of IMET living allowance for guest instructors at PACAMS (SCIATTS and IAAFA) will be the minimum necessary as determined by the appropriate MILDEP agency but not to exceed the rates authorized for students.

TABLE 10-II-2. (Continued)

TABLE 10-II-3

MILDEP EXECUTION AGENCY IDENTIFIER CODES

A. ARMY EXECUTION AGENCY (EXA) CODES.

The EXA code used by the Army is a three digit alpha numeric wherein the first alpha represents the Army (B), the second alpha the funding agency and the the third alpha or numeric the training agency. The following codes are to be used for Department of the Army IMET programming.

B. Department of the Army.

- A. U.S. Army Material Development and Readiness Command (DARCOM)
 - A. Army Logistics Management Center, Ft Lee, VA
 - B. Army Management Engineer Training Activity, Rock Island, IL
 - C. Army Defense Ammunition School, Savanna, IL
 - D. Joint Military Package Training Center, Aberdeen Proving Ground, MD
 - E. Army Tank-Automotive Command, Warren, MI
 - G. Army Depot Systems Command, Chambersburg, PA
 - H. Letterkenny Army Depot, Chambersburg, PA
 - K. Lone Star Ammunition Plant, Texarkana, TX
 - L. Army Test and Evaluation Command, Aberdeen Proving Ground, MD
 - M. New Cumberland Army Depot, New Cumberland, PA
 - N. Army Troop Support and Aviation Material Readiness Command, St. Louis, MO
 - P. Army Mobility Equipment Research and Development Command, Ft. Belvoir, VA
 - Q. Pueblo Army Depot, Pueblo, CO
 - R. Army Natick Research and Development Laboratories, Natick, MA
 - S. Army Electronics Research and Development Command, Adelphi, MD
 - T. Army Communications Electronics Command, Ft. Monmouth, NJ
 - U. Red River Army Depot, Texarkana, TX
 - V. Army Aviation Research and Development Command, St. Louis, MO
 - W. Tobyhanna Army Depot, Tobyhanna, PA
 - X. Tooele Army Depot, Tooele, UT
 - Y. Yuma Proving Ground, Yuma, AZ
 - 2. US Army Security Assistance Center (USASAC), Alexandria, VA
 - 3. Anniston Army Depot, Anniston, AL
 - 4. Dugway Proving Ground, Dugway, UT
 - 6. Corpus Christi Army Depot, Corpus Christi, TX
 - 7. Army Armament Research and Development Command, Dover, NJ
 - 8. Army Armament Material Readiness Command, Rock Island, IL

TABLE 10-II-3. MILDEP Execution Agency Identifier Codes.

B. LEGAL LIMITATIONS. Neither the SECDEF (DSAA) nor the Unified Command, or the SAO, have the legal authority to consent on behalf of the President either (1) to the use of MAP materiel by anyone not an officer, employee, or agent of the recipient government, or to the transfer of such materiel by any means to anyone not an officer, employee, or agent of the recipient government, or to the use of such materiel for purposes other than those for which furnished as identified in section 502 of the FAA, or (2) to other disposition of such materiel than the return to the United States Government without charge when such materiel is no longer needed for the purposes for which furnished. These two Presidential functions under section 505(a)(1) and section 505(a)(4) of the FAA have been delegated to the Secretary of State by section 1-201(a)(4) of Executive Order No. 12163. Requests for consent under these statutory provisions should be addressed to the Secretary of State through diplomatic channels with an information copy to the Director, DSAA.

C. SUPERVISION OF END-ITEM USE AND MAINTENANCE OF INVENTORIES. SAOs assigned to countries which were the recipients of grant aid materiel (MAP) under programs initiated prior to FY 1982 are required to monitor the status of such materiel. As a minimum, this normally will consist of an inventory maintained by the SAO and updated at least annually by the foreign government, of major items of MAP origin held by the foreign armed forces, with estimates as to when the items are expected to become excess to the foreign force needs. Major items normally will include aircraft, ships, radar, armored vehicles, general purpose vehicles, artillery and mortars, missiles, and such other items as the SAO Chief deems appropriate. SAOs should encourage the host country to declare MAP equipment excess when it is no longer needed. The Unified Commander may modify these instructions to accommodate the situation in a particular area or country.

1. Action by the Chief of the SAO. End-item utilization (inventory) reporting (to DSAA, with an information copy to the unified command) is required only if discrepancies are uncovered. These end-item utilization responsibilities normally do not require dedicated travel for inspection purposes and must be undertaken with resources assigned or otherwise available primarily for other purposes. Noting the presence and utilization of U.S. origin equipment should be done during the course of other duties and end-use inspection or MAP-related functions will not justify SAO personnel authorizations. Note that end-use observation and reporting extends to items of U.S. origin acquired other than through MAP, although there is no requirement to seek periodic reports from the host government on such items. When MAP materiel is declared excess to the needs of its armed forces by the holding foreign country, the SAO or other DoD element responsible for MAP administration in the country will determine its condition. To the extent practicable, the determination will be based on physical inspection by qualified U.S. personnel. In the case of lack of resources, however, classification by the foreign government authorities may be accepted.

a. Economic Repairability. Economic repairability will be determined in accordance with DoD Instruction 7220.21.

(1) Standard Condition Codes. Standard condition codes as set forth in the Defense Disposal Manual (DoD 4160.21M) will be used.

(2) Unserviceable Equipment. If materiel declared excess by the foreign country is determined to be unserviceable and not economically repairable by overseas standards, it will be treated as disposable MAP property and processed in accordance with paragraph (4), below.

(3) Screening Excess Against Other In-Country Requirements. SAOs will screen reported excess MAP materiel against other MAP user requirements within the recipient country. Where such requirements exist and where the MAP property would continue to serve a MAP purpose, the SAO Chief may authorize continued use within the country. The SAO will maintain local records of internal transfers made under the authority of the paragraph identifying the item, quantity, materiel condition, and the loaning and gaining MAP elements.

(4) Reports of Non-Redistributed MAP Excess. If excess MAP materiel is not redistributed within the holding country, the Chief of the SAO will report major items (programmed as "each" items listed in the MASL with unit of issue other than "XX") and secondary items, with a value of \$1,500 or more per line item value, to the designated agency in the format specified by MILDEP directives with information copy to the Unified Command. Excess reports will include recommendations for disposition by the Chief of the SAO, as appropriate.

2. Action by the MILDEP. The MILDEPs will provide detailed procedures for reporting and screening MAP excess major and secondary items (including standard and non-standard materiel) under their cognizance. Procedures shall include identification of reporting channels, screening agencies, and reporting formats.

a. Worldwide Screening of Major and Secondary MAP Excess Materiel. Major and secondary MAP excess materiel will be screened by the MILDEP against worldwide security assistance requirements. Should such requirements not exist however, the following actions will be taken:

(1) Major items will be offered under the Major Item Materiel Excess (MIMEX) system.

(2) Secondary items will be screened for not more than 30 days against other MAP requirements within the reporting theater.

b. Post Screening Actions. Upon conclusion of screening, all requirements received from the SAOs will be reviewed. Appropriate transfer actions will be initiated by the MILDEPs pursuant to allocations of major items by DSAA. Redistribution actions for secondary items will be initiated by the cognizant MILDEP in accordance with established procedures and priorities. Comments on an exception basis from the unified command shall be considered in making redistribution decisions.

c. Disposition of Non-Allocated Items. Major items not allocated under MIMEX, and all secondary items not required for security assistance requirements will be utilized by the MILDEPs to meet other than MAP requirements as appropriate. Any materiel not so utilized will be reported to the Defense Reutilization and Marketing Service (DRMS).

payable in the currency of that country, including all costs relating to the financing of international, educational, and cultural exchange activities in which the country participates under the programs authorized by the Mutual Education Cultural Exchange Act of 1961. In the case of items which were * delivered prior to 1975, the President may waive the requirement that such net * proceeds be paid to the United States Government if he determines that to do * so is in the national interest of the United States." *

b. The FAA, Section 505(f) does not legally affect paragraph F.2.a. method of disposal or alter the requirements of the FAA, Section 605(d) with regard to deposit of sale proceeds exclusively in the parent MAP account.

c. The FAA, Section 505(f) extends to disposals by the recipient countries of MAP origin defense articles if such countries were the recipient of grant aid materiel after 1 July 1974 whenever the articles were originally granted to any such country, even if granted prior to date of agreement required under Section 505(f). "Net proceeds" means the balance of the gross proceeds of sale to be paid to the U.S. Government after reasonable administrative costs of the sale of MAP origin equipment are deducted by the foreign government.

d. The FAA, Section 505(f) constitutes a condition of eligibility for recipients of grant defense articles programmed in FY 1975 and subsequently. A mandatory agreement pursuant to Section 505(f), was concluded with the countries which were programmed to receive grant aid defense articles after 30 June 1974, even though disposals may be made by DPDS in most, if not all instances.

e. For countries other than those in d. above no agreement pursuant to the FAA, Section 505(f) is legally required so long as no grant defense articles were programmed for them after 30 June 1974. Nevertheless, defense policy with regards to such other countries is to require (unless an agreement with a particular country in force on 30 June 1974 provides to the contrary) a recipient country commitment to return to U.S. Government (for deposit in Treasury miscellaneous receipts, along with funds received by U.S. Government under the FAA, Section 505(f)) the net proceeds of sale whenever such country requests release of disposable MAP property to it.

2. Methods of Disposal. Assuming an item has survived screening for further utilization and has been determined to be disposable MAP property, it may be disposed of in one of two following methods:

a. Disposal Through Defense Reutilization and Marketing Office (DRMO). This method is in accordance with the provisions of the Defense Disposal Manual (DoD 4160.21M) through the DRMOs, in which case net funds * generated thereby are deposited in the parent MAP account. The FAA, Section * 605(d) provides: "Funds realized by the U.S. Government from the sale, transfer, or disposal of defense articles returned to the U.S. Government by a recipient country or international organization as no longer needed for the purpose for which furnished shall be credited to the respective appropriation, fund or account used to procure such defense articles or to the appropriation, fund, or account currently available for the same general purposes."

b. Country-to-Country Special Arrangements. This method is in accordance with the provisions of special country-to-country disposal arrangements under which the MAP recipient country disposes of disposable MAP property.

c. Preferred Method of Disposal. It is preferable from the DoD standpoint to use the Defense Reutilization and Marketing Service for disposal of disposable MAP property. However, in many cases it is not practical to exercise this option, either because there is no DRMO in-country or for practical reasons it may be more desirable to have the country dispose of the item. In some cases, agreements with the country require disposal by the country if no U.S. Government utilization is found. *

3. Demilitarization of Disposable MAP Property. Where munitions list materiel is involved, regardless of its economical recoverability, if the SAO is unable to ensure by physical inspection that appropriate demilitarization has been accomplished in accordance with the criteria specified in DoD Manual 4160.21, the materiel will be recovered by the U.S. and disposed of through the U.S. DRMS. *

SECTION III - SECTION 506 SPECIAL AUTHORITY

A. PURPOSE: This section provides procedures for emergency drawdowns authorized under Section 506 of the Foreign Assistance Act of 1961, as amended.

B. SECTION 506(A).

1. Law: If the President determines and reports to Congress in accordance with Section 652 of the FAA that:

a. An unforeseen emergency exists which requires immediate military assistance to a foreign country or international organization; and

b. The emergency requirement cannot be met under the authority of the Arms Export Control Act or any other law except this section; he may direct, for the purposes of this part, the drawdown of defense articles from the stocks of the Department of Defense, defense services of the Department of Defense, and military education and training, of an aggregate value not to exceed \$75,000,000 in any fiscal year.

2. Interpretation: Section 506(a) provides neither funds nor contract authority. It does not authorize new procurement for contracting in order to provide or replace the material, services or training directed. It only authorizes the drawdown of material from Department of Defense stocks and the provisions of non-contractual services and training from Department of Defense resources for grant as military assistance under Part II, FAA. The non-contractual services and training costs include TDY costs incidental to provisions of such services or training. Reimbursement will be dependent upon subsequent appropriation action. Assistance furnished under Section 506, FAA,

3. Duration.

a. Not to Exceed Five (5) Years. Leases shall be for a fixed duration of time not to exceed five years and shall provide that, at any time during the leasing period, the USG may terminate the lease and require the immediate return of the defense article(s). Leases of less than five years may provide for renewals but the total lease period may not exceed five years. The lease period will normally begin when the foreign country signs the lease, and provides payment for any required initial deposit, unless the lease period is otherwise specified within the lease terms and conditions.

b. Extensions. Extensions of leases beyond five years by mutual agreement are authorized; however, each extension will require the cognizant DoD component to submit a separate determination to the DSAA for staffing and signature, along with the revised lease to identify the terms and conditions of the extension. For those extensions which meet the one year Congressional reporting requirement, the DoD component will also provide to the DSAA the required reporting data in the format at Figure 12-I-4 at least 60 days prior to the projected date for providing the lease renewal to the foreign country or international organization.

c. Renewals of Title 10, USC 2667 Leases. Existing leases under title 10, USC 2667 may continue until expiration or termination. Extensions based on the provisions of title 10, USC 2667 are not authorized. Where extensions or renewals are determined to be in the U.S. public interest, the leasing provisions of the AECA, Chapter 6 and the procedures detailed in this chapter will apply.

4. Loss, Destruction, or Damage. Lease terms will make provision for payment for the loss or destruction of leased articles during the lease period in accordance with the AECA, Chapter 6. Lease terms will also require the lessee to pay the cost of restoration or replacement if the articles are damaged, lost, or destroyed while leased. Such costs will be recouped under an FMS transaction. The replacement cost will be specified as a fixed sum in the lease agreement and will normally be developed based on the same considerations as payment in paragraph 5, below.

5. Rental Payment. The country or international organization must pay in U.S. dollars all costs incurred by the U.S. Government in leasing such articles, including reimbursement for depreciation of such articles while leased (the rental payment). The charge for depreciation will be based on the current procurement value, actual acquisition cost (if known), or latest procurement cost. If there is a current procurement contract in effect for the DoD component for an item which is identical to the property to be leased, the current procurement price will be applied, adjusted as appropriate for condition; otherwise, the actual or latest procurement cost will apply, adjusted as appropriate for condition and market value. An administrative charge will not be applied to rental payments collected under the lease.

6. Certificate of Delivery. For the delivery of major items under AECA, Chapter 6 lease agreements DSAA or the responsible DoD component may require a certificate of delivery when custody of the defense article(s) is/are transferred to the foreign customer. The certificate at figure 12-I-12 will be used in such instances.

7. Exceptions. The provisions of paragraphs B.4. and B.5., above shall not necessarily apply to leases entered into for purposes of cooperative research or development, military exercises, or communications or electronics interface projects, or to any defense article which has passed three quarters of its normal service life. Where a DoD component recommends an application of authorized exceptions, express authority will be requested from the DSAA, identifying the authorized exceptions. Furthermore, Section 63(a)(1), AECA provides that leases of major defense equipment (MDE) valued at \$14,000,000 or more, or defense articles valued at \$50,000,000 or more, except those for NATO, NATO member countries, Japan, Australia, or New Zealand may not be entered into or renewed if the Congress within 30 calendar days after receiving the certification required by Section 62(a) adopts a joint resolution stating that it objects to the proposed lease. Valuation for purposes of Section 63(a)(1), AECA is in terms of replacement cost as specified in paragraph B.4., above. *

C. COORDINATION

1. DSAA Coordination Responsibilities. Each proposed lease of defense articles to a foreign government or international organization requires DoD authorization. The cognizant DoD component will prepare the proposed lease and will forward it together with the proposed determination using the cover memorandum format at Figure 12-I-2 for DSAA countersignature and Department of State coordination. The DSAA Operations Directorate will assure appropriate coordination within OSD, including the DSAA Comptroller, the DSAA Plans Directorate, and the DSAA General Counsel, and with the Department of State. After completion of coordination, the DSAA Comptroller will prepare the certification to the Congress for the signature of the DSAA Director if required by the AECA, Section 62(a).

2. Terminations. U.S. Government termination of a lease also requires the coordination process detailed in paragraph C.1., above.

D. CONGRESSIONAL NOTIFICATION

1. Certification Requirements.

a. Leases of One Year or Longer. Under the provisions of the AECA, Section 62(a), Congress must be notified not less than 30 days before entering into or renewing any agreement with a foreign country or international organization to lease any defense article for a period of one year or longer. Furthermore, Section 63(a)(1) provides that leases of major defense equipment (MDE) valued at \$14 million or more, or defense articles valued at \$50 million or more, except those for NATO, NATO member countries, Japan, Australia, or New Zealand may not be entered into or renewed if the Congress within 30 calendar days after receiving the certification required by Section 62(a) adopts a joint resolution stating it objects to the proposed lease. Valuation for purpose of Section 63(a)(1) is in terms of replacement cost as specified in Paragraph B.4. above. *

b. Renewals. If a lease for less than one year is renewed one or more times so that the total period of the original lease and the renewal or renewals equals or exceeds one year, the renewal which would cause the one

year period to be reached or exceeded must be reported to the Congress 30 days before being entered into or renewed. Renewals of a lease subsequent to a Congressional notification do not require new notifications, unless such renewals singly or cumulatively result in an extension of one year or more beyond the lease period previously reported (including renewal periods notified as possible options).

2. Certification Procedures.

a. Submission. Section 62(a), AECA requires certification to the Speaker of the House of Representatives, the Chairman of the Committee on Foreign Relations of the Senate, and the Chairman of the Committee on Armed Services of the Senate. Such certification must occur not less than 30 days before the lease agreement is entered into or renewed. To ensure submission of a timely certification, the cognizant DoD component will forward to the DSAA Operations Directorate the information in the format at Figure 12-I-4 at least 60 days prior to the projected date for providing the lease, lease renewal, or amendment to the foreign country or international organization for acceptance. When possible a copy of the draft lease will be included as an attachment to the memorandum. The DSAA Operations Directorate will assure the adequacy of the data provided, to include the justification, and the approval of the lease prior to passing on the data to the FMS Control Division of the Office of the DSAA Comptroller for the development of the Congressional notification and its coordination within the OSD, including DSAA Operations (which will obtain Department of State concurrence), DSAA Plans (as required), and the DSAA General Counsel. The DSAA Comptroller will then prepare the Section 62(a), AECA report to Congress using the format in Figure 12-I-5 for signature of the DSAA Director and the cover letters in Figures 12-I-6 through 12-I-8.

b. Approval. The original lease agreement in final form and determination must be provided to DSAA Operations not later than five days before completion of the Congressional notification period. The DoD component, with coordination from the DSAA Operations Directorate, may furnish the prospective lessee an unsigned copy of the lease under a cover letter in the format at Figure 12-I-9 for leases which do not meet the Section 63, AECA criteria, and Figure 12-I-10 for leases which meet the criteria when the lease is reported to the Congress. Thirty days after the Congressional notification, DSAA Operations will authorize the DoD Component to enter into the lease. Immediately on signature of the lease by the parties, the DoD Component will assure that appropriate copies of the lease agreement have been distributed by the country and that any required initial deposit has been received by the SAAC before the lease is executed.

3. Emergency Waiver of Congressional Notification Requirement. The AECA, Section 62(b), authorizes waiver of the Congressional certification requirement described above, if the President determines and immediately reports to Congress that an emergency exists which requires that the lease be entered into immediately in the national security interests of the United States. This authority has been reserved to the President for his exercise only. In the event of such an emergency, the DSAA will provide instructions to the cognizant DoD component as appropriate to the particular circumstances.

E. FINANCIAL ARRANGEMENTS.

1. Payment Schedules. The lease designator will be used to track the lease in existing automated systems. Schedule A of each lease will identify the replacement costs of the item(s) being leased and will identify the schedule for rental payment due to the USG. The payment schedule will be established on a quarterly billing cycle, compatible with the FMS billing cycle. If the quarterly cycle does not provide for payment prior to the effective date of the lease, an initial deposit will be required to assure that payment is received in advance of the month in which rental is incurred. Billings to the foreign lessee will be based on this schedule of payments and will be included on a separate DD Form 645 with the country's quarterly FMS billing statement. The DoD Component will assure that payment schedules are updated for any extensions, delivery schedule changes, or other amendments which may result in a change to the lease value or schedule of payments. Receipts from lease rental payments under paragraph B.5., above will be deposited in the Miscellaneous Receipts Accounts by the Security Assistance Accounting Center (SAAC).

2. Use of FMS Credits or MAP Merger Funds. Use of FMS credits or MAP funds is not authorized for payments of lease rental payments specified in paragraph B.5. When authorized by the DSAA, FMS credit funds or MAP funds may be authorized for FMS cases prepared in support of a lease. (See paragraph E.3. below.)

3. Use of DD Form 1513. All costs incurred by the USG incident to the leasing arrangement, including the costs referred to in paragraph B.4., must be reimbursed to the USG using a DD Form 1513. Such costs may cover but are not limited to: packaging, crating, handling, transportation, and refurbishment of the leased articles prior to and/or upon termination of the lease. Schedule A of the lease will identify the case designator for the related FMS case, when known. Also, the DD Form 1513 will identify the lease designator in a special note within the LOA. The implementing agency, responsible for the administration of the DD Form 1513 lease associated FMS case, is responsible for reporting costs incurred on the case via the DD Form 1517 performance reporting system.

F. LEASE CLOSURE. Confirmation that a Chapter 6 AECA, or 10 USC 2667 lease, under its cognizance can be closed must be provided to SAAC by the responsible DoD component. SAAC will use the format at Figure 12-I-13 to query the responsible DoD component to determine whether lease closure is possible.

G. REPORTING.

1. Quarterly Report. A report in the format at Figure 12-I-11 will be submitted, not later than 30 days after the end of each quarter, to the DSAA Operations Directorate Management Division with a copy to SAAC by each DoD component which has unexpired leases under its cognizance. This report will identify leases entered into previously under the authority of title 10, USC 2667 and the AECA, Chapter 6; the report will identify statutory authority for the lease. *

2. Financial Report. On a quarterly basis the SAAC will provide to DSAA Operations Directorate the financial status of each lease to include the following data: country, lessee, defense article(s) leased, identified replacement cost of the leased property, funds collected and deposited or to be deposited to miscellaneous receipts, and amounts due.

2. The Lessor Government shall deliver the Defense Articles to the Lessee Government at such time and place as may be mutually agreed upon. Such delivery may be evidenced by a certificate of delivery.

IN WITNESS WHEREOF, Each of the parties has executed this lease as of the day and year first above written.

THE UNITED STATES GOVERNMENT

COUNTRY OR INTERNATIONAL ORGANIZATION

BY _____

(Typed Name)

(Title)

(Date)

By _____

(Typed Name)

(Title)

(Date)

COUNTERSIGNATURE:

BY _____

(Typed Name)

Director, Defense Security Assistance Agency

(Title)

(Date)

FIGURE 12-1-3. (Continued)

GENERAL PROVISIONS

1. OPERATIONS AND USE.

a. Except as may be otherwise authorized by the Lessor Government and except for the purposes of transfer from and return to the Lessor Government, the Lessee Government shall keep the Defense Articles in its own possession, custody, and control. The Lessee Government shall not transfer title to or possession of the Defense Articles to anyone not an officer, employee, or agent of the Lessee Government and shall not permit any encumbrance or other * third party interest in the defense articles.

b. The Lessee Government shall, except as may be otherwise mutually agreed in writing, use the items leased hereunder only:

(1) For the purposes specified in the Mutual Defense Assistance Agreement, if any, between the Lessor Government and the Lessee Government;

(2) For the purposes specified in any bilateral or regional defense treaty to which the Lessor Government and Lessee Government are both parties, if subparagraph (1) of this paragraph is inapplicable.

(3) For internal security, individual self-defense, and/or civic action, if subparagraphs (1) and (2) of this paragraph are inapplicable.

c. To the extent that any Defense Articles may be classified by the Lessor Government for security purposes, the Lessee Government shall maintain a similar classification and employ all measures necessary to preserve such security, equivalent to those employed by the Lessor Government, throughout the period during which the Lessor Government may maintain such classification. The Lessor Government will use its best efforts to notify the Lessee Government if the classification is changed.

2. Initial Condition. The Defense Articles are leased to the Lessee Government on an "as is, where is" basis without warranty or representation concerning the condition or state of repair of the Defense Articles or any part thereof or concerning other matters and without any agreement by the Lessor Government to alter, improve, adapt, or repair the Defense Articles or any part thereof.

FIGURE 12-1-3. (Continued)

FIGURE 12-I-10

LETTER ADVISING LESSEE OF CONGRESSIONAL NOTIFICATION
OF LEASE FOR MDE FOR OVER ONE YEAR

Dear _____

Enclosed for consideration and analysis by your (Government/Organization) is an unsigned advance copy of a leasing arrangement; Lease Designator (_____).

Section 62 of the Arms Export Control Act requires certification be given to the Congress of the United States at least 30 days prior to entering into a lease of one year or longer. Section 63 further provides that a lease of one year or longer of major defense equipment valued at \$14,000,000 or more or defense articles valued at \$50,000,000 or more may not be entered into if the Congress within 30 calendar days after receiving the certification adopts a joint resolution stating that it objects to the proposed lease. *

The Department of Defense has transmitted the required notification to the Congress on (date), Assuming that the Congress does not object to the proposed lease, the enclosed lease will be signed and issued to your (Government/Organization) by the authorized Department of Defense representative on or about (date). In the event that the Congress should object to this proposed lease, you will be notified promptly of that fact.

Should your (Government/Organization) wish to accept this lease, it should await receipt of the signed lease.

Sincerely,

Enclosure
a/s

FIGURE 12-I-10. Letter Advising Lessee of Congressional Notification of Lease for MDE for Over One Year.

FIGURE 12-I-11

RCS: DSAA(Q)1146

Prepare a report in the format below (classified if necessary) for each lease of any value, providing for the lease of property to a foreign government or international organization. Leases will be reported until the property is returned to U.S. custody, or lease is completed by other action. **

FORMAT *

The following data will be included for all leases: *

Lessee:

Lease case designator (if applicable): **

Item(s):

Date of lease and statutory authority (AECA Sec. 61, 10 USC 2667, Other): *

Duration/special terms:

Expiration date:

Replacement value of lease material (when leased):

Total rental or summary of other considerations:

Rental paid to date:

Date lease reported to the Congress (if required under the AECA, Section 62):

Action taken on expired lease or lease due to expire during next quarter: **

Lease being renewed: **

Date material returned: **

Material sold (FMS Case Designator): **

Other action status than that above: **

FIGURE 12-I-11. RCS: DSAA(Q)1146

*
(deletion)

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FIGURE 12-I-12

CERTIFICATE OF DELIVERY

Pursuant to the provisions of the Lease Agreement executed (this date) between our respective governments, the undersigned as the authorized representative of the

Government of (insert)

accepts the below described (insert) together with its on board equipment from

(insert)

authorized representative of the United States (enter DoD Component)

Item

Nomenclature

Quantity

Date

US Representative

Government of (insert)
Representative

FIGURE 12-I-12. Certificate of Delivery.

NOTE: Recommended distribution: Original to: MILDEP JAG
Copies to: DSAA
MILDEP SA Activity
SAO

Section 705, Foreign Military Sales Financial Management Manual (DoD 7290.3-M) and the guidance in this manual were developed on that basis. As a general rule, FMS administrative funding is made available to those organizations actually implementing the FMS program, i.e., the Military Departments and selected DoD organizations. Funding is not provided to those organizations responsible for formulating U.S. Security Assistance policy, e.g., Department of State, JCS, Under Secretary of Defense for Policy, Assistant Secretary of Defense, International Security Affairs, etc.

(2) Financial Management. Financial management of the FMS administrative surcharge funds is the responsibility of the Comptroller, DSAA. The Security Assistance Accounting Center (SAAC) provides centralized accounting support assisting in FMS program implementation through the collection of surcharge revenues and the allocation of FMS administrative funds in accordance with the DSAA approved annual funding programs.

b. FMS Administrative Budget Preparation and Approval Process.

(1) Program Objective Memorandum (POM) Guidance. In January of each year the Comptroller, DSAA provides a five year projection of FMS sales activity and administrative fund budget planning levels to each of the military departments and DoD agencies administering the FMS program. Issuance of these multi-year estimates is in cycle with the issuance of Defense Programming Guidance. The planning levels are developed to assist the Military Departments and DoD agencies in determining FMS administrative requirements for use in formulating their Program Objective Memorandum.

(2) Budget Call/Budget Submissions. In conjunction with the POM guidance, the DSAA issues an FMS administrative budget call to those Military Departments and DoD agencies responsible for the administration of the FMS program. In accordance with the normal DoD budget process the submission of budget estimates containing multi-year data and justification information is required. For example, the budget call issued in January 1983 requested the following data for each organization receiving FMS administrative funds:

FY 1982 - Actual obligations
 FY 1983 - Estimated actual obligations
 FY 1984 - Revised funding estimates with justification
 FY 1985 - Initial funding estimates with justification

(3) Preparation of Budget. Upon receipt of the budget call the Military Departments and DoD agencies will prepare and submit their budget requests to the Comptroller, DSAA in the formats and in accordance with the instructions contained in the call. The DSAA reviews each submission and establishes approved FMS administrative funding levels for inclusion in the President's budget as well as an Annual Funding Program (AFP) for the upcoming fiscal year. The following subjects are highlighted as worthy of special attention in the development and execution of FMS administrative budgets.

(a) Facilities Projects. Projects involving construction of new facilities or expansion of existing facilities, that would normally require Congressional approval in the military construction budget process,

will not be included in FMS administrative budgets. FMS administrative funds may be used for routine facility maintenance and repair costs in those instances where the costs can be justified as base operating support costs in accordance with the criteria outlined in the annual call. Facility rehabilitation projects at dedicated security assistance activities may also be financed with FMS administrative funds. Such projects must meet DoD criteria for approval as O&M Minor Construction (project cost not to exceed \$200,000) and must be specifically identified and justified in the budget request. (Note: Prior approval of the DSAA is required before funds may be obligated for such projects.)

(b) Automated Data Processing (ADP) Projects. In general, FMS administrative funds may be used to finance system development, investment, and operating/maintenance costs for existing or new FMS management information systems at dedicated FMS activities. At non-dedicated activities, ADP costs chargeable to FMS administrative funds will be based upon an hourly rate for machine time (computers and auxiliary equipment) based on records which indicate machine time required to produce FMS reports or transactions. Programming support is chargeable providing such costs are for FMS purposes; i.e., the effort meets the criteria for personnel compensation indicated in the budget call. Requests for new ADP systems (or changes to existing systems) which require development/investment costs of \$100,000 or more and/or an increase to estimated annual operating/maintenance costs of \$200,000 or more must be reported to the DSAA for approval prior to inclusion in FMS administrative budget requests. Such projects must also be discretely identified with supporting justification in the budget submission material.

(c) Special Projects. Special projects, such as major program efforts, special equipment purchases, contract studies, or contracted support, must be separately identified and justified whenever the estimated cost of the individual project exceeds \$50,000. Examples of projects of this type are the Air Force's SAMIS and FX programs and the Army's SA-3 and ACOCS programs. Specific identification and justification of the project will be accomplished through the preparation of a complete budget package comparable to that prepared for a separate activity.

(d) Base Operating Support Costs. Base operating support ^{**} (BOS) costs encompass numerous management, administrative, and support functions associated with the operation of a military installation or activity. BOS costs may be included in FMS administrative budgets only if they are incurred primarily for the benefit of the FMS program. Section 109 of Public Law 99-83, the International Security and Development Cooperation Act of 1985, excludes from charging to FMS administrative funds "a pro rata share of fixed base operation costs." Those BOS costs that may be charged to FMS administrative funding are identified in the annual budget call.

(e) Dedicated Security Assistance Activities. This ^{**} refers to a MILDEP command or activity whose mission is 100% dedicated to management and implementation of the U.S. Government's Foreign Military Sales and Military Assistance Programs. For budgeting purposes only the following organizations are considered to be dedicated security assistance activities: U.S. Army Security Affairs Command (USASAC), the U.S. Navy International Logistics Control Office (NAVILCO), the U.S. Air Force Logistics Command - International Logistics Center (AFLC-ILC), the Security Assistance Accounting

Center (SAAC), and the Defense Institute of Security Assistance Management (DISAM). The designation of selected activities as "dedicated" permits charging some prorated BOS costs to FMS administrative funds. In those instances where a MILDEP operates a relatively large full-time security assistance organization, it is reasonable to assume that some BOS costs are incurred primarily for a foreign country (reference the AECA, Section 43(b)). Since proration techniques are the most practical method for distributing BOS costs, this technique is permitted for some BOS costs at "dedicated" activities. However, as indicated in paragraph (d), P.L. 99-83 excludes from charging to FMS administrative funds a pro rata share of fixed base operation costs. The Congress defined fixed base operation costs to include, among others, costs for the following: Alcohol and drug abuse program, fire protection, pest control, laundry and dry cleaning, food service, base chaplain, morale, welfare and recreation, and restoration of historical landmarks. In those instances where the full-time security assistance effort is either concentrated in relatively small subordinate organizations or is scattered through the entire activity, the use of proration techniques to allocate BOS costs does not demonstrate that these costs have been incurred primarily for a foreign country. The annual budget call provides additional guidance on BOS costs.

(f) Billing FMS Administrative Funds for Reimbursements Earned. Past audit reports have noted that a significant amount of the "earned reimbursements" billed to FMS administrative funds did not comply with the requirement of the Accounting Guidance Handbook DoD 7220.9-H, that reimbursements earned be supported by documents showing that the expenses were actually incurred. In many instances, organizations had billed and collected funds without any supporting documentation indicating that the costs had been incurred. Organizations with FMS administrative budgets must assure that reimbursements earned and billed to the administrative funds are based on documented expenses accruing from actual FMS related administrative work.

(g) FMS Acceleration of Civilian and Military Personnel Costs. The development of estimated civilian and military personnel costs for the FMS Administrative Budget requires the application of FMS payroll acceleration rates to the average annual civilian pay cost and to the military annual standard composite rate to provide for full recovery of the U.S. Government's costs as shown below. Regarding the above listed pay acceleration factors, 20.9% of the 27.9% civilian retirement acceleration should be budgeted for return to the U.S. Treasury Miscellaneous Receipts Account. The agency contribution of 7% for civilian retirement and all other acceleration such as insurance, other benefits and Medicare are budgeted for reimbursement to the appropriate MILDEP financing appropriations. *

FMS PAYROLL ACCELERATION RATES (effective FY 1986) *

	<u>Civilian</u>	<u>Officer</u>	<u>Enlisted</u>	
Retirement	27.90%	--	--	*
Insurance (Health & Life)	4.70%	--	--	*
Other Benefits (Unemployment, Severance Pay, Workman's Compensation)	1.80%	6.00%	18.00%	*
Medicare	1.35%	--	--	*
Total Acceleration	35.75%	6.00%	18.00%	*

(h) Exempted Programs. FMS cases with some countries and international organizations have been exempted from the application of FMS

administrative charges. The administrative costs related to these cases are properly funded from service appropriations pursuant to the AECA, Section 43(a) and should not be charged to FMS administrative funds. The exempted programs are identified in the annual budget call.

(4) Issuance and Use of Funds. At the direction of the Comptroller, DSAA, the SAAC issues quarterly funding allotments to each of the organizations for which an AFP has been established. The MILDEPs are generally permitted to reprogram their FMS administrative funds between object classes to handle requirements which have changed from those originally approved by DSAA. Recipients of FMS administrative funds are required to provide regular accounting reports on the use of the funds and to return end of year unobligated balances to SAAC within a reasonable amount of time after year end certification.

2. MAP Administrative and Overhead Support and SAO Budget Systems/Procedures.

a. General. Military Assistance Program (MAP) administrative and overhead and SAO support cost budgets include salaries and allowances, travel, rents, utilities, communications, printing, contractual services, equipment (including passenger and non-passenger vehicles), permanent change of station travel of civilian personnel, transportation of things, and temporary additional duty for the purpose of planning, development and management of MAP and IMET activities, by the MILDEPs and MAP, IMET and FMS activities by the SAOs, etc. These procedures apply to all costs in the following MAP budget projects:

- L-10 Transportation Costs
- L-20 Packing, Crating, Handling, Port Loading and Unloading Costs
- L-40 Storage and Maintenance of MAP Stockpiles
- L-60 Logistics Management Expenses
- T-10 Administrative Expenses, Departmental and Headquarters
- T-20 Administrative Expenses for MAAGs, Joint U.S. Military Advisory Groups (JUSMAGs), Military Missions, U.S. Military Groups (MilGroups), Offices of Defense Cooperation (ODC), Offices Military Cooperation (OMC), Offices of Defense Representative (ODR), other similar organizations, and Defense Attache Offices (DAOs) which are designated to perform security assistance management functions.

b. Responsibilities.

(1) Administrative Agency. The MILDEPs have been assigned Administrative Agency responsibilities for Unified Command headquarters by DoD Directive 5100.2, "Support of the Headquarters of Unified, Specified, and Subordinate Joint Commands." The MILDEPs have also been assigned Administrative Agency responsibility for SAO administration and operating support in accordance with DoD Directive 5123.3, "DoD Policy and Responsibilities Relating to International Security Assistance (ISA)," as follows:

(a) Department of the Army. The countries in the CINCEUR and CINCSO area of responsibility.

(b) Department of the Air Force. The countries in the CENTCOM area of responsibility.

(c) Department of the Navy. The countries in the CINCPAC and CINCLANT area of responsibility.

(2) Logistic Support. Logistical support responsibilities of the MILDEPs will be accomplished within the guidance of DoD Directive 4000.19, "Basic Policies and Principles for Inter-service, Interdepartmental and Interagency Support."

(3) Authorization Document Review. The SAOs will review the Joint Table of Allowance and other authorization documents annually. Revisions required to accommodate changes in operations will be submitted in accordance with AR 1-75/OPNAVINST 4900.31E/AFR 400-45.

(4) MAP Budgets/Financial Plans. The Military Assistance Program (MAP) budgets/financial plans for the SAOs, Unified Commands, Departmental Headquarters, and subordinate commands will be prepared in accordance with instructions contained in this Chapter, the annual budget call and other DSAA, Administrative Agency, or Command guidelines.

(a) Unified Command Role. Unified Commands will prepare their own budget and also review, determine the adequacy of, revise, if necessary, and consolidate the budgets from the SAOs in their area of responsibility. They will forward these budgets to DSAA through the Administrative Agency.

(b) Administrative Agency Role. The Administrative Agencies will review and revise, if necessary, the Unified Command and SAO budgets as well as review, revise, and consolidate the Departmental and Headquarters budgets under their jurisdiction prior to forwarding them to the DSAA.

c. Military Assistance Program/SAO Budget Cycle.

(1) MAP/SAO Budget Calls. DSAA issues two budget calls each year requiring submission of budget estimates and supporting justification materials for the MAP overhead and support activities and SAO budgets. These are the President's Budget Call and the Mid-year Review Budget Call.

(a) President's Budget Call. This budget call is issued in mid-April calling for submission of budget estimates and supporting information on or about 1 July. Submissions in response to this call include the estimated actual costs for the prior year, revised estimated requirements for the current year (the fiscal year which will commence 1 October) and estimates for the budget year for inclusion in the President's Budget. For example, the submissions for the FY 1985 President's budget would include estimated actual costs for FY 1983, revised estimates for FY 1984 as well as the initial FY 1985 estimates. DSAA conducts its review of this submission during July and August to establish approved MAP and SAO budget estimates for inclusion in the initial submission of the President's budget estimates to the Office of Management and Budget in September.

(b) Mid-Year Review Budget Call. This budget call is issued in mid-January calling for submission of estimates and supporting materials on or about 20 April. The submission includes prior year actual costs and revised current year operating cost estimates. The purpose of the submission is to provide a basis for revising the current approved operating

budget to account for necessary fact of life changes. The midyear budget submission should not include new projects or programs unless they are of an urgent nature and fully justified. DSAA conducts its review of the mid-year budgets during April and May and issues revised annual funding programs and matching funding allocations during June.

d. Development and Submission of Budget Estimates.

(1) Budget estimates submitted for the President's Budget Review will be completed in accordance with instructions in that call.

(2) Budget estimates submitted for the mid-year review will be modified in accordance with instructions in that call.

(3) Unified Commands and all other MAP funded activities will submit to the appropriate MILDEP MAP administration and support requirements for each SAO, Command Headquarters, and other MAP funded activity on Formats provided in the call. Submissions of subordinate activities should be reviewed by the Unified Commands and adjusted as necessary. Adjustments, if any, will be reflected on all applicable formats. The Unified Command will also prepare consolidated formats for all activities under its jurisdiction.

(4) The Military Departments (Administrative Agencies) will:

(a) Review or develop and consolidate departmental and command MAP administrative and support requirements.

(b) Review and adjust, as necessary, the requirements submitted by Unified Commands and other subordinate activities. Adjustments, if any, will be reflected on all applicable formats.

(c) Ensure that all budgets are appropriately summarized identifying all organizations under the command. Budgets will be assembled in the sequence shown in the call. Submit all budgets to the Comptroller, DSAA.

e. Reports.

(1) Quarterly Military Manpower Report for SAOs, MISSIONS, MilGroups, RCS: DSAA (Q) 1218.

(a) Section 515(d) of the Foreign Assistance Act of 1961 * requires that the MILDEPs be reimbursed for pay and allowances and PCS costs of military members assigned to SAOs. Accordingly, a quarterly SAO military manpower report, RCS: DSAA (Q) 1218 to be based on the actual "on board" strength as of the end of each month has been established to collect the data required to calculate the reimbursements due to the MILDEPs and effect appropriate payments. Timely and accurate reporting of required data is essential to effective compliance with the law.

(b) Consolidated reports for all SAOs under their purview will be submitted by each Unified Command in the format shown in Table 13-I-1 by the 10th calendar day following the end of each quarter.

APPENDIX A

ABBREVIATIONS AND ACRONYMS

A

AAO	Authorized Acquisition Objective
ACDA	Arms Control and Disarmament Agency
AECA	Arms Export Control Act, as amended
AFAO	Approved Force Acquisition Objective
AIASA	Annual Integrated Assessment of Security Assistance
AID	Agency for International Development
AMEMB	American Embassy
APOD	Aerial Port of Debarkation (Delivery)
ARC	Adjustment Reply Code
ASD	Assistant Secretary of Defense
ASD(C)	Assistant Secretary of Defense (Comptroller)
ASD(ISA)	Assistant Secretary of Defense (International Security Affairs)
ASD(ISP)	Assistant Secretary of Defense (International Security Policy)
ASD(A&L)	Assistant Secretary of Defense (Acquisition and Logistics) *
ATMG	Arms Transfer Management Group
AU	Asset Use
AUTODIN	Automated Digital Network

B

BA	Budget Authorization
B/L	Bill of Lading
BO	Blanket Order
BOA	Basic Order Agreement

C

CAD/PAD	Cartridge Actuated/Propellant Actuated Devices
CAS	Contract Administrative Services
CBL	Commercial Bill of Lading
CCBL	Collect Commercial Bill of Lading
CBO	Congressional Budget Office
CDR	Consolidated Data Report
CET	Civilian Engineering Team
CETS	Contractor Engineering Technical Services
CETSP	Contractor Engineering Technical Services Program
CFS	Contract Field Services
CFE	Contractor Furnished Equipment
CGSEL	Common Ground Support Equipment List
CIA	Central Intelligence Agency
CIP	Component Improvement Program (Engine)

CLO	Country Liaison Officer (Foreign Country Representative)
CLSSA	Cooperative Logistics Supply Support Arrangements
CMS	Contractor Maintenance Services
CONUS	Continental United States
COOPLOG	Cooperative Logistics
CPD	Congressional Presentation Document
CPL	Country Program Listing
CPM	Country Program Manager
CRA	Continuing Resolution Authority
CRS	Congressional Research Service
CSP	Concurrent (initial) Spare Parts

D

DAO	Defense Attache Office
DAS	Defense Audit Service
DATT	Defense Attache
DCAA	Defense Contract Audit Agency
DCAS	Defense Contract Administration Service
DCASR	Defense Contract Administration Services Region
DCM	Deputy Chief of Mission (U.S. Embassy)
DCSC	Defense Construction Supply Center (DLA)
DEA	Data Exchange Agreement
DESC	Defense Electronics Supply Center (DLA)
DFSC	Defense Fuel Supply Center (DLA)
DGSC	Defense General Supply Center (DLA)
DIC	Document Identifier Code
DIFS	Defense Integrated Financial System
DIL	Director of International Logistics
DISAM	Defense Institute of Security Assistance Management
DISC	Defense Industrial Supply Center (DLA)
DLA	Defense Logistics Agency
DLIELC	Defense Language Institute, English Language Center
DLSC	Defense Logistics Services Center
DLSSO	Defense Logistics Standards Systems Office
DMA	Defense Mapping Agency
DMAAC	Defense Mapping Agency Aerospace Center
DMAHTC	Defense Mapping Agency Hydrographic/Topographic Center
DOD	Department of Defense
DODIP	Department of Defense Informational Program
DODISS	Department of Defense Index of Specifications and Standards
DODSSP	Department of Defense Single Supply Point
DOS	Department of State
DPSC	Defense Personnel Support Center (DLA)
DRMS	Defense Reutilization and Marketing Service
DSAA	Defense Security Assistance Agency
DSC	Defense Supply Center/Delivery Source Code
DTC	Delivery Term Code
DTS	Defense Transportation System

*
(deletion)

M

MAC	Military Airlift Command
MAG	Military Assistance Group
MAAG	Military Assistance and Advisory Group
MAP	Military Assistance Program
MAPAC	Military Assistance Program Address Code
MAPAD	Military Assistance Program Address Directory
MAPEX	MAP Excesses
MAPOM	MAP Owned Materiel
MASL	Military Articles and Services List(s) for Materiel; and Training and Training; IMET, FMS and NATO
MCL	Munitions Control List
MCTL	Military Critical Technology List
MDA(A)	Mutual Defense Assistance Agreements
MDE	Major Defense Equipment
MFP	Major Force Program
MFO	Multi-National Force and Observers
MILDEPS	Military Departments
MILSBILLS	Military Standard Billing System
MILSCAP	Military Standard Contract Administration Procedures
MILSTAMP	Military Standard Transportation and Movement Procedures
MILSTEP	Military Supply and Transportation Evaluation Procedures
MILSTRAP	Military Standard Transaction Reporting and Accounting Procedures
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MIMEX	Major Item Material Excess
MIPR	Military Interdepartmental Purchase Request
MIRR	Material Inspection and Receiving Report (DD Form 250)
MOA	Memorandum of Agreement
MOS	Mode of Shipment
MOU	Memorandum of Understanding
MPS	Military Postal Service
MTMC	Military Traffic Management Command
MTT	Mobile Training Team

N

NACISA	NATO Communications and Information Systems Agency	*
NAMSA	NATO Maintenance and Supply Agency	
NAMSO	NATO Maintenance and Supply Organization	
NAPR	NATO Armaments Planning Review	
NATO	North Atlantic Treaty Organization	
NDP-1	National Disclosure Policy	
NDPC	National Disclosure Policy Committee	
NIIN	National Item Identification Number	
NOA	Notice of Availability	
NSA	National Security Agency	
NSC	National Security Council	
NSN	National Stock Number (replaces FSN)	

O

OA	Obligation Authority
OASD/ISA	Office of Assistant Secretary of Defense/International Security Affairs
OADS(ISP)	Office of the Assistant Secretary of Defense (International Security Policy)
OASD(MRA&L)	Office of the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics)
ODC	Office of Defense Cooperation
OJCS	Office Joint Chiefs of Staff
OJT	On-the-Job Training
O&M	Operations and Maintenance
OMB	Office of Management and Budget
OMC	Office of Military Cooperation
OSD	Office, Secretary of Defense
OTT	Orientation Training Tour
OVHL	Overhaul

P

PA	Program Authorization
PACAMS	Panama Canal Military Schools
P&A	Price and Availability
P&R	Planning and Review Data
PCH&T	Packaging, Crating, Handling and Transportation
PD	Presidential Determination
PDO	Property Disposal Officer
PKO	Peacekeeping Operations
PLT	Procurement Lead Time
PM	Bureau of Politico-Military Affairs (Department of State)
PME	Professional Military Education
P/N	Part Number
POC	Point of Contact
POL	Petroleum, Oil and Lubricants
POM	Program Objective Memorandum
PPBS	Planning, Programming and Budgeting System

Q

QA	Quality Assurance
QAT	Quality Assurance Team
QTY	Quantity
QRR	Quarterly Requisition Report

R

RAD	Required Availability Date
R&D	Research & Development
RCN	Record Control Number
RCO	Requisition Control Office (ILCO)
RDD	Required Delivery Date
RDO	Redistribution Order
RDT&E	Research, Development, Test and Evaluation
RIC	Routing Identifier Code
ROD	Report of Discrepancy
RSI	Rationalization, Standardization, Interoperability
RSN	Record Serial Number

S

SA	Security Assistance
SAAC	Security Assistance Accounting Center
SAMAS	Security Assistance Manpower Accounting System
SAO	Security Assistance Organization
SAPRWG	Security Assistance Program Review Working Group
SATP	Security Assistance Training Program
SDAF	Special Defense Acquisition Fund
SECDEF	Secretary of Defense
SME	Significant Military Equipment
SOFA	Status of Forces Agreement
SPC	Strategy and Planning Committee
SSA	Security Supporting Assistance
STANAG	Standardization Agreement (NATO)
SVI	Single Vendor Integrity

T

TAC	Type of Address Code
TAFT	Technical Assistance Field Team
TAT	Technical Assistance Team
TBC	Transportation Bill Code
TCN	Transportation Control Number
TDP	Technical Data Package
TLA	Travel and Living Allowance
TO	Technical Order
TOA	Total Obligational Authority
TOR	Terms of Reference

U

UCOM	Unified Command
U/I	Unit of Issue
U/P	Unit Price
UMMIPS	Uniform Materiel Movement and Issue Priority System
UND	Urgency of Need Designator
USCENTCOM	United States Central Command
USEUCOM	United States European Command
USLANTCOM	United States Atlantic Command
USPACOM	United States Pacific Command
USSOUTHCOM	United States Southern Command
USDP	Under Secretary of Defense for Policy/United States Disclosure Policy
USDR&E	Under Secretary of Defense for Research and Engineering
USIA	United States Information Agency

V

[None at this time.]

W

WCN	Worksheet Control Number
WPOD	Water Port of Discharge
WSCN	Worksheet Control Number

X

[None at this time.]

Y

[None at this time.]

Z

[None at this time.]

or percentage of completion, or of a particular stage of completion, accomplished prior to actual delivery and acceptance of contract items.

Public Law 480 (PL 480) Funds (Sec. 104c) - Foreign currencies derived from sale of surplus agricultural commodities under Title I, P.L. 480, Agricultural Trade and Development Act of 1954, as amended. Section 104(c) authorized these foreign currencies to be used for procuring equipment, materials, facilities, and services for the common defense including internal security.

Purchase Approval - Approval issues by DSAA for DoD which permits the country to utilize the credits extended under the Credit Agreement to finance the purchase of agreed to defense articles and defense services.

R

Reappropriation - MAP or IMETP funds which at the end of the fiscal year are not obligated and are made available by the Congress for use in the subsequent fiscal year.

Record Serial Number - A code which identifies a detail line item on the DD Form 1513. This code is perpetuated in the DD Form 645.

Recoupments (MAP) - Adjustments or cancellations of outstanding MAP orders in prior year accounts which generate additional funds to pay valid obligations, e.g., price increases existing in those prior year accounts.

Redistributable MAP Property - All MAP personal property which has been declared, by the recipient government to the United States, as no longer needed for the purposes for which furnished and which meets the criteria for utilization screening.

Reimbursements (MAP) - Funds realized from the sale of returned MAP owned property, such funds being deposited to MAP accounts and available for programming.

S

Secondary Item Line - A dollar value line encompassing items of equipment (e.g., "Other Support Equipment"), as distinct from a dollar value line encompassing commodities or components, parts and accessories.

Security Assistance - Group of programs authorized by the Foreign Assistance Act of 1961, as amended, and the Arms Export Control Act, as amended, or other related statutes by which the United States provides defense articles, military training, and other defense related services, by grant, credit or cash sales, in furtherance of national policies and objectives. [JCS Pub 1]

Security Assistance Organization (SAO) - This term encompasses all DoD elements located in a foreign country with assigned responsibilities for carrying out security assistance management functions. For instance it includes

military assistance advisory groups (MAAGs), military missions and groups, offices of defense/military cooperation, liaison groups, and defense attache personnel designated to perform security assistance functions.

Services, Defense - Services include any service test, inspection, repair, training, publication, technical or other assistance, or defense information used for the purposes of furnishing military assistance under the Foreign Assistance Act of 1961, as amended, or for making military sales under the U.S. Arms Export Control Act, as amended.

Significant Military Equipment (SME) - Defense articles and services on the U.S. Munitions List in the International Traffic in Arms Regulation (ITAR) which are preceded by an asterisk. SME are articles which required special export controls "because of their capacity for substantial utility in the conduct of military operations." [Federal Register, Vol. 45, No. 246]

Supply Operation Costs - Refers to the categorization of those costs which are related to the procurement and issue of material and excess articles delivered to MAP and FMS recipients but not included in the standard prices of the material. These costs include packing, crating, handling and transportation expense incurred in the issue and transfer of material; and logistics management expenses (exclusive of military pay and allowances in the instance of MAP transactions) incurred by activities in the areas of procurement operations, supply management, requisition control, and processing, and related services.

Supply Support Arrangement Sales Case - Peacetime military logistics support systems designed to provide responsive and continuous support for U.S.-made military material possessed by foreign countries.

T

Total Obligation Authority (TOA) - The total financial requirements of the Five Year Defense Program, or any component thereof, required to support the approved program of a given fiscal year.

Training - Formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational or information publications and media of all kinds, training aid, orientation, training exercise, and military advice to foreign military units and forces. [Sec. 47(5), AECA]

Trust Fund (FMS) - A fund credited with receipts which are earmarked by law and held in trust, or in a fiduciary capacity by the government for use in carrying out specific purposes and programs in accordance with an agreement.

U

Unaccepted Case - An FMS letter of offer which was not accepted or funded within prescribed time shown.

V

Value

a. Under Sec 644(m), FAA:

(1) With respect to an excess defense article, the actual value of the article plus the gross cost incurred by the United States Government in repairing, rehabilitating, or modifying the article, except that for purposes of Section 632(d) such actual value shall not be taken into account:

(a) For major items the pricing guidance contained in DoD 7290.3-M may be used to determine the value of EDA.

(b) For secondary items the inventory standard stock price is to be used.

(2) With respect to a non-excess defense article delivered from inventory to foreign countries or international organizations under this Act, the acquisition cost to the United States Government, adjusted as appropriate for condition and market value.

(3) With respect to a non-excess defense article delivered from new procurement to foreign countries or international organizations under this Act, the contract or production costs of such article.

(4) With respect to a defense service, the cost to the United States Government of such service.

(5) With respect to IMET, the additional costs that are incurred by the USG in furnishing such assistance.

b. Under Sec 47(2), AECA:

"Value" means, in the case of an excess defense article, except as otherwise provided in Section 21(a), FAA, not less than the greater of: (1) the gross cost incurred by the USG in repairing, rehabilitating, or modifying such articles, plus the scrap value; or (2) the market value, if ascertainable.

Country	Code	Unified Command Cognizance	Area/Congres- sional Grouping
MAP Property Sales and Disposal (MAPSAD)	M2	NR	NR
North Atlantic Treaty Organization (NATO)	N2	NR	NR
NATO Airborne Early Warning and Control Program Management Office (NAPMO)	N1	NR	NR
NATO Aircraft Early Warning and Control (Ground Environment Interfact) (NATO AEW+C (GEI))	K9	NR	NR
NATO Aircraft Early Warning and Control (Ground Environment Interface) (NATO AEW+C GEI))	K8	NR	NR
NATO Aircraft Early Warning and Control (Operations and Support Budget) (NATO AEW+C (O+S))	K7	NR	NR
NATO Headquarters	N6	NR	NR
NATO Infrastructure	N5	NR	NR
NATO Communications and Information Systems Agency (NACISA)	K4	NR	NR
NATO Maintenance and Supply Agency-General (NAMSAG-General)	N4	NR	NR
NATO Maintenance and Supply Agency-Nike Training Center (NAMSAG-NNTC)	K6	NR	NR
NATO Maintenance and Supply Agency-F104 (NAMSAG-F104))	K2	NR	NR
NATO Maintenance and Supply Agency-HAWK and NATO HAWK Production & Logistics Office (NAMSAG-HAWK & NHPLO)	N7	NR	NR
NATO Maintenance and Supply Agency-Weapons (NAMSAG-Weapons)	M5	NR	NR

*
*
*

TABLE D-5. (Continued) [Page 6 of 7]

Country	Code	Unified Command Cognizance	Area/Congres- sional Grouping
NATO Missile Fire Instal- lation (NAMFI)	N9	NR	NR
NATO Multi-Role Combat Aircraft (MRCA) Devel- opment & Prod. Agency (NAMMA)	K3	NR	NR
NATO Mutual Weapons Development Program (MWDP)	N8	NR	NR
NATO Seasparrow	N3*	NR	NR
NATO-Weapons Production Program (NATO-WPP)	K1	NR	NR
Near East and South Asia Region (NESA)	R3	EU	NESA
Organization of American States (OAS Hq)	A1	NR	NR
Panama Canal Area Military Schools (PACAMS)	11	SO	AR
SINAI Peacekeeping Force (Sinai Peace Force)	S2	NR	NR
South East Asia Treaty Organization (SEATO)	T4	NR	NR
Supreme Allied Commander Atlantic (SACLANT)	K5	NR	NR
Supreme Headquarters, Allied Powers, Europe (SHAPE)	A2	EU	EUR
United Nations (UN)	T9	NR	NR

NOTE: AT Atlantic Command
 CE Central Command
 EU European Command
 PA Pacific Command
 SO Southern Command
 AFR Africa Region
 AR American Republic Region
 EAP East Asia and Pacific Region
 EUR European Region
 NESA Near East and South Asia Region
 NR Non-Regional

* Not authorized for purchaser identification in Foreign Military Sales Cases.

TABLE D-5. (Continued) [Page 7 of 7]

<u>Code</u>	<u>Meaning</u>
D	Supply Complete. Notification from the Implementing Agency that supplies/services delineated in a specific case have been furnished "supply complete" to the foreign government.
Z	Cancelled Letter of Request (LOR). A Letter of Request which has been cancelled prior to preparation of the LOA usually at the request of the foreign government.
R	Letter of Request (LOR). The Letter of Request phase indicating that the Implementing Agency has received an LOR for an LOA from the foreign government.

TABLE D-10. (Continued). [Page 2 of 2]

TABLE D-11
TYPE OF ASSISTANCE CODE - 1000 SYSTEM

<u>Code</u>	<u>Meaning</u>
1	Grant Aid rendered under the authority of the Foreign Assistance Act of 1961, as amended, for which the United States receives no reimbursement.
C	Presidential Determination to order defense articles from stock and performance of defense services to satisfy Grant Aid requirements with reimbursement from subsequent military assistance appropriations. (Section 506 FAA of 1961, as amended.)
D	Military Assistance Service Funded. Grant Aid programs transferred to the Department of Defense budget, which were not controlled and implemented through the MAP documentation and ADP system.
H	Grant Aid share of cost sharing agreements.
K	Grant Aid of MAP-owned assets obtained through barter arrangements with the Federal Republic of Germany (used in conjunction with Source of Supply Code "B" only).
L	Grant Aid provided through the NATO Hawk Production and Logistics Organization (NHPLO) for maintenance support of the Hawk Missile System (used in conjunction with Source of Supply Code "N" only.)
N	Grant Aid of articles or services available as a result of liquidation of MAP's investment in the spare parts stock of the NATO Maintenance Supply Organization (NAMSO).
P	Grant Aid Programs transferred to the Department of Defense budget which were controlled and implemented through the MAP documentation and ADP system.
R	Grant Aid of U.S. recovered materiel resulting from liquidation of NATO Maintenance Supply Agency excess stockage.
S	Assigned to all records in the Republic of Korea Equipment Transfer program authorized by Public Law 95-384 at no charge to MAP. This code is also assigned to all PY 71 update & 72 equipment transferred to the ROK under Public Law 91-652 at no cost to MAP. This code is also assigned to ammunition transferred to the Royal Thai Government from Army FMS Case UEB. Transfer at no cost to MAP was authorized by Section 24, Public Law 96-92, 29 October 1979.

*
(deletion)

TABLE D-11. TYPE OF ASSISTANCE CODE - 1000 SYSTEM.

APPENDIX E

CONGRESSIONAL REPORTS INVENTORY AND DSAA REPORTS CONTROL SYSTEM

A. PURPOSE. This appendix provides an up-to-date inventory of statutory reports to Congress covering security assistance matters submitted by the Department of Defense elements. It does not include reports submitted to Congress by the Department of State. An inventory of current DSAA reporting requirements under the Reports Control System is also contained in this appendix. The inclusion of a report in either of these listings does not in any way imply its availability to a SAMM recipient nor its releasability to a nongovernmental requestor. Some reporting requirements are identified elsewhere in the Manual within the applicable topical areas. This appendix also provides reporting instructions on selected reports, not covered elsewhere in this Manual, requiring feeder information from DoD components. **

B. CONGRESSIONAL REPORTS INVENTORY. See Table E-1. *

C. DSAA REPORTS CONTROL SYSTEM. See Table E-2. **

1. The DSAA Reports Control System is managed by the Data Management Division of the Comptroller Directorate, DSAA. Requests for new reporting requirements should be directed to that office. A Reports Control Symbol (RCS) will be assigned according to the nature of the reporting requirement, e.g., whether it relates to MAP, FMS, a combination of programs, or a one-time report. See Figure E-4 for the DSAA Reports Control format. **

D. REPORTING INSTRUCTIONS. *

1. Price and Availability Report (RCS: DSAA(Q) 1138).

a. The Price and Availability (P&A) Report, required by Section 28 of the Arms Export Control Act, is forwarded quarterly to members of Congress and top-level Defense and State Department officials. It is an important tool used to inform the Congress of major potential FMS cases and it assists the Congress in carrying out its oversight authority of arms transfers, particularly to the Third World. For these reasons the P&A report must contain complete, accurate, and timely information to serve its intended purpose.

b. It is important that all relevant information is reported regardless of its sensitivity. Releasability will be determined by the Director, DSAA, in conjunction with the Secretary of State.

c. The report is due to the Congress on the 15th of the month following the quarter being reported. Input from the Military Departments is due to the DSAA Comptroller, ATTN: Data Management Division, no later than the third day of the month following the quarter being reported and should be submitted in two parts. (See Figure E-1 for format):

(1) Part I should list each price and availability estimate provided during the quarter to a foreign country with respect to a possible FMS sale of major defense equipment (MDE) for \$7 million or more or of any

other defense articles or services for \$25 million or more. Each entry should specify the following:

- provided;
- (a) the name of the country to which the estimate was provided;
 - (b) the name of the articles or services involved;
 - (c) the quantity involved; and
 - (d) the price estimate provided.

(2) Part II should list each request received from a foreign country during the quarter being reported, for the issuance of a letter of offer to sell defense articles or services if (1) the proposed sale was not previously reported under Part I, and (2) the request involves a proposed sale of MDE for \$7 million or more or any other defense articles or services for \$25 million or more. Each entry should include the following:

- (a) the name of the country which made the request;
- (b) the date of the request;
- (c) the defense articles or services involved;
- (d) the quantity involved; and
- (e) availability terms requested.

To facilitate the development of Part II, Military Department Desk Officers should informally coordinate the information with their counterparts in the DSAA Operations Directorate.

d. A P&A request is not:

- (1) A message or letter from a customer requesting Planning and Review (P&R) data;
- (2) An oral request;
- (3) A request for data on several systems (i.e., customer is going through a source selection process); however, it becomes a reportable P&A request when the source selection is complete; or
- (4) A request for price/delivery data required to facilitate country decisionmaking on overall equipment purchase plan or budget.

2. Excess Defense Articles (EDA) Sold Under FMS (RCS:DSAA(Q)1118). *

a. House Report No. 96-70 on the International Security Assistance Act of 1979, dated 24 March 1979, requires quarterly reporting of all outstanding LOAs and accepted LOAs to sell excess defense articles (EDA) through FMS procedures to foreign governments or international organizations, specifying (1) implementing agency; (2) country; (3) case number; (4) acquisition cost to the U.S. Government; and (5) sales value. The report will include spare parts supplied from defense stocks at inventory price if they are specifically identified as EDA in the LOA, and exclude grants or sales of: MAP redistributable and MAP Owned Materiel (MAPOM) property, ships, scrap and demilitarized EDA. Implementing agencies are encouraged to initiate separate cases for EDA. However, if separate cases are not used, each case will identify the EDA item(s) therein.

b. The report should be prepared quarterly as of the last day of * the last month of the quarter and is due in the DSAA Comptroller, Data *

Management Division, by the 15th of the following month. The DSAA Comptroller, Program Control Division, is designated as the coordinating office for all EDA sold under FMS in addition to prevailing coordination currently required in the SAMM for FMS cases. See Figure E-2 for sample reporting format.

3. Foreign Military Construction Sales (RCS: DSAA (Q) 1145). The AECA, Section 36(a) requires quarterly reporting of each Foreign Military Construction sale made under Section 29 during the quarter for which such report is made. The report should cover all sales of design and construction services to any eligible foreign country or international organization specifying (1) the purchaser; (2) the U.S. Government department or agency responsible for implementing the sale; (3) an estimate of the dollar amount of the sale; and (4) a general description of the real property facilities to be constructed pursuant to such sale. These reports must be submitted to the DSAA Comptroller, Data Management Division, not later than 20 days after the reporting period. See Figure E-3 for a sample reporting format.

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FIGURE E-1
Price and Availability Report (RCS: DSAA(Q) 1138)

PRICE AND AVAILABILITY REPORT (RCS: DSAA(Q) 1138)					
QUARTER ENDING _____			_____ (Agency)		
(Date)					
PART I—PRICE AND AVAILABILITY ESTIMATES PROVIDED					
COUNTRY	DESCRIPTION OF ARTICLES/SERVICES	QUANTITY	PRICE EST.	DATE INFORMATION PROVIDED LETTER/MSG. REF.	
PART II—REQUESTS FOR ISSUANCE OF A LETTER OF OFFER RECEIVED					
COUNTRY	DATE OF REQUEST	DATE REQUEST RECEIVED	DESCRIPTION OF ARTICLES/SERVICES	QUANTITY	P&A TERMS REQUESTED (IF ANY)

FIGURE E-1. Price and Availability Report (RCS: DSAA(Q) 1138).

FIGURE E-2
Report of EDA Sold Under Foreign Military Sales

SAMPLE FORMAT		(Date - Last Day of Reporting Quarter)			
		Report of EDA Sold Under Foreign Military Sales (RCS: DSAA(M) 1118) (See Notes)			
		FMS Offers Outstanding		Cases Accepted	
		Sales Value	Acquisition Cost to USG	Sales Value	Acquisition Cost to USG
1. Country: _____	Case Number _____				

2. Country: _____	Case Number _____				

Total (Current Quarter)		_____	_____	_____	_____
Cumulative Total (Current FY to date):		_____	_____	_____	_____

Note 1: Include in the FMS Offers Outstanding column all FMS LOAs issued for EDA that have been neither accepted nor cancelled even if issued prior to the reporting period.

Note 2: When a case moves from the cases offered column to the cases accepted column record the sales value and acquisition cost only in the cases accepted column.

Note 3: Delete cancelled cases from cumulative totals of subsequent reports and provide countries and case numbers in footnotes of each report immediately following each cancellation.

FIGURE E-2. Report of EDA Sold Under Foreign Military Sales.

FIGURE E-4
DSAA REPORTS CONTROL SYSTEM

**

DSAA REPORTS CONTROL	
1. <input type="checkbox"/> NEW REPORT <input type="checkbox"/> REVISED REPORT <input type="checkbox"/> REPORT SURVEY	
2. EXACT TITLE OF REPORT	3. SECURITY CLASSIFICATION
4. REPORTING AGENCIES OR ACTIVITIES	
5. FREQUENCY	6. AS OF DATE
7. DUE DATE	8. PERIOD COVERED BY INITIAL REPORT
9. RECIPIENTS	
10. DESCRIPTION	
11. JUSTIFICATION	
12. IMPLEMENTING DIRECTIVE OR INSTRUCTION (<i>two copies attached</i>)	
13. ARE FORMS INCLUDED? <input type="checkbox"/> YES <input type="checkbox"/> NO IF SO, HOW ARE THEY PROCURED?	
14. METHOD OF TRANSMISSION	
IF TRANSMITTED ELECTRICALLY, CAN DATA BE FORWARDED BY OTHER THAN ELECTRICAL MEANS DURING MINIMIZE? <input type="checkbox"/> YES <input type="checkbox"/> NO	
15. UNDER WHAT CONDITIONS IS REPORT AUTOMATICALLY CANCELLED?	
16. DIRECTORATE APPROVAL	
17. REQUESTING OFFICE	
18. RESPONSIBLE INDIVIDUAL	
19. REPORTS CONTROL SYMBOL ASSIGNED	
20. APPROVED	DATE

FIGURE E-4. DSAA Reports Control System.

FIGURE E-5
INSTRUCTIONS FOR PREPARATION OF DSAA REPORTS CONTROL FORM

**

DESCRIPTION OF DATA REQUIRED:

Item 1: Indicate whether this is a new report, an old report which is being revised, or the result of a survey.

Item 2: Exact Title of Report. The title will be carefully selected to be brief, descriptive of the subject of the report, and not in conflict with titles of other reports.

Item 3: Security Classification. Indicate the highest classification that the data is expected to contain.

Item 4: Reporting Agencies or Activities. Indicate agencies and/or activities that are required to report under this Reports Control Symbol.

Item 5: Frequency. Indicate annual, semi-annual, quarterly, monthly, etc.; however, do not use bi-weekly, bi-monthly, or bi-annually as these terms tend to become misinterpreted; rather use twice a week, every two weeks, every two months, etc.

Item 6: As Of Date. Indicate the last day of the reporting period; for example, the 15th of each month, every Saturday, the last day of each quarter, etc.

Item 7: Due Date. Indicate the date the report is due to recipient by number of days following "as of" date, e.g., 7 days, 30 days, etc.

Item 8: Period Covered by Initial Report. Indicate the beginning and final date of period to be covered by first report. This entry will remain blank when this form is used in connection with a survey of reports.

Item 9: Recipients. Indicate a complete list of recipients of the report.

Item 10: Description. This information may be generalized but should reflect a clear and concise summary of the data to be reported.

Item 11: Justification. This entry will be a full justification for the report. Sufficient information will be entered to permit the reviewer without further amplification to analyze and understand the need for and specific use to be made of the data and what action can be taken based on the data received.

Item 12: Implementing Directive or Instruction. Indicate the specific reference to the DOD directive and/or instruction which will implement the proposed reporting procedures. If there is no official DOD directive or instruction covering the proposed reporting instructions, indicate the applicable reference number (I number). Please include two copies of specified implementing directive, instruction, and/or implementing memorandum with application.

FIGURE E-5. Instructions for Preparation of DSAA Reports Control Form.

Item 13: Are forms included? Indicate if specific forms or formats are to be used in submitting report. If so, indicate if they are to be supplied, procured, or prepared on an "ad hoc" basis by the reporting agency.

Item 14: Method of Transmission. Indicate method of transmitting report, e.g., mail, pouch, electrical means, etc. If transmitted electrically, indicate whether data can be forwarded by other than electrical means during crisis situations when MINIMIZE is in effect. Extreme discretion should be used when determining the need for electrical transmission during MINIMIZE.

Item 15: Under what conditions is report automatically cancelled? Are there any conditions under which the proposed report would be automatically cancelled, i.e., specific period of time, national emergency, etc.

Item 16: Directorate Approval. Indicate the directorate requesting the proposed report and the signature of the director.

Item 17: Requesting Office. Indicate office requesting the Reports Control Symbol.

Item 18: Responsible Individual. Indicate the name, room number, and telephone number of the official most knowledgeable in the field of the subject report.

Item 19: Reports Control Symbol Assigned. For new reports, this entry will be made by the Reports Control Officer; for revised reports and report surveys, please include previously assigned reports control symbol.

Item 20: Approved. This will be filled in by Reports Control Officer.

FIGURE E-5. Continued.

STATUTORY REPORTS TO CONGRESS SUBMITTED BY DOD ON SECURITY ASSISTANCE

Report Item	Authorizing Legislation	Recipient**	Trigger	Responsible DOD Component
1. Notification to Congress of Defense Articles, Services, Education and Training provided under emergency drawdown authority	Sec. 506(b)(2), FAA of 1961	SHR, Pres. of Senate, HFAC, SFRC, HAC, SAC	Any provision of aid under Sec. 506, FAA of 1961; at least monthly	DSAA/COMPT/FMD
2. Stockpiling of Defense Articles	Sec. 514(e), FAA of 1961	SHR, Pres. of Senate, HFAC, SFRC	Creation of new, or addition to an existing stockpile valued at more than \$10M	A&L/DASD FOR LOG & MATERIEL MGMT
3. U.S. Armed Services Personnel Assigned to SAO's: two reports				
(a) Presidential waiver of Congressional limitation of six Armed Forces personnel in-country	Sec. 515(c)(1), FAA of 1961	HFAC, SFRC	30 days prior to introduction of additional personnel	DSAA/PLANS/MANPOWER
(b) Notification of increase in U.S. Armed Forces personnel over levels indicated in the CPD for the FY in which the increase occurs	Sec. 515(c)(2), FAA of 1961	HFAC, SFRC	30 days prior to introduction of additional personnel	DSAA/PLANS/MANPOWER
4. Notification of Program Changes	Sec. 634A, FAA of 1961	HFAC, SFRC, HAC, SAC	15 days in advance of obligation of funds not justified, or in excess of amounts justified to the Congress for obligation under the FAA and AECA	DSAA/COMPT/FMD
5. Notification of Obligation of Funds not justified for a particular fiscal year	Foreign Assistance & Related Programs Appropriations Act, (For FY 1986, Sec. 524, P.L. 99-190)	HAC, SAC	15 days in advance of obligation of funds not justified, or in excess of amounts justified to the Appropriations Committees for a particular fiscal year	DSAA/COMPT/FMD
6. Annual Assessment on NATO Readiness	10 USC, Sec. 133a	HASC, SASC, HAC, SAC	Part of annual budget release to Congress	OASD/ISP

TABLE E-1. Statutory Reports to Congress Submitted by DOD on Security Assistance.

TABLE E-1

STATUTORY REPORTS TO CONGRESS SUBMITTED BY DOD ON SECURITY ASSISTANCE

Report Item	Authorizing Legislation	Recipient*	Trigger	Responsible DOD Component
7. Notification of sales or transfers from U.S. active forces' inventories or current production	10 USC, Sec. 133b	SHR, Pres. of Senate, HASC, SASC	Before signing of an LOA to transfer any defense article valued at \$50M or more from active U.S. forces' inventories or from current production	DSAA/COMPT/FMS CONTROL
8. Sale of U.S. War Reserve Stocks, POMCUS, or decrement stock to non-NATO purchasers	10 USC, Sec. 975	SHR, Pres. of Senate, HASC, SASC	NLT 60 days after Presidential determination of an "international crisis"	DSAA/OPS/CTRY DESK OFFICER
9. Report on NATO acquisition of non-interoperable major weapons systems to be used by U.S. forces in Europe under the terms of the North Atlantic Treaty	10 USC, Sec. 2457(d)	SHR, Pres. of Senate HASC, SASC	NLT February 1st each year	USDR&E
10. Notification of Waiver of Non-Recurring R&D and Production Costs	Annual DOD Appropriation Act provision (Sec. 8039, DOD Appropriation Act, 1986)	HAC, SAC	In advance of any proposed NRC waiver regarding FMS of major defense equipment (normally 15 days in advance)	DSAA/OPS/MGMT
11. Report on Significant Hostilities or Terrorist Acts	Sec. 21(c)(2), AECA	SHR, Pres. Pro Tem. Senate	Within 48 hours of change in status of hostilities or terrorist acts which would endanger American lives or property	GEN COUNSEL, DOD
12. Billing upon delivery from stock with 120-day interest-free period after delivery	Sec. 21(d) (last sentence), AECA	SHR, Pres. of Senate, HAC, SAC	Presidential determination and budget request for emergency funds	DSAA/OPS/MGMT
13. Report on FMS Training Standardization Agreements with NATO, Japan, Australia, or New Zealand	Sec. 21(g), AECA	SHR, HAC, SAC, HASC SASC, HFAC, SFRC	U.S. conclusion of any standardization agreement on training for identified purchaser	DSAA/COMPT/TMD
14. Report on sales from stocks having an adverse impact on the readiness of U.S. Armed Forces	Sec. 21(i), AECA	SHR, SASC, HASC, HFAC, SFRC	In the event a proposed sale from stocks could have significant adverse impact on combat readiness of U.S. forces	DSAA/OPS/CTRY DESK OFFICER
15. Billing upon delivery from new procurement with 120-day payment after delivery	Sec. 22(b), AECA	SHR, Pres. of Senate, HAC, SAC	Presidential determination and budget request for emergency funds	DSAA/OPS/MGMT

TABLE E-1. (Continued)

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Change No. 7, 15 September 1986

DOD 5105.38-M

STATUTORY REPORTS TO CONGRESS SUBMITTED BY DOD ON SECURITY ASSISTANCE

Report Item	Authorizing Legislation	Recipient*	Trigger	Responsible DOD Component
16. Annual Estimate & Justification for Sales Program (Congressional Presentation for Security Assistance (CPD)):	Sec. 25(a) AECA	SHR, Pres. of Senate, HAC, SAC, HFAC, SFRC, HASC, SASC, HBC, SBC, CBO	NLT February 1st of each year	DSAA/COMPT/DMD
(a) The "Javits" Report: covering all sales of major weapons or weapons related defense equipment for \$7M or more, or of any other weapons or weapons related equipment for \$25M or more, which are considered eligible for approval during the current calendar year. Also an indication of which sales are most likely to result in issuance of a LOA during such year	Sec. 25(a)(1), AECA		Note: Reported separately to State/PM and not part of the CPD	DSAA/COMPT/FMS CONTROL
(b) Estimate of total sales and licensed commercial exports	Sec. 25(a)(2), AECA			DSAA/COMPT/DMD
(c) Estimate of aggregate dollar value and quantity of defense articles and defense services, IMET, MAP, credits and guaranties to be furnished in the next fiscal year	Sec. 25(a)(5)(A), AECA			DSAA/COMPT/DMD
(d) Report on Cash Flow Financing	Sec. 25(a)(5)(B), AECA		Note: Reported separately and not part of CPD	DSAA/COMPT/FMD
(e) Analysis and description of USG services for which reimbursement is provided under Sec. 43(b) or 21(a) of the AECA	Sec. 25(a)(6), AECA	SHR, SFRC	Note: Reported separately and not part of CPD	DSAA/COMPT/DMD
(f) Amount of funds in reserve for guaranties	Sec. 25(a)(7), AECA			DSAA/COMPT/FR&CPD
(g) Progress made in the Korean Force Modernization Program	Sec. 25(a)(9), AECA			OASD/ISA/EA&PR
(h) Status of each loan and contract of guaranty or insurance	Sec. 25(a)(11), AECA		Note: Reported separately and not part of CPD	DSAA/COMPT/FR&CPD

TABLE E-1. (Continued)

STATUTORY REPORTS TO CONGRESS SUBMITTED BY DOD ON SECURITY ASSISTANCE

Report Item	Authorizing Legislation	Recipient*	Trigger	Responsible DOD Component
17. Quarterly Report of Security Assistance Surveys	Sec. 26(b), AECA	SHR, SFRC	NLT 60 days after end of each quarter. This is included in reports required by Sec. 36(a), AECA. See Report Item 23.	DSAA/COMPT/DMD
18. Copies of Security Assistance Surveys	Sec. 26(c), AECA	SHR, HFAC, SFRC	On request of Chairman, HFAC, or Chairman, SFRC	DSAA/COMPT/DMD
19. Proposed Agreements for NATO Co-operative Projects	Sec. 27(f), AECA	SHR, HASC, SASC, HFAC, SFRC	NLT 30 days prior to signature of agreement on behalf of USG	DSAA/OPS/MGMT
20. Quarterly Report on Price and Availability; LOA Requests for \$7M or more of MDE/\$25M or more of defense articles & services	Sec. 28, AECA	SHR, SFRC	NLT 15 days after end of each calendar quarter	DSAA/COMPT/DMD
21. List of all accepted and unaccepted LOAs to sell excess defense articles through FMS procedures	HFAC Report No. 96-70 (International Security Assistance Act of 1979), 24 March 1979, page 25	SHR, SFRC	NLT 60 days after end of each quarter. This is included in reports required by Sec. 36(a), AECA. See Report Item 23.	DSAA/COMPT/FMD
22. Waivers of non-recurring recoupment charges	HGOC Report No. 97-214, 31 July 1981	SHR, SFRC	Included in reports required by Sec. 36(a), AECA. See Report Item 23.	DSAA/OPS/MGMT
23. Quarterly Reports on Commercial and Governmental Military Exports:	Sec. 36(a), AECA	SHR, SFRC	NLT 60 days after end of each quarter	DSAA/COMPT/DMD
(a) List of all unaccepted LOAs valued at \$1M or more for MDE	Sec. 36(a)(1), AECA			DSAA/COMPT/DMD
(b) List of all accepted LOAs valued at \$1M or more for MDE; total value of all defense articles and services sold during the fiscal year	Sec. 36(a)(2), AECA			DSAA/COMPT/DMD
(c) Cumulative dollar amounts of FMS direct credit and guaranty agreements made during the fiscal year	Sec. 36(a)(3), AECA			DSAA/COMPT/FR&CPD

TABLE E-1. (Continued)

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Change No. 7, 15 September 1986

DOD 5105.38-M

STATUTORY REPORTS TO CONGRESS SUBMITTED BY DOD ON SECURITY ASSISTANCE

Report Item	Authorizing Legislation	Recipient*	Trigger	Responsible DOD Component
23. (d) Dollar amounts of Foreign Military & Construction Sales Agreements concluded during the quarter, projections for remaining quarters (FMCS stated separately)	Sec. 36(a)(5) & (6), AECA			DSAA/COMPT/DMD
(e) Foreign Military Construction Sales (Sec. 29, AECA) made during the quarter	Sec. 36(a)(9), AECA			DSAA/COMPT/DMD
(f) See Items 17, 21, & 22 above				
24. Report of Proposed FMS which are: (a) For defense articles or services valued at \$50M or more, or (b) For design and construction services valued at \$200M or more, or (c) MDE valued at \$14M or more	Sec. 36(b)(1), AECA	SHR, HFAC, SFRC, HASC, SASC, HAC, SAC	15 days before issuance of a LOA to NATO, NATO members, Japan, Australia, or New Zealand; or 30 days before issuance of a LOA to other purchasers.	DSAA/COMPT/FMS CONTROL
25. Report of Enhancement or Upgrade of Sensitivity of Technology of Items Previously Notified Under Sec. 36(b)(1), AECA	Sec. 36(b)(5)(A), AECA	SHR, HFAC, SFRC, HASC, SASC, HAC, SAC	45 days before delivery of previously notified item(s)	DSAA/COMPT/FMS CONTROL
26. Notification on Enhancement or Upgrade of Capability or Sensitivity of Technology	Sec. 36(b)(5)(C), AECA	SHR, HFAC, SFRC, HASC, SASC, HAC, SAC	15/30 days prior to a proposed enhancement or upgrade which meets 36(b)(1) thresholds	DSAA/COMPT/FMS CONTROL
27. Special Defense Acquisition Fund (SDAF) Annual Report	Sec. 53(a), AECA	SHR, Pres. of Senate, HAC, SAC, HFAC, SFRC, HASC, SASC, HBC, SBC, CBO	NLT December 31st of each calendar year.	DSAA/PLANS/SDAF
28. Report on Proposed Leases of Defense Articles	Sec. 62, AECA	SHR, HFAC, SFRC, HASC, SASC	NLT 30 days before entering into or renewing any lease agreement for one year or longer.	DSAA/OPS/MGMT & DSAA/COMPT/FMS CONTROL

TABLE E-1. (Continued)

STATUTORY REPORTS TO CONGRESS SUBMITTED BY DOD ON SECURITY ASSISTANCE

Report Item	Authorizing Legislation	Recipient*	Trigger	Responsible DOD Component
29. Reprogramming of FMS concessional credits	Title III, Foreign Assistance Appropriations Act, 1986	HAC, SAC, HFAC, SFRC	15 days in advance of obligation of funds. See Report Items 4 and 5	DSAA/COMPT/FMD
30. Aircraft grants or sales to El Salvador during FY 1986 or FY 1987	Sec. 538, Foreign Assistance Appropriations Act, 1986 & Sec. 702(d) of P.L. 99-83	HAC, SAC, HFAC, SFRC	15 days in advance of LOA issuance or delivery	DSAA/OPS/LA

*Abbreviations:

SHR - Speaker of the House of Representatives
HBC - House Budget Committee
SBC - Senate Budget Committee
CBO - Congressional Budget Office
HAC - House Appropriations Committee
SAC - Senate Appropriations Committee
HFAC - House Foreign Affairs Committee
SFRC - Senate Foreign Relations Committee
HASC - House Armed Services Committee
SASC - Senate Armed Services Committee

TABLE E-1. (Continued)

SAMM, TABLE E-2

CURRENT REPORTING REQUIREMENTS UNDER DSAA REPORTS CONTROL SYSTEM

Reports Control Symbol (RCS)	Report Title	Reporting Frequency	Reporting Components	Responsible Office
<u>GRANT AID REPORTS:</u>				
DSAA(AR)1000	Grant Aid (MAP/IMET) Reporting System	As Required	All Implementing Agencies	DSAA/COMPT/DMD
DSAA(M)1004	Identification of Reimbursement for Disposal of MAP Property	Monthly	All Implementing Agencies	DSAA/COMPT/FR&CPD
DSAA(AR)1016	Country and Amount of Increase Over CPD Levels (Section 113, Foreign Assistance and Related Programs Appropriation Act, 1975)	As Required	DSAA/COMPT	DSAA/COMPT/FMD & TMD
<u>FOREIGN MILITARY SALES REPORTS:</u>				
DSAA(M)1101	Financial Procedures Applicable to Military Procurement Agreement Between U.S. and Federal Republic of Germany	Monthly	All Implementing Agencies, SAAC	SAAC
DSAA(M)1111	Monthly Report of Disbursements/Collections Transactions for DSAA	Monthly	SAAC	DSAA/COMPT/FR&CPD
DSAA(Q)1112	Recoupment of Nonrecurring Costs on Sales of USG Products and Technology (DOD Directive 2140.2)	Quarterly	All Implementing Agencies, SAAC	DSAA/COMPT/FMD
DSAA(Q)1113	FMS Case Listings of Major Defense Equipment (MDE) Valued at \$1 Million or More & Supporting Tables Showing Current Year Activity (Feeder for Section 36(a), Arms Export Control Act)	Quarterly	All Implementing Agencies	DSAA/COMPT/DMD
DSAA(AR)1114	FMS Letters of Offer to Sell Defense Articles or Services for \$14 Million of MDE or \$50 Million of Other (Feeder for Section 36(b), Arms Export Control Act)	As Required	All Implementing Agencies	DSAA/COMPT/EMSCD
DSAA(Q)1118	Excess Defense Articles Sold to Foreign Governments or International Organizations at Acquisition Cost (Feeder for Section 36(a), Arms Export Control Act; required by H.R. 96-70, March 24, 1979)	Quarterly	All Implementing Agencies	DSAA/COMPT/DMD
DSAA(Q)1119	Analysis of FMS Agreements Between the Army Corps of Engineers and the Government of Saudi Arabia (Later expanded to include any other countries)	Monthly	Army Corps of Engineers	DSAA/COMPT/DMD

TABLE E-2. CURRENT REPORTING REQUIREMENTS UNDER DSAA REPORTS CONTROL SYSTEM.

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Change No. 7, 15 September 1986

TABLE E-2

DOD 5105.38-M

**

CURRENT REPORTING REQUIREMENTS UNDER DSAA REPORTS CONTROL SYSTEM

Reports Control Symbol (RCS)	Report Title	Reporting Frequency	Reporting Components	Responsible Office
<u>FOREIGN MILITARY SALES REPORTS</u> (Continued):				
DSAA(A)1121	Number of U.S. Officers and Employees Engaged in Services to Foreign Governments under FMS (Feeder for Section 36(a)(7), Arms Export Control Act)	Annually	All Implementing Agencies	DSAA/COMPT/DMD
DSAA(Q)1126	Major Defense Equipment List	Quarterly	All Implementing Agencies	DSAA/OPS/MGMT
DSAA(A)1128	Budget Call - Cost of Administering the Foreign Military Sales Program	Annually	All Implementing Agencies	DSAA/COMPT/BUD
DSAA(W)1129	FMS Credit Accounting System	Weekly	DSAA/COMPT/FR&CPD	DSAA/COMPT/FR&CPD
DSAA(AR)1133	Notification of Sales or Transfers from U.S. Active Forces' Inventories or Current Production (Feeder for Section 133 b, 10 USC)	As Required	All Implementing Agencies	DSAA/COMPT/FMSCD
DSAA(AR)1135	Peacejammer - Restructuring of the Iranian FMS Program	As Required	All Implementing Agencies	DSAA/OPS/NESA
DSAA(Q)1137	Security Assistance Surveys (Feeder for Section 36(a), Arms Export Control Act; required by Sec. 26(b), AECA)	Quarterly	All Implementing Agencies	DSAA/OPS/MGMT
DSAA(Q)1138	Price and Availability Report (Feeder for Section 28(a), Arms Export Control Act)	Quarterly	All Implementing Agencies	DSAA/COMPT/DMD
DSAA(M)1141	FMS Selected Constructive (Physical) Deliveries	Monthly	All Implementing Agencies	SAAC
DSAA(Q)1142	Intermediate Export Fighter Program (FX) Cost Tracking Report	Quarterly	Air Force	DSAA/COMPT/BUD
DSAA(Q)1143	Security Assistance Master Planning and Phasing Worksheet (SAMPAP)	Quarterly	Navy, Air Force	DSAA/PLANS/WPNS
DSAA(SA)1144	FMS Case Closure	Semi-annually	All Implementing Agencies, SAAC	DSAA/COMPT/FMD
DSAA(Q)1145	Foreign Military Construction Sales (Feeder for Section 36(a)(9), Arms Export Control Act)	Quarterly	All Implementing Agencies	DSAA/COMPT/DMD
DSAA(Q)1146	Unexpired Leases of DOD Property of Any Value (SAMM, page 12-24)	Quarterly	All Implementing Agencies	DSAA/OPS/MGMT

TABLE E-2. (Continued)

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DOD 5105.38-M

CURRENT REPORTING REQUIREMENTS UNDER DSAA REPORTS CONTROL SYSTEM

Reports Control Symbol (RCS)	Report Title	Reporting Frequency	Reporting Components	Responsible Office
<u>FOREIGN MILITARY SALES REPORTS</u> (Continued):				
DSAA(M)1147	U.S. Military Components' Deposits to Special Defense Acquisition Fund	Monthly	All Implementing Agencies	DSAA/COMPT/FR&CPD
DSAA(Q)1148	Royal Saudi Naval Sources FMS Financial Report	Quarterly	Army Corps of Engineers, Navy	DSAA/COMPT/FMD
DSAA(Q)1149	Status Report on Sale of Govt-Furnished Equipment/Materiel and Related Quality Assurance (DoD Directive #175.1)	Quarterly	Army, Navy, Air Force, SAO's	DSAA/OPS/MGMT
DSAA(AR)1150	Intensive Financial Management Report	As Required	Army, Navy, Air Force, SAAC, Others, as directed	DSAA/COMPT/FMD
DSAA(Q)1152	MAP Overhead Support Activities and SAO Budget Execution Reporting	Quarterly	Army, Navy, Air Force, Unified Commands	DSAA/COMPT/BUD
DSAA(Q)1153	Quarterly Status of FMS Administrative Expenses Allotment	Quarterly	Army, Navy, Air Force	DSAA/COMPT/BUD
DSAA(A)1154	Report of FMS Administrative Fund Representational Expenditures	Annually	Army, Navy, Air Force	DSAA/COMPT/BUD
DSAA(A)1155	Report on Cash Flow Financing (Sec. (25(a)(5)(B), Arms Export Control Act)	Annually	DSAA/COMPT	DSAA/COMPT/FMD
<u>OTHER REPORTS:</u>				
DSAA(AR)1200 (Formerly DSAA(AR)1100)	Foreign Military Sales Reporting System	As Required	All Implementing Agencies, SAAC	DSAA/COMPT/DMD
DSAA(Q)1201	Military Assistance International Balance of Payments (IBOP) Transactions	Quarterly	Army, Navy, Air Force, ASD (Admin), Treasury, Export-Import Bank, Comm. Banks	DSAA/COMPT/DMD
DSAA(Q)1204	Export Licenses and Approvals (Feeder for Section 36(a)(4), Arms Export Control Act)	Quarterly	Office of Munitions Control, Dept of State	DSAA/COMPT/DMD
DSAA(A)1211	Value of Real Property Transfers (Senate Report on Hearings Before Committee on Appropriations, Part 2)	Annually	Army, Navy, Air Force	DSAA/COMPT/DMD
DSAA(A)1213	The Journal	Annually	DSAA/COMPT/DMD	DSAA/COMPT/DMD
DSAA(A)1215	Congressional Presentation for Security Assistance (Section 25(a), Arms Export Control Act)	Annually	AID, ACDA, DOD, State Department	DSAA/COMPT/DMD

TABLE E-2. (Continued)

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Change No. 7, 15 September 1986

DOD 5105.38-M

CURRENT REPORTING REQUIREMENTS UNDER DSAA REPORTS CONTROL SYSTEM

Reports Control Symbol (RCS)	Report Title	Reporting Frequency	Reporting Component	Responsible Office
<u>OTHER REPORTS</u> (Continued):				
DSAA(Q)1218	Military Manpower for MAAGs, Missions, MILGRPS	Quarterly	Unified Commands	DSAA/COMPT/BUD
DSAA(M)1219	DSAA Monthly Fund Status Report	Monthly	Latin American SAO's	DSAA/COMPT/FR&CPD
DSAA(Q)1221	FMS Arrearages	Quarterly	Army, Navy, Air Force, SAAC	DSAA/COMPT/FR&CPD
DSAA(Q)1222	Security Assistance Planning & Program Worksheets	Quarterly	Army, Navy, Air Force, SAO's	DSAA/OPS/MGMT
DSAA(Q)1226	Status of Coproduction Programs Approved Under Security Assistance Programs (DoD Directive 2000.9)	Quarterly	Army, Navy, Air Force	DSAA/OPS/MGMT
DSAA(Q)1228	Special Defense Acquisition Fund (SDAF) Inventory Report	Quarterly	Army, Navy, Air Force, DLA, NSA	DSAA/PLANS/SDAF
DSAA(A)1230	Foreign Military Trainee Positions of Prominence and Influence	Annually	Unified Commands	DSAA/COMPT/TMD
DSAA(A)1231	Professional Military Education Exchanges	Annually	Army, Navy, Air Force	DSAA/COMPT/TMD

TABLE E-2. (Continued)

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