



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

31 March 1987

In reply refer to:
Transmittal No. 8
DOD 5105.38-M

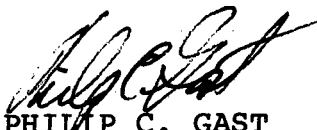
MEMORANDUM FOR RECIPIENTS OF DOD 5105.38-M, SECURITY
ASSISTANCE MANAGEMENT MANUAL (SAMM)

SUBJECT: SAMM Change 8 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 31 March 1987.


PHILIP C. GAST
LIEUTENANT GENERAL, USAF
DIRECTOR

Attachments

1. List of Changes
2. List of Effective Pages
3. List of material incorporated
within Change 8
4. SAMM Updated pages

LIST OF CHANGES

Remove and insert the following portions/pages of your current SAMM:

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[Nothing]

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SECURITY ASSISTANCE MANAGEMENT MANUAL (SAMM)

FORMAL CHANGE NO. 8 INCLUDES THE FOLLOWING INFORMATION:

INTERIM CHANGES INCORPORATED:

<u>Number</u>	<u>Subject</u>									
87-01	<p>Per DSAA/OPS-E Msg. 212150Z Jan 87, Chapter 7, Figure 7-III-2, "Contract Administration Reciprocal Agreements," was revised to add the following:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Country</u></th> <th style="text-align: left;"><u>Effective Date</u></th> <th style="text-align: left;"><u>Cost Waived</u></th> </tr> </thead> <tbody> <tr> <td><i>Norway</i></td> <td><i>23 Nov 1986</i></td> <td><i>Quality Assurance and Inspection</i></td> </tr> </tbody> </table>	<u>Country</u>	<u>Effective Date</u>	<u>Cost Waived</u>	<i>Norway</i>	<i>23 Nov 1986</i>	<i>Quality Assurance and Inspection</i>			
<u>Country</u>	<u>Effective Date</u>	<u>Cost Waived</u>								
<i>Norway</i>	<i>23 Nov 1986</i>	<i>Quality Assurance and Inspection</i>								
86-13	<p>Chapter 7, Section I, Figure 7-I-2, "Memo -- Subject: Security Assistance Request for Major Defense Equipment (MDE) or Equipment of a Sensitive Nature," was revised. Section III, Para. D.4.d., "Nonrecurring Cost (NRC) Recoupment Charges," sub-paragraph (1), "Background," the following sentence was added: "Implementation guidance on establishment of charges, collections, and waivers is contained in DOD Directive 2140.2, dated August 5, 1985." Para. D.4.f., "Quality Assurance and Inspection, Contract Audit Services, and Other Contract Administration Services," was rewritten. [DSAA/OPS-E Msg. 082312Z Jan 87]</p>									
86-12	<p>Per DSAA/OPS-E Msg. 310115Z Oct 86, Chapter 7, Figure 7-III-2, "Contract Administration Reciprocal Agreements," was revised to add the following:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Country</u></th> <th style="text-align: left;"><u>Effective Date</u></th> <th style="text-align: left;"><u>Cost Waived</u></th> </tr> </thead> <tbody> <tr> <td><i>France</i></td> <td><i>23 Apr 1986</i></td> <td><i>Quality Assurance and Inspection</i></td> </tr> <tr> <td></td> <td><i>23 Apr 1986</i></td> <td><i>Contract Administration Services</i></td> </tr> </tbody> </table>	<u>Country</u>	<u>Effective Date</u>	<u>Cost Waived</u>	<i>France</i>	<i>23 Apr 1986</i>	<i>Quality Assurance and Inspection</i>		<i>23 Apr 1986</i>	<i>Contract Administration Services</i>
<u>Country</u>	<u>Effective Date</u>	<u>Cost Waived</u>								
<i>France</i>	<i>23 Apr 1986</i>	<i>Quality Assurance and Inspection</i>								
	<i>23 Apr 1986</i>	<i>Contract Administration Services</i>								
86-11	<p>Chapter 3, Section I, Para. B.2.h., concerning military department security assistance responsibilities, was revised; a new paragraph B.2.i., concerning the Defense Logistics Agency's security assistance responsibilities, was added; and subsequent sub-paragraphs were relettered. [DSAA/OPS-E Msg. 160025Z Oct 86]</p> <p>Chapter 7, Section I, Para. B.3.b.(4) was revised as follows: "Except for maintenance blanket order cases, the ordering period of a blanket order case will normally be 12 months and will not exceed 24 months. For maintenance cases, the ordering period can exceed 24 months if the contract under which the service is being performed also exceeds 24 months." Chapter 7, Section II, Table 7-II-2, in Para. A.1.b. amend the explanation of Delivery Term Code 4 to read: "Collect Commercial Billing of Lading for movement within CONUS, or contractor delivery of materiel procured offshore to designated freight forwarder or country representative." [DSAA/OPS-E Msg. 160025Z Oct 86]</p> <p>Chapter 8, Section III, a new Para. F.2.o., "Procurement from Sources Outside the United States (Offshore)," was added. [DSAA/OPS-E Msg. 160025Z Oct 86]</p>									
86-10	<p>Chapter 7, Section III, Figure 7-III-3, "Financial Annex (Supplementary Financial Terms and Conditions)," Para. 3, concerning cash payments for initial deposits and</p>									

amounts due and payable on Quarterly Billing Statements, was revised. Sub-paragraphs a. and b. (Wire Transfer and Check Mailing Addresses) were also revised. [DSAA/COMPT/FMD Msg. 200019Z Sep 86]

- 86-09** Chapter 7, Section III, a new Para. M.1.d.(3), "Prohibition on Front-Loading of Payment Schedules," was added. [DSAA/COMPT/FMD Msg. 051946Z Sep 86]

MISCELLANEOUS INFORMATION INCORPORATED:

CHAPTER 1: Section I, Para. G, "DISTRIBUTION," was revised to show that the Defense Institute of Security Assistance Management (DISAM/DRP), Bldg. 125, Area B, Wright-Patterson AFB OH 45433-5000 is now responsible for commercial purchases of the SAMM.

CHAPTER 2: Section II, Para. A.1.f., concerning arms control, was expanded to include: "Decisions to issue licenses or approve sales under the AECA or to furnish military assistance under the FAA of 1961, as amended, shall be made in coordination with the Director of the Arms Control and Disarmament Agency and shall take into account the Director's opinion on the extent to which such exports, sales, or assistance will contribute to an arms race, increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements."

CHAPTER 6:

- Section I, a new Para. B.4.f., "Sales Promotion Prohibition," was added.
- Per DSAA Memo I-02996/86ct, dated 28 Jan 87, Chapter 6, Section I, Para. C.12., "Security Assistance Survey Teams," was replaced in its entirety with new information which incorporates a new quarterly reporting requirement. A new Figure 6-I-1, "Security Assistance Surveys Authorized," was added; and Table 6-I-3, "Security Assistance Survey Team Checklist," was revised.

CHAPTER 7:

- Throughout Chapter 7, USC, Title 10, Section 133b was changed to Section 118.
- Under Section II, Para. K.2.c., "Computation of Initial Deposit," sub-paragraph (1) was renumbered as (3) and two new paragraphs [(1) and (2)] were added.
- Under Section II, Para. K.3.a.(5), "FMS Credit," and Para. K.3.a.(6), "MAP Merger," were revised.
- Section III, Para. M.1.d.(2), "Revisions to Payment Schedules," was revised and expanded extensively.
- Section III, Para. M.4.c., "Holding Accounts," was revised and expanded with sub-paragraphs (1) "Cash," (2) "FMS Credits," and (3) "MAP Merger."
- Table 7-IV-4C, "Statutory Notification Data on Enhancement or Upgrade of Capability or Sensitivity of Technology," Para. L. was revised as follows: "Provide data for Section 118 report, if net value of enhancement or upgrade equals \$50 million or more."

CHAPTER 8:

- Under Section V, Para. C.3., "DD Form 1513-2's Requiring DSAA Coordination and Countersignature," revisions were made to para. c. and para. c.(4); and a new para. c.(8) was added.
- Figure 8-V-1, "Instructions for Preparing the U.S. DOD Amendment to Offer and Acceptance (DD Form 1513-1)," Para. Q, "Block (28) Terms," was revised as follows: "Enter the original terms of sale or any changes thereto. *If the sales agreement is to be financed by a combination of sources of financing, each term of sale and applicable amount will be cited.*"

CHAPTER 9:

- Section III, Para. G, "Commitment of FMS Credit Funds," was replaced with new information.
- Section III, Para. H.1., "General Policy," concerning disbursement of FMS loan funds, was replaced with new information.
- Section III, Para. K.4.a., b., and c., concerning specific sanctions under the Brooke Amendment, were revised.

CHAPTER 10:

- Section I, Para. E.6.b., "DoD Engineering and Technical Services Specialists (ETSS)" was changed to "DoD Extended Training Service Specialists (ETSS). [DSAA Memo I-04650/86, dated 21 August 1986]"
- In Section I, Para. E.7.a.(8), "Assignment of Executive Agency and Escort Officers," instead of \$600.00, a factor of \$800.00 per man week is authorized for programming (N7B) when escort officer services are required in connection with orientation tours.
- In Section I, a new sub-paragraph F.3., "Student Medical Screening," was added and subsequent sub-paragraphs renumbered.
- In Section I, Para. L.4.c.(1), "Program Additions," under Card Column 61-65, Worksheet Control Number (WCN), information concerning the use of WCN 1234S for late cancellation, 1234T for attrition, 1234U for recycle or setback, and 1234V for "no show" was deleted and the following sentence added: "If a third line is needed use 1234X."
- In Section I, a new Para. N.4., "Impact of Section 620(q), FAA, and 'Brooke Amendment' on Utilization of IMET Funds," was added.

CHAPTER 11:

- In Section I, under Para. A.1.b., "Transfer of [MAP] Funds," sub-paragraphs (1) and (2), concerning the transfer of MAP funds, were rewritten.
- In Section I, a new Para. A.4., "Impact of Section 620(q), FAA, and 'Brooke Amendment' on Utilization of MAP Funds," was added.

CHAPTER 14:

- Per DSAA Memo I-14477/86, dated 12 November 1986, the following revisions were made to Section II:
 - Para. G, "Release of U.S. Government-Owned Technical Data," was revised extensively.
 - A new Para. H, "Royalty Fee Management," was added.
 - Two new figures were added: Figure 14-II-1, "Data Sheet for Technical Data Package Transferred for Operation and Maintenance," and Figure 14-II-2, "Data Sheet for Technical Data Package Transferred for Study or Production."

CHAPTER 15:

- Under Section III, "DSAA 1000 Materiel and Training System Overview, Data Submission Instructions, and Reports," introductory paragraphs A., B., C., and D. were rewritten.
- The following revisions were made to figures and tables in Section III:
 - Figure 15-III-1 was replaced with a new figure entitled "Military Department MAP Order."
 - Figure 15-III-2 was replaced with a new figure entitled "Military Department IMET Order."
 - Figure 15-III-4, "IMET Detail Listing - Training," was deleted.
 - Figure 15-III-5, "Grant Aid Status of Deliveries," was deleted.
 - Remaining figures were renumbered.
 - Table 15-III-1, "Sort and Select Options (DSAA 1000 System)," was revised extensively.
 - Table 15-III-2, "Abbreviated Titles Used in the DSAA 1000 System Output Products," was revised.

APPENDIX F: A new appendix entitled "Transportation Cost Look-Up Table" [procedures for development and use]. [DSAA Memo I-04805/86 (dated 16 Oct 86)]

APPENDIX G: A new appendix entitled "Transportation Cost Look-Up Table" [actual table]. [DSAA Memo I-04805/86 (dated 16 Oct 86)]

INDEX: Revised and consolidated.

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

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H. INTERPRETATION, RECOMMENDATIONS AND DEVIATIONS. Requests for clarification or interpretation of, or changes to, the provision of this Manual should be submitted through security assistance management channels to the DSAA (ATTN: SAMM Coordinator), Washington DC, 20301. Any guidance contained in this Manual that appears to be in conflict with other DoD issuances or governing statutes and regulations should be reported to the DSAA SAMM Coordinator. Deviations from the policies presented in this Manual may not be implemented without the explicit prior approval of the Director, DSAA, based upon justified requests from the components of the DoD. *

I. EFFECTIVE DATE AND IMPLEMENTATION. The provisions of this Manual are effective upon date of transmittal.

SECTION II - RATIONALE AND SCOPE

A. PURPOSE. Section I addressed the basic structure and organization of the SAMM, its authorities, applicability and responsibilities. This section is designed to summarize the rationale and scope of the security assistance program.

B. RATIONALE FOR SECURITY ASSISTANCE PROGRAM.

1. Security assistance has historically played a prominent role in U.S. foreign and defense policy. The security assistance program is an essential complement to the overall U.S. defense effort. When we directly assist other

nations in meeting their defense requirements, we also make a contribution to our own security.

2. Security assistance represents a most visible aspect of our foreign policy in that its implementation results in tangible evidence of U.S. interests and presence. Such evidence is represented by the delivery of defense weapon systems to friendly foreign governments; by numbers of international military students in U.S. service schools; by U.S. personnel advising other governments in increasing their internal defense capabilities; and by providing guidance and assistance in establishing a practical infrastructure and economic base through which regional stability can be achieved and maintained.

C. SECURITY ASSISTANCE SCOPE.

1. Security assistance, defined in its simplest terms, concerns the transfer of military and economic assistance through sale, grant, lease, or loan to friendly foreign governments. Transfers are carried out under the principle that if they are essential to the security and economic well-being of such governments and international organizations, they are equally vital to the security and economic well-being of the United States.

2. Security assistance consists, interalia, of the following major programs:

a. Programs administered by the DoD:

(1) The International Military Education and Training (IMET) Program;

(2) Foreign Military Sales (FMS) Financing; and

(3) Foreign Military Sales (FMS).

b. Programs administered by the Department of State:

(1) Economic Support Fund (ESF);

(2) Peacekeeping Operations (PKO);

(3) Commercial Export Sales licensed under the Arms Export Control Act (AECA).

3. Prior to 1981, defense articles and defense services were provided as grant aid through a separate program, the Military Assistance Program (MAP), which was administered under procedures entirely different from those used for FMS. Legislation effective in FY 1982, however, allows grant funds to be merged with other funds held for the foreign government's account (e.g., cash, FMS credits) in that country's FMS trust fund. This technique, which is used exclusively today, precludes distinguishing items as having been provided as grant aid. Special rules, procedures, and constraints for items provided as grant aid, essentially those set forth in the MASM, apply only to programs initiated under the old system. FMS rules and procedures apply to all others.

defense service for purposes other than those for which furnished unless the consent of the President has first been obtained.

(3) The country or international organization shall have agreed that it will maintain the security of such article and will provide substantially the same degree of security protection afforded to such article by the U.S.; and

(4) The country or international organization is otherwise eligible to purchase or lease defense articles or defense services. The countries or international organizations found eligible to purchase or lease defense articles or defense services under the Presidential finding are also subject to other provisions of the AECA.

b. List of Eligible Countries. The current list of eligible countries and international organizations determined by the President is provided in Chapter 6 of this Manual.

c. Presidential Determination. The President must determine the eligibility of the prospective purchaser on the basis that sales will strengthen U.S. security and promote world peace [AECA, Sec. 3(a)(1)].

d. Designation of Defense Articles and Services. The terms "defense article" and "defense service" are defined by AECA, Sec. 47, for purposes generally of the AECA, including FMS and leases. However, for the purposes of direct commercial exports, the President is authorized to designate those items [AECA, Sec. 47(7)] which shall be considered defense articles and defense services, and to promulgate regulations for control of the export and import of such articles and services. The items so designated shall constitute the United States Munitions List [AECA, Sec. 38(a)]. Items in categories which are asterisked on this list are considered Significant Military Equipment (SME). A copy of the U.S. munitions list is enclosed at Table 2-III-1.

e. Secretary of State Approval Authority. The Secretary of State shall be responsible for determining whether there shall be a sale to a country and the amount thereof, whether there shall be a lease to a country, and whether there shall be delivery or other performance under such sale or lease of export to the end that sales, leases, and exports are integrated with other U.S. activities and that the foreign policy of the U.S. is best served thereby [AECA, Sec. 2(b)].

f. Arms Control Consideration. Arms control consequences must be taken into consideration when evaluating any FMS sale [FAA, Sec. 511; AECA, Sec. 38(a)(2); AECA, Sec. 42(a)(3)]. Decisions to issue licenses or approve sales under the Arms Export Control Act or to furnish military assistance under the Foreign Assistance Act of 1961, as amended, shall be made in coordination with the Director of the Arms Control and Disarmament Agency and shall take into account the Director's opinion on the extent to which such exports, sales, or assistance will contribute to an arms race, increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements. **

g. Atomic Energy Act and Major Ship Transfers. Provisions of the Atomic Energy Act of 1954, as amended, and title 10 USC 7307 requiring separate legislation for major ship transfers are unaffected by the AECA, Sec. 44. (See Section IV, paragraph B. of this chapter for further discussion.)

h. Sources of Sales Materiel. Defense articles or services may be sold from the stocks of the DoD or the DoD may enter into contracts for procurement of defense articles or defense services for sale to eligible foreign countries or international organizations (AECA, Secs. 21 and 22).

i. Use of FMS Credit Funds for Procurement Outside United States. FMS credit funds may be used for procurement outside the U.S. only if the President determines that such procurement will not result in adverse effects upon the U.S. economy or the industrial mobilization base [AECA Sec. 42(c)]. Prior consultations within the Department of Defense (DSAA) and with the Departments of State and Treasury are required.

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j. Termination Due to Unnecessary Military Expenditures. Further sales, credits, and guaranties shall be terminated to any economically less developed country which diverts economic aid, or its own resources to unnecessary military expenditures, to a degree which materially interferes with its development (AECA, Sec. 35). Existing sales, credits, and guaranties need not be terminated.

k. Prohibition Against Discrimination, Intimidation or Harassment. No sales will be made and no credits or guaranties extended to, or for any country whose laws, regulations, official policies or governmental practices prevent any person from participating in the furnishing of defense articles or defense services on the basis of race, religion, national origin, or sex. No sales will be made and no credits or guaranties extended to any country determined to be engaged in a consistent pattern of acts of intimidation or harassment directed against individuals in the U.S. (AECA, Secs. 5 and 6).

B. POLICIES.

1. General.

a. Basic Sales Policy. In Chapter 1, Section 1 of the AECA, the Congress:

(1) Recognized the increasing cost and complexity of defense equipment and the continued need for international defense cooperation to maintain peace and security.

(2) Established the policy that sales will facilitate the common defense by entering into international arrangements with friendly countries on projects of cooperative exchange of data, research, development, production, procurement, and logistics support to achieve national defense requirements and objectives of mutual concern;

(3) Declared that the AECA authorizes sales that further U.S. security objectives to friendly countries to equip their forces with due regard to impact of sales on social and economic development and on arms races; and

(4) Declared the sense of the Congress that all such sales be approved only when they are consistent with U.S. foreign policy interests.

2. Materiel Transfer Policy.

a. Use of Federal Acquisition Regulation (FAR) and DoD FAR Supplement. When procuring for a foreign government, DoD will apply the same contract clauses and contract administration as it would use in procuring for itself, except where deviations are authorized in the DoD FAR Supplement. If a sole source procurement requested by a foreign government appears to be motivated by objectives in conflict with this requirement or with any U.S. legislation, the request must be forwarded to the DSAA, which may forward the request to the Department of State for consideration. No LOA in such cases will be issued without approval of the Director, DSAA.

2. Regardless of the method of transfer (sale or lease) the foreign government will normally pay all costs incidental to the transfer.

3. Leasing of ships must be in accordance with the AECA, Chapter 6, unless otherwise expressly authorized by separate legislation and is reserved for exceptions where a sale is not feasible. *

4. Ship transfer and approval procedures:

a. The foreign government normally requests price and availability (P&A), followed by a formal request for transfer expressed in diplomatic notes. The latter is a prerequisite to Congressional notification under the AECA for a lease, and to submitting notification to the Congress or requesting authorizing legislation under 10 USC 7307. *

b. Ship transfers are coordinated by the Director, Security Assistance Division (OP-63), Office of the CNO. DSAA coordinates all transfers within OSD and with the Department of State. The DSAA ensures compliance with statutory notification and authorizing legislation requirements. The Navy prescribes policies and procedures for ship transfers in OPNAV Instruction 4900.90 series.

c. The CNO submits each request for sale to the Director, DSAA, via the Assistant Secretary of the Navy (Shipbuilding and Logistics). This takes the form of either a draft Congressional notification letter or a draft ship transfer bill, pursuant to 10 USC 7307. Each request will include a statement of approval from the Secretary of the Navy or his designee.

d. Lease procedures are found in Chapter 12 of this Manual. Leases entered into under the authority of specific legislation (per 10 USC 7307) will be coordinated and staffed on a case-by-case basis. Director, DSAA, will coordinate all ship lease requests and advise the CNO of approval or disapproval. If approved, the CNO may offer the ship to the requesting country concerned, when statutory notification or legislative authorization requirements have been met.

C. SUSPENSIONS AND CANCELLATIONS OF SECURITY ASSISTANCE.

1. If the Department of State determines that it is necessary to suspend foreign military sales (or training or grant aid) to a particular country, the Director, DSAA, will issue instructions to the appropriate MILDEP. The following procedures normally will be employed:

a. All deliveries of defense articles to the embargoed country will be stopped immediately. No release of new LOAs will be made. No material will be released to the country's freight forwarder or to the country. There should be no new contracting actions for an embargoed country; on-going contracting actions should be suspended.

b. If foreign military sales or grant aid funded procurements have been started, but contracts have not been awarded, the appropriate MILDEP should inform the DSAA of the details and ask for guidance.

c. Normally, contracts that have been awarded should continue. However, the DSAA should be informed when deliveries are ready to be made so that the possible diversion of the material to another country, or to a DoD component, or to storage can be decided. The Director, DSAA, will issue appropriate instructions once the decision is made.

d. Shipments of defense articles, where the materiel is under U.S. Government control, will not be loaded at the ports of embarkation. Materiel already enroute to the country will not be delivered; it will be retained under U.S. Government control. Defense articles that fit these categories should be stored by the appropriate DoD component using the most economical storage until further DSAA instructions arrive.

e. Materiel ready for shipment from a contractor should be shipped to an appropriate DoD facility for segregated storage until DSAA disposition instructions arrive. Arrangements for storage at the contractor's facility may be made if that is the most economical storage.

f. Requisitions submitted against either a supply support arrangement or a blanket order FMS case will be held by the receiver. Requisitions from an embargoed country will not be filled.

g. With regard to training funded through a foreign military sales case or under IMET, students in training before the suspension date notification may complete this course. Sequential training (proceeding to the next scheduled course) is excluded unless specifically authorized by the Director, DSAA. Students who have not started training by the suspension date will not begin a course. Instructions on what to do with students from embargoed countries will be provided by the DSAA.

h. Within 10 days of a suspension notification, the appropriate MILDEP will advise the DSAA of the impact of the suspension. This should include the identification of major items and significant secondary items that are within the Defense Transportation System (DTS) and which are scheduled for release to the embargoed country within 30 days, and those items that are on order but which have not been shipped. As soon as possible and not later than 21 days after the suspension, DSAA should be advised of all other materiel that is either enroute, scheduled for shipment within 30 days, or on order but unshipped. The latter report should also identify the total unused dollar value on blanket order and supply support arrangement (FMSO II) cases.

2. Suspension of delivery is not the same as FMS case cancellation or contract termination action. The Department of State may extend a suspension to become a cancellation in accordance with the AECA, Section 2(b) and Section 42(e). If State makes this decision, case cancellation and contract termination will be directed by the DSAA. Specific guidance about disposition of items, funding, etc., will be provided after a case-by-case review.

3. The Department of State has responsibility for issuing instructions with respect to revoking and refusing to issue export licenses and will deal directly with foreign government representatives in cases where title has passed to the purchaser but which may be in storage or in transit within the United States.

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 capability that is associated with integrating MILDEPs and security assistance procurement planning. However, in those cases relating exclusively to medical equipment and supplies, clothing and textiles (C&T), subsistence, and bulk petroleum, the services will coordinate with the appropriate integrated materiel manager (IMM) prior to finalizing the LOA with the foreign country. **

i. The Director, Defense Logistics Agency (DLA) advises the Secretary of Defense on all security assistance matters impacting on or relating to DLA and acts for the Secretary of Defense where responsibility for such **

action is so delegated. DLA is responsible for preparing FMS cases for cataloging services, contract administration services on our allies' commercial contracts for defense supplies and equipment produced in the U.S., and the sale of DOD and MAP disposable defense articles. DLA will coordinate on military service FMS cases relating exclusively to medical equipment and supplies, clothing and textiles (C&T), subsistence, and bulk petroleum. As the IMM for consumable stock-funded secondary items, DLA supply centers will work closely with the military services in filling requisitions, processing reports of discrepancy, case closure, etc., on those items for which they are the designated IMM.

j. 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.

k. The Unified Commands have security assistance responsibilities, * i.e., to correlate security assistance programs with regional plans, support the security assistance organizations (SAOs) and contribute to the budget development process.

l. Security Assistance Organizations (SAO). *

(1) The generic term SAO encompasses all DOD elements, regardless of actual title, located in a foreign country with assigned responsibilities for carrying out security assistance management functions under Section 515 of the Foreign Assistance Act (FAA). This section of the law authorizes members of the U.S. Armed Forces to be assigned in foreign countries to manage security assistance programs administered by the Department of Defense by performing one or more of the following functions:

- (a) Equipment and services case management;
- (b) Training management;
- (c) Program monitoring;
- (d) Evaluation and planning of the host government's military capabilities and requirements;
- (e) Administrative support;
- (f) Promoting rationalization, standardization, interoperability (RSI), and other defense cooperation measures among members of the North Atlantic Treaty Organization (NATO) and with the Armed Forces of Japan, Australia, and New Zealand; and
- (g) Liaison functions exclusive of advisory and training assistance.

(2) The purpose, under U.S. law, for establishing and assigning personnel to an SAO is for in-country management of international security assistance programs conducted under Chapter 2 and Chapter 5 of the FAA and under the Arms Export Control Act (AECA). The programs include grant military assistance (including those grant programs provided under the authority of

Peacekeeping Operations, Section 551, Chapter 6, FAA), International Military Education and Training, and Foreign Military Sales. The SAO is the in-country mechanism, as authorized under DOD Directive 5132.3, under the direction and supervision of the Chief of the U.S. Diplomatic Mission, for ensuring that DOD security assistance management responsibilities, prescribed by U.S. law and Executive direction, are properly executed.

(3) The functions which should normally be performed by security assistance personnel assigned to the SAO under the authority of Section 515 of the FAA are as follows:

(a) Program Management and Oversight. These functions are described as providing the in-country management oversight of all security assistance activities; to ensure they are conducted in a proper and legal manner and to provide the interface for the exchange of information and advice between the host nation's military establishment, the Chief of the U.S. Diplomatic Mission, and DOD components responsible for the security assistance programs. This includes promotion of rationalization, standardization, interoperability, and other defense cooperation measures among members of the North Atlantic Treaty organization and with the Armed Forces of Japan, Australia, and New Zealand in connection with security assistance programs.

(b) Advisory and Training. Personnel assigned to SAOs may provide advisory and training assistance to the host country military establishment; however, this assistance must be kept to an absolute minimum and cannot impact on the ability of the SAO to fully perform its security assistance management responsibilities.

(c) The Chief of the SAO, when designated the United States Defense Representative (USDR), will comply with DOD Instruction 5105.47, "U.S. Defense Representatives in Foreign Countries," on all matters relating to USDR. In general terms, the Chief will provide oversight and in-country supervision of personnel assigned to non-security assistance functions in addition to his security assistance functions and will serve as a channel of communications between non-security assistance personnel and the appropriate interested agencies, the Unified Command, JCS, and DSAA, as well as facilitating interface with the host government and the Chief of the U.S. Diplomatic Mission.

(4) Those functions which are more properly performed by other than security assistance personnel assigned and funded under the authority of Section 515 of the FAA are broken into the following categories:

(a) Advisory and Training. If direct advisory and training assistance is required for a specific purpose (particularly such assistance related directly to an FMS case), it must be provided by Technical Assistance Field Teams (TAFTs), Technical Assistance Teams (TATs), Mobile Training Teams (MTTs), or similar teams authorized by the FAA or the AECA and paid for by the host country through a case.

(b) Collateral Duties. Assignment of collateral duties must have the approval of the Chief of Mission. These collateral duties most often relate to functions performed on behalf of U.S. forces under the direction of the CINC. If these duties are to be conducted on a permanent basis, a

review and classification prior to assignment to determine appropriate funding category should be conducted and provided to the Unified Command and the Director, DSAA. These duties may be performed by SAO personnel if they do not detract from the SAO's ability to efficiently perform the security assistance mission.

(5) Following are the general criteria for reviewing, requesting, and approving SAO manning authorizations:

(a) The functions of the SAO as a whole and of each of its members must be related primarily to security assistance management. SAO manning must be justified based on the security assistance duties to be performed. If it is a security assistance management requirement, manning should be requested and funded through security assistance channels. If the requirement involves training and advising, it should be funded by the country. If the requirement is non-security assistance, manning requests should be justified and processed with the Unified Command Special Activities Joint Manpower Program (JMP) and funded by other appropriation (e.g., O&M, MPA, or R&D).

(b) When a major U.S. policy initiative with a country results in the need for personnel to support exercises, prepositioning, ship visits, etc., it is fairly clear that these personnel should be provided under other appropriations. When these functions gradually accrue in the SAO, it is more difficult to determine the threshold at which personnel should be shifted to other appropriations or new personnel added. As a general rule, an individual should be on the security assistance JMP if he spends 50 percent or more of his time performing security assistance functions. Conversely, personnel spending 50 percent or more of their time performing non-security assistance functions should be carried as, or transferred to, an alternatively funded position.

(c) Problems can arise when a number of individuals in an SAO each accrue non-security assistance functions while performing mostly security assistance functions. During manpower reviews and upon the occasion of a request for increased manning, these functions should be sorted out, and if one man-year or more of the SAO's effort is devoted to O&M, MPA, R&D, etc., functions, those functions should be combined into a single position, if possible, and funded accordingly.

(d) Many security assistance functions can be satisfied either by personnel who are permanently assigned to an SAO or by temporary personnel paid by the country on a case, i.e., TAFTs, TATs, MTT, etc. In this case, the degree of involvement, the extent of dedicated effort required to perform the function will be the determinant. In general, temporary personnel from outside the SAO should be used to accomplish security assistance functions if those functions would detract from permanently assigned security assistance personnel performing their primary management and oversight duties or if it involves dedicated training and advising functions performed in the field or at least outside the local Ministry of Defense central office. Permanently assigned security assistance personnel should not be dedicated to a single project when its primary purpose is to assist the host government in a function in which the host government should be ultimately self-sufficient. Dedicated planning, training, advising and management of logistic centers are

a few examples of security assistance functions that should be paid for by the host government.

(e) The determination of which positions, if any, will be added or changed to another funding source will be based on Unified Command, JCS, and DSAA assessment of the extent of the degradation of the security assistance mission performance by non-security assistance duties. Any revised manpower costs as a result of such changes will be processed under the regular procedures of the JCS and applicable directives and will be coordinated with appropriate DOD offices.

(f) The SAO can provide normal administrative support for personnel assigned in-country to perform non-security assistance functions so long as such support does not reach a level that would require additional administrative personnel. If the support for non-security assistance personnel requires additional administrative personnel, O&M, MPA, R&D, etc., funded billets should be provided.

(g) Positions that are approved by authority other than an SAO JMP to perform non-security assistance functions under the oversight and supervision of the Chief of the SAO (or in his capacity as the U.S. Defense Representative) should be clearly identified as such on the SAO JMP but not as an SAO personnel authorization.

(6) A listing of appropriate SAO program management and oversight functions follows at Table 3-I-2.

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

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

e. Section 36(b) Notifications and Section 118 Reports. Specific classification directions and guidelines for Section 36(b) notifications, Section 118 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,

Relationships with industry will be forthright, factual, and avoid all connotation of favoritism.

(2) The Department of State has advised commercial firms who plan to discuss the sale of defense articles overseas to:

(a) Consult with the Department of State regarding obtaining an advisory opinion or export license;

(b) Advise the local Security Assistance Organization (SAO) or American Embassy representative upon arrival in-country; and

(c) Inform the SAO or Embassy representative whether or not they have a license to discuss technical information regarding the project planned to be discussed with host nations; and if not, how the commercial firm expects to handle the matter. There is no requirement for a commercial firm to contact the SAO or local Embassy representative, but it is in the best interests of all concerned if commercial firms do so.

(3) U.S. diplomatic posts have been advised by the Department of State that they should treat representatives of U.S. firms selling defense equipment and services with the same courtesies as other U.S. businessmen.

(a) Diplomatic posts may supply basic business information and services to U.S. business representatives (e.g., access to commercial library, names and addresses, information about local customs regulations and commercial law).

(b) Diplomatic posts may also provide nonsensitive background information on the organizational structure of the host government and defense forces, its defense budget, funding limitations, and whatever U.S. financial assistance is available.

(4) If a U.S. firm has been granted a license to release technical data in support of sales promotions or other marketing efforts in the host country, and subject to local conditions, the following additional services may be provided to representatives of U.S. firms upon request:

(a) Assistance in arranging appointments with host government officials and guidance on which officials to contact;

(b) General advice on tactics for securing sales in the host country; and

(c) Informing the host government that the USG has approved in principle the marketing effort as evidenced by the issuance of a license.

(5) U.S. manufacturers and exporters may make general marketing efforts abroad to advertise their products and services without first obtaining a license or prior approval from the Department of State, provided that:

(a) The technical data disclosed to prospective customers is in the public domain and therefore exempt from licensing requirements; and

(b) No specific proposal is made for the sale of significant military equipment (SME) valued at \$14 million or more for end-use by foreign armed forces, or for manufacturing license or technical assistance agreements for the production or assembly of SME, regardless of the value of the contract. Conversely, any marketing activity that involves disclosure of technical data not in the public domain, unless otherwise specifically exempt from licensing requirements, must be licensed by the Department of State. Likewise, any specific proposal for the sale of SME valued at \$14 million or more for end-use by foreign armed forces, or for a manufacturing license or technical assistance agreement for the production or assembly of SME, regardless of the value of the contract, must receive prior approval by the Department of State, whether or not export of technical data is involved. An approved license for the export of technical data (DSP-5), or the temporary export of equipment for demonstration purposes (DSP-73), or an advisory opinion (a "GC" case) satisfy the prior approval requirement for SME proposals. However, if technical data is to be disclosed, a license is required since an advisory opinion is not an authorization to export technical data or equipment.

(6) It is Department of Defense policy to be even-handed when dealing with commercial firms engaged in overseas marketing activities. When U.S. industry representatives approach the SAO for assistance in conducting normal marketing efforts abroad, SAO personnel should, within policy guidelines, use their own best judgement in determining whether a commercial firm should be referred to foreign country officials for the purpose of discussing a possible sale or whether any other assistance should be given.

d. Soliciting Consultation with Foreign Countries. The U.S. Government welcomes consultation with our friends and allies regarding planning to meet their defense needs, research, development, production, and logistic support programs of mutual interest. Information obtained through consultation is important in the planning process described in Chapter Four.

e. Overseas Security Assistance Organization (SAO) Responsibilities. Direct contact between SAOs, DAOs, and DoD Components is authorized to provide information to host countries concerning technical advice, data on item configuration, explanation of availability and cost factors provided by DoD components, and other essential technical and supply data. The required channels for submission of a letter of request (LOR) are in Chapter Seven, paragraph C.

f. Sales Promotion Prohibition. In accordance with Section 515 of the Foreign Assistance Act of 1961, as amended, **

"The President shall continue to instruct United States diplomatic and military personnel in the United States missions abroad that they should not encourage, promote, or influence the purchase by any foreign country of United States-made military equipment, unless they are specifically instructed to do so by an appropriate official of the executive branch." **

5. Criteria Regarding Sale of Military Equipment. In general the U.S. Government is willing to sell equipment to eligible countries and international organizations after a case-by-case review of each prospective purchaser's request. Factors considered in this review include:

a. Type of Equipment. It is easier to approve the sale of less, rather than more, sophisticated equipment; easier to approve the sale of less, rather than more, expensive equipment; easier to approve the sale of equipment adopted by the U.S. forces and promising to the buyer the benefits of logistics standardization.

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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. Definition. The term "security assistance survey" means any survey or study conducted in a foreign country by USG personnel for the purpose of assessing the needs of that country or international organization for security assistance, and includes defense requirement surveys, site surveys, general surveys or studies, and engineering assessment surveys.

b. Financing. When the survey is determined to be dictated by U.S. Government interests rather than those of the foreign country or international organization, it may be financed by the U.S. with each agency represented on the team bearing a pro rata share of the survey costs rather than by the country through an FMS case. 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 on a pro rata basis by the 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 which are intended to assess country or international organization capabilities and to identify future needs, e.g., defense requirement surveys. This includes the 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. For survey teams intended to meet a specific requirement rather than overall country international organizations capabilities, e.g., site surveys, a decision relative to the lead agency will be identified during initial staffing of the requirement. All actions shall be coordinated with the JCS and DSAA. The appropriate regional office or lead agency, as applicable, will draft Terms of Reference for the teams. General Terms of Reference for security assistance survey teams are set forth at Table 6-I-2 as a sample. A Security Assistance Survey Team Checklist outlining the process of reviewing requests for survey teams through the preparation of the Report is also at Table 6-I-3 as a sample. These Tables may be adapted to other types of survey team requirements. Terms of Reference are required for all security assistance survey teams.

d. 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 normally be led by the DOD, with the Department of State invited to provide 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 on 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.

e. Reporting Requirements. As required by section 26(b) of the AECA, DSAA will, as a part of the quarterly report required by section 36(a), AECA include a list of all security assistance surveys authorized during the preceding calendar quarter. The report will specify the country, the purpose of the survey, and the number of United States Government personnel who participated in the survey.

(1) DOD Component Responsibility. The DOD component with predominant interest in the survey team is responsible for submitting a report to DSAA Operations (ATTN: Management Division) on a quarterly basis in the format of Figure 6-I-1 not later than 30 days after the end of each quarter. The report will identify all security assistance surveys conducted during the preceding quarter. Negative replies are required.

(2) DSAA Responsibility. The Management Division of the DSAA Operations Directorate will review each submission and, after any required staffing, provide a consolidated report of all security assistance survey teams to the DSAA Comptroller, Data Management Division, for transmission to the Congress with the section 36(a) quarterly report to the Congress.

f. Submission of Survey Reports to Congress. Individual security assistance survey reports need not be provided to the Congress unless a specific request is received. Consistent with Section 26(c), AECA upon a request

of the Chairman of the Committee on Foreign Affairs of the House of Representatives or the Chairman of the Committee on Foreign Relations of the Senate, copies of security assistance surveys will be provided. All such submissions will be forwarded to the Director, DSAA, for submission to the Congress. DOD components will not submit survey reports directly to the Congress. DOD components responsible for the preparation of draft survey reports should consider the possibility of further dissemination of the report during the preparation of the report. Accordingly, necessary staffing should be accomplished before finalization of the survey report to assure that the report reflects a staffed U.S. Government position. Coordination with the DSAA Operations Directorate is required for each draft survey report within 30 days of its preparation.

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FIGURE 6-I-1

**

SECURITY ASSISTANCE SURVEYS AUTHORIZED
[Sample Format]

(date/quarter)

RCS: DSAA(Q) 1137

<u>Country</u>	<u>Inclusive Dates of Survey</u>	<u>Purpose of Survey</u>	<u>No. of USG Personnel Participating</u>
----------------	--	------------------------------	---

FIGURE 6-I-1. SECURITY ASSISTANCE SURVEYS AUTHORIZED.

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-I-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 request 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 by the Department of State (PM) 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.

I. If the decision is made to dispatch a survey team, Terms of Reference and team composition will be developed by DOD in coordination with State Department, ACDA, and AID, if appropriate. NSC and OMB must clear terms of reference and team composition. The U.S. Embassy will ensure that the host government understands and accepts the projected scope of the survey effort and ground rules. If a decision is made not to dispatch the survey team, the U.S. Embassy by direction of the Department of State will convey this decision to the host government, with explanatory rationale. *

J. Pre-departure briefings for survey team will take place in Washington, to include:

1. Scope and mission of survey. (DoD/State)
2. Political situation in host country. (State)
3. State of host country economy. (State/AID)
4. Threat assessment, and armed forces of host country. (CIA/DIA)
5. Congressional or legal considerations. (State/DoD)
6. Arms control considerations. (State/DoD)
7. Conduct in-country. (State)

K. In-country gathering of information. Conduct of the survey will be in accordance with the approved Terms of Reference.

L. Within ten duty days after return to Washington, a preliminary briefing by the team chief will be given for relevant State Department, DoD, ACDA, AID, NSC, OMB, and CIA/DIA personnel, with particular attention to highlighting issues requiring high level policy review. *

M. Within 30 days of the return of the team to CONUS, the team will draft the report and make the draft available for review.

N. All appropriate agencies will simultaneously review the draft report. The Arms Transfer Management Group (ATMG) will serve as the interagency forum for the coordination of the report and the formulation of policy issues. The NSC staff, as necessary, will review the survey findings and make recommendations to the President.

O. Approved report will be presented to the host country and to the Congress, if requested, pursuant to the AECA, Section 26(c). *

TABLE 6-I-3. (Continued)

SECTION II - CONTRACTOR PREFERENCE FOR DIRECT COMMERCIAL SALES
--

A. PURPOSE. This section identifies for Department of Defense (DoD) Components, U.S. industry, and foreign countries the DoD policies and procedures which are applied for consideration of contractor requests to sell defense articles through direct sales rather than on a government-to-government basis through Foreign Military Sales (FMS). The provisions included herein: define direct sales preference; provide procedures and applicable factors for designation of defense articles for direct sales preference; and summarize actions required by DoD components when an FMS request is received for an article previously designated for direct sales preference.

B. APPLICABILITY. Nothing in this section prohibits or restrains U.S. contractors from undertaking marketing efforts, entering into negotiations, or signing direct sales contracts with foreign purchasers. Such activities are controlled by munitions licensing procedures under the cognizance of the Department of State. The policy and procedures in this section are to be applied only to those instances when the DoD actually receives a request from a foreign country to purchase a specific article via FMS.

C. POLICY. The policy considerations which are the basis for the procedural guidance in the remainder of this section are:

1. Legislation. Under the Arms Export Control Act, U.S. national security objectives are the primary reason for FMS. Thus any defense article or defense service can be considered for sale under FMS to eligible foreign countries and international organizations. The procedure for considering and recognizing contractor preference for direct sales is not required by legislation, but is a process by which DoD attempts to accommodate U.S. industry preferences.

2. U.S. Government Approval of Direct Sales. An agreement by the DoD to notify a country of direct sales preference, under the provisions of this chapter, for a specific item of defense equipment does not constitute a commitment by the U.S. Government that a munitions license will be issued for a specific sale or that the use of U.S. Government owned plant and production equipment will be authorized. Likewise, disapproval of a contractor request for direct sales preference does not prevent the request and ultimate approval of a munitions license for a specific sale or approval of a contractor request to use U.S. Government owned plant and production equipment.

3. DoD Preference. DoD generally has no preference as to whether a foreign country satisfies its requirements for U.S. origin defense articles through FMS or on a direct commercial basis. The prohibition of direct commercial sale of specific items normally will be conveyed via DoD comments on contractor requests for advisory opinions or munitions licenses. DoD inability or unwillingness to designate an item for direct sales preference should not be construed to reflect DoD preference for sale of an item via FMS.

4. Concurrent FMS and Direct Negotiations. DoD components should not, except under unusual circumstances where such action is specifically approved

foreign governments either through foreign military sales or commercial sales channels. See Table 7-I-1 for the current MDEL.

3. Standard Foreign Military Sales (FMS) Cases. Standard FMS cases are divided into Defined Order Cases, Blanket Order Cases, and Cooperative Logistics Supply Support Arrangements (CLSSAs). These cases are used to provide major weapon systems, training, design and construction services, and related defense articles and services on a government-to-government basis from the U.S. Government.

a. Defined Order Cases. A Defined Order case is one in which the items, services or training to be provided are stated explicitly on the Letter of Offer and Acceptance (DD Form 1513).

(1) A defined order case normally requires a complete price and availability study.

(2) The following types of materiel and services are normally provided through Defined Order cases:

- (a) System/Package Sales including major items and weapon systems and any related requirements to activate and operate the item or system for an initial period of time,
- (b) Munitions, ammunition and other explosives,
- (c) Transportation services,
- (d) Aircraft Ferry,
- (e) Cartridge Activated Devices/Propellant Activated Devices (CAD/PAD), and
- (f) Technical Data Packages (TDP).

b. Blanket Order Cases. Blanket Order FMS cases represent an agreement between a foreign country or international organization and the U.S. Government for a category of materiel or services (normally identifiable to one or more end items) with no definitive listing of items or quantities.

(1) Price & Availability information for Blanket Order FMS cases is not required because the purchaser normally estimates requirements and requests an appropriate case value.

(2) The customer's materiel requirements will normally be filled from procurement rather than from DoD stocks.

(3) Blanket Order cases are established to facilitate and simplify procedures for foreign purchasers.

(4) Except for maintenance blanket order cases, the ordering period of a blanket order case will normally be 12 months and will not exceed 24 months. For maintenance cases, the ordering period can exceed 24 months if the contract under which the service is being performed also exceeds 24 months.

(5) Blanket Order cases reduce administrative lead time since requirements are submitted directly to the cognizant Military Department International Logistics Control Office (or control point) or appropriate Defense Agency.

**

(6) Although the materiel and services described below may be provided under Defined Order cases, these items and services lend themselves to Blanket Order FMS case processing:

(a) Spare and Repair Parts. Consumable or reparable items which become part of a higher assembly during period of use. Items are normally those listed in Allowance Part Lists, Initial Spares Support Lists, Initial Outfitting Lists, and the Provisioning Master Data Record. The case line items will identify the end item, weapon system or category of article or services for which spare or parts will be provided.

(b) Publications. The LOA for forms, catalogs, manuals, stock lists, reports, books, maps, etc., required to order, maintain and support defense items and services must identify the weapon system or end item for which release of technical information is authorized. Technical data will not be provided on a blanket order case. *

(c) Support Equipment. Repair parts, assemblies, components, special tools, test equipment, supplies and/or materiel recommended and/or allocated for supply and maintenance support of a weapon or end item.

(d) Minor Modifications/Alterations Performed at U.S. Installations. Changes to an existing configuration as authorized by the DoD component concerned. The level of services must be specified in the case.

(e) Technical Assistance Services. Services in the form of technical advice or performance of actions which require the expertise of a specialist. Technical assistance services include such processes as: determining the economy and feasibility of repair; estimating the level and nature of repair to be accomplished; analyzing feasibility to update the configuration of items; determining the range and depth of spare parts needed to sustain repair at various levels; establishing failure rates and analyzing reported failure data to make adjustments. Examples are: Engineering or Technical development; Site Survey Teams; installation and checkout of major items; systems evaluation; study groups to develop such essentials as engineering requirement plans; systems integration and training programs; Program Activation Teams; and Technical Assistance Teams.

(f) Training. Formal (classroom) or informal (on the job (OJT)) instruction of foreign students by DoD components, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or informational publications and media of all kinds. Some examples are: established DoD management, language, technical, maintenance or supply subjects/courses. OJT is generally structured to suit individual purchaser requirements related to some form of experience which the student seeks. Contractor training is used to supplement or replace training which may not be available in the U.S. Government at the time the training is required; i.e., flight training at contractor's facilities. Correspondence courses cover the range of courses being offered by each of the military departments.

(g) Training Aid Devices. These are used principally to supplement information and/or training programs which the foreign purchaser

SECTION C		
QUANTITY PROJECTION BREAKOUT		
MAP		
COUNTRY/ INT'L ORGN	PROJECTED QUANTITY	EXPLANATION FOR PROJECTIONS
TOTAL MAP		
DIRECT SALES		
TOTAL DIRECT SALES		
FMS		
TOTAL FMS		
TOTALS		

FIGURE 7-I-1. (Continued)

FIGURE 7-I-2

MEMORANDUM FOR: THE CHAIRMAN, JOINT CHIEFS OF STAFF
UNDER SECRETARY OF DEFENSE, ACQUISITION

SUBJECT: Security Assistance Request for Major Defense Equipment (MDE)
or Equipment of a Sensitive Nature

(* The attached request from (Insert Country or International Organization)
for (Insert Identification of Articles) which is identified as MDE or is
considered to be of a sensitive nature has been received by this Agency.

(* (Insert additional information, if required)).

(* If you have any views or recommendations regarding this request, please
advise DSAA by (Normally 15 days from date of this memo)).

DIRECTOR/DEPUTY DIRECTOR, DSAA

Attachment
a/s

Copy Furnished:

DUSD, Acquisition (IP&T)

OJCS, Director, J-5

DUSD-TSP

Applicable Security Assistance Organization in country

Applicable DoD component

* Normally, memos will be classified Confidential.

FIGURE 7-I-2. Memo -- Subject: SA Request for MDE.

b. Inclusion of nonrecurring RDT&E and production cost recoupment in accordance with DoD Directive 2140.2.

c. Inclusion of adjustments for estimated inflation or other risk factors.

d. Replacement cost in accordance with the provisions of DoD 7290.3-M.

e. Asset use charge as described in DoD 7290.3-M.

f. First destination transportation costs.

g. Recurring support costs.

h. Unfunded costs.

i. Application of factors for estimating "dollar line items" such as concurrent spare parts.

j. Adjustments based on anticipation of the receipt of other orders or Defense Department procurement of the item involved which would likely result in shared overhead costs and a reduced price for the item.

5. Sources of data used to make any of the above adjustments and their application to the case.

6. A comparison of LOA prices with budgeted or ongoing DoD component procurement prices, e.g., the Selected Acquisition Report (SAR).

7. Source for Schedule of Payments, including estimated date of contract award. *

8. A comparison of LOA prices with all other LOAs prices for the same item within the previous twelve months. This comparison should not be limited to sales within the same region.

(e) Format. Figure 7-II-4 is a suggested format for use in presenting required Financial Analysis data. The format may be modified to meet the needs of the individual DoD components. The financial analysis must, however, identify methods used in developing costs and provide the information outlined above for each line item in sufficient detail to enable the reviewer to judge the accuracy, completeness, and firmness of the estimated prices.

(2) Termination Liability T/L Worksheets to be Included with Selected Letters of Offer. The purpose of this worksheet is to provide the Director, DSAA with information concerning the implementing agency's determination of and plan for the collection of an appropriate amount of funds to cover the liability that would accrue to the U.S. Government should the sales agreement be terminated prior to normal completion. This worksheet is for internal management purposes and normally will not be furnished to the purchaser of the defense article or service.

Note: For amendments and modifications exempt from countersignature, implementing agencies should provide copies of Termination Liability Worksheets (TLW) directly to the DSAA Comptroller (FMD) and SAAC (FSRC).

(a) Offers of \$7 Million or More. LOAs (DD Form 1513) with a total case value of seven million dollars or more will be accompanied by a termination liability worksheet as part of the required financial analysis when the LOA is submitted to the DSAA for countersignature. Any modifications or amendments to these cases that contain a revised payment schedule will also contain a revised termination liability worksheet.

(b) Information to be Included. The following information will be included on the worksheet:

1. Deposit Date. Normally quarterly, in accordance with the schedule of payments.

2. Total Payment. Amount required to be deposited for both disbursements and reserves.

3. Estimated Disbursements. Anticipated payments to contractors or suppliers during the period covered by the scheduled payment (i.e., the next 3 months after payment date).

4. Reserve Requirements. Amounts required to be collected in advance and held in reserve during the period covered by the scheduled payment (i.e., the next 3 months after payment date). Reserve requirements consist of:

a. Contractor Holdback. Amount earned by contractors or suppliers during the period.

b. Termination Liability. Amount required to cover the financial liability of the USG should the contract be terminated during the period.

(c) Format for Use. Figure 7-II-5 presents a format for use in presenting this termination liability reserve information. Entries for each date should show both the quarterly transactions and the cumulative totals.

(d) Exclusions. T/L worksheet are not required for cases in the following categories:

1. Cooperative Logistics (FMSO I and II).

2. Blanket order spare parts requisitions.

3. Other equipment or services, including training to be provided from Department of Defense inventories (i.e., Source of Supply "S").

4. FMS cases for which prepayment termination liability has been waived. (NOTE: Such waivers to date have been extremely rare and no additional waivers are currently anticipated).

5. Cases with payment terms of "Cash with Acceptance."

13. Acceptance of Offer. The purchaser should complete the acceptance portion of the DD Form 1513. The form should be signed, dated, and the copies forwarded to the MILDEP and one copy to the Security Assistance Accounting Center (SAAC) along with any required initial deposit before the expiration date listed on the offer.

a. Requests for Extension. Requests by the purchasers for extensions to expiration dates will be honored only after a full review by the preparing agency to insure that all data included in the Offer remains valid. The foreign country or international organization should be advised of the new expiration date via message from the preparing DoD component along with authorization to make a pen and ink change to the expiration date listed on the LOA or amendment. The SAAC and the DSAA should be provided an information copy of the message. All concerned should be advised of the consequence of extensions. Normally, the greater the period of time between offer and acceptance the greater the likelihood of decreased accuracy of the P&A data contained in the LOA.

b. Receipt and Recording of Acceptance. When the LOA is accepted, distribution will be made in accordance with the instructions contained in the LOA. In addition, the applicable MILDEP is responsible for furnishing a signed copy to DSAA/Comptroller (Attn: Data Management Division).

c. SAO Notification of Acceptance or Rejection. Each Security Assistance Organization (SAO) will immediately advise the DSAA-Comptroller, the SAAC, and the MILDEP issuing the LOA by priority message when each LOA has been accepted or rejected by the foreign country or international organization. In those instances when the LOAs are processed by the foreign country or international organization not served by SAOs, the LOA will have an annotation requiring the signature authority to immediately notify the DSAA-Comptroller, the SAAC, and the appropriate issuing organization by message when the LOA is accepted by an authorized representative of the purchaser. Each message must contain the date of acceptance. Within five calendar days of acceptance or rejection of the offer, the DSAA, the SAAC, and the issuing organization must be notified. If such notice is not received within ten calendar days after the expiration date, the LOA, even though accepted, will be automatically cancelled.

d. Pen-and-Ink Changes - DD Forms 1513 and 1513-1. Pen-and-ink changes are modifications to a DD 1513 or DD 1513-1 authorized by the issuing DoD components prior to acceptance of the document. Pen-and-ink changes should be avoided to the maximum extent possible. The change may be at the request of the purchaser or at the initiative of the issuing DoD component. If the change authorizes any increase in scope or any revision of the terms of sale or total costs, DSAA-Comptroller, FMS Control Division, must concur prior to authorization. The issuing agency must authorize the pen-and-ink change by message or letter to the purchaser with a copy to SAAC/FSR and DSAA-Comptroller, FMS Control Division. Extensive changes must be made by issuance of a new or restated DD 1513 or DD 1513-1 (after acceptance of the basic case) rather than by a pen-and-ink change. Copies of all DD 1513s and DD 1513-1s (including revised termination liability worksheets, if applicable) that have been modified by authorized pen-and-ink changes must be disseminated to the required organizations (for example, SAAC).

*(deletion)

14. Addresses of Military Department Central Activities Responsible for FMS Transactions.

- a. Army: Department of the Army
U.S. Army Security Assistance Center
5001 Eisenhower Avenue
Alexandria VA 22333
- b. Navy: Department of the Navy
Chief of Naval Operations (OP-63)
Washington DC 20350
- c. Air Force: Department of the Air Force
Director of Military Assistance
and Sales (AF/PRI)
Headquarters, U.S. Air Force
Washington DC 20330

FIGURE 7-II-4

FINANCIAL ANALYSIS WORKSHEET

CC _____ Case Manager _____
 Case _____ Organization _____
 System _____
 Case Line _____ Date Prepared _____

PRICING TECHNIQUE

- A. NSN _____
- B. QTY _____
- C. Source of Item (Check One):
1. _____ Excess Inventory
 2. _____ Inventory (without replacement)
 3. _____ Inventory (replacement with same item)
 4. _____ Inventory (replacement with improved item)
 5. _____ Production
 6. _____ Other
- D. Source of Price (Check One):
1. _____ Prime Contractor
 2. _____ Price and GFE Contractor
 3. _____ Standard Price
 4. _____ Major Subordinate Command Estimate
 5. _____ Other (explain)
- E. Source Unit Price _____
- F. Adjusted Price (explain source and computations in Remarks)
1. _____ Agent's Fees or Commissions
 2. _____ Nonrecurring Costs (RDT&E) Recoupment Charges
 3. _____ Nonrecurring Costs (production) Recoupment Charges
 4. _____ Replacement Costs
 5. _____ Adjusted for Inflation
 6. _____ Asset Use Charge
 7. _____ Contractor Rental Payments for USG-Owned Plant and
 Production Equipment
 8. _____ CAS/Audit
 9. _____ Recurring Support Costs _____ Contract _____ Government
 10. _____ First Destination Transportation
 11. _____ Other (explain)
 12. _____ Total Adjustment

 FIGURE 7-II-4. Financial Analysis Worksheet.

G. Adjusted Unit Price _____

H. Source for Schedule of Payments

1. _____ Prime Contractor
2. _____ Prime and GFE Contractor
3. _____ Major Subordinate Command Estimate
4. _____ Other (explain)
5. _____ Estimated date of contract award

**

I. Comparison with other cases (12 months)

CC	CASE	UNIT PRICE	RATIONALE FOR EVALUATION*
(1)			
(2)			

J. Remarks (use continuation sheets, as necessary)

* If different from above adjusted unit price.

FIGURE 7-II-4. (Continued)

W. BLOCK (27) TERMS. Enter appropriate terms of sale in accordance with the guidance contained in Chapter 7, Section III, paragraph K. If an initial deposit is required, this fact should be so stated and the amount of the initial deposit entered in Block 28. In all cases where DoD direct or guaranteed FMS credit or MAP funding is used, insert 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 the applicable amount will be cited. *

X. BLOCK (28) AMOUNT OF INITIAL DEPOSIT. If by the terms of this LOA an initial deposit is required and has been stated in Block (27), the dollar amount in whole dollars of this initial deposit should be entered. *

Y. BLOCKS (29) THROUGH (37). Leave blank. These blocks should be filled in by the authorized representative of the purchasing government.

NOTE THE FOLLOWING INFORMATION
BEFORE SUBMISSION OF THIS NOTICE 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 FMS Control Division, DSAA/Compt all DD Forms 1513 in original and 2 copies (one extra copy for credit cases).

3. Attach a Financial Annex to all DD Forms 1513 except FMSO I cases.

4. Before notifying the customer of a change to cost or scope prior to acceptance, obtain approval from DSAA/OPS.

5. Attach a termination liability worksheet for each case of \$7 million or more and those which meet any other of the criterion in Chapter 7, Section II, paragraph C.8.c.(2).

6. Attach a financial analysis worksheet for each line item in accordance with Chapter 7, Section II, paragraph C.8.c.(1).

7. All DD Forms 1513 must be listed in the Letter of Request (LOR) system for at least seven (7) days prior to countersignature.

8. Letters of Offer reported under the Arms Export Control Act (AECA), Section 36(b) will include below Block 11 the identifying DSAA Transmittal Number used in the Statutory Congressional Notification (e.g., 83-15).

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

TABLE 7-II-1. (Continued)

TABLE 7-II-2

TRANSPORTATION INSTRUCTIONS, DD FORM 1513

A. SALE OF MATERIEL

1. When all items on the Offer and Acceptance document (DD Form 1513) require a single code in Blocks 19, 20, 33, and 34, the appropriate code as determined below will be entered in the respective blocks of the DD Form 1513:

a. Block (19) Offer Release Code. Enter one of the following codes opposite each materiel line item, as applicable:

<u>Code</u>	<u>Explanation</u>
A	Freight and parcel post shipments will be released automatically by the shipping activity without advance notice (Notice of Availability).
Y	Advance notice is required before release of shipment, but shipment can be released automatically if release instructions are not received by shipping activity within 15 calendar days. Parcel post shipments will be automatically released.
Z	Advance notice is required, before release of shipment. Shipping activity will follow-up on the notice of availability until release instructions are furnished. Parcel post shipments will be automatically released.
X	The U.S. Service and country representative have agreed that the: <ul style="list-style-type: none"> - U.S. Service will sponsor the shipment to a country address. Under this agreement Block (34) (Freight Forwarder Code) must contain "X" and a customer-within-country (CC) Code must be entered in Block (33) (MARK FOR Code). The Military Assistance Program Address Directory (MAPAD) must contain the CC Code and addresses for each type of address required, i.e., parcel post, freight, documentation. - Shipments are to be made to an assembly point or staging area as indicated by clear test instructions on exception requisitions. Under this agreement Block (34) must contain Code "W". A MARK FOR Code may be entered in Block (33) and the MAPAD must contain the MARK FOR Code if the MARK FOR Address is to be used on the shipment to the assembly point or staging area.

TABLE 7-II-2. Transportation Instructions, DD Form 1513.

b. Block (20) Delivery Term Code (for other than repair and return procedures). Enter one of the following codes opposite each materiel line item, as applicable:

<u>Code</u>	<u>Explanation</u>	
2	Delivery to Destination (Inland Origin to Inland Destination Within CONUS or Within the Same Overseas Geographic Area).	
3	Delivery Alongside Vessel at Port of Exit.	
4	Collect Commercial Bill of Lading for movement within CONUS, or contractor delivery of materiel procured off-shore to designated freight forwarder or country representative.	* * * *
5	Delivery to Commercial Port of Exit by GBL.	
6	Delivery to Overseas Port of Discharge (Shipment by Capability of DTS).	
7	Delivery to Destination, specified point in recipient country.	
8	Delivery to Vessel (onboard) -- Port of Exit.	
9	Delivery to Port of Discharge (Landed).	

c. Block (33) MARK FOR Code. Enter the MARK FOR Code from the Military Assistance Program Address Directory (MAPAD) (DoD 5105.38-D), that identifies the organization in-country which is to receive the materiel. This address will be added to the SHIP TO address on all freight containers. The MARK FOR Code will appear on all materiel forwarded by parcel post/small parcel delivery service. As a minimum, it should consist of the port of discharge name and designator (water or air); street, city, and state/province address of organization; country name; and country service name.

(1) If Delivery Term Codes (DTC) and addresses are not published, the U.S. shippers are not authorized to apply these markings. This causes containers to be received at the freight forwarder or U.S. military representative in-country unmarked for onward shipment with resultant shipping delays, misdirected and lost shipments, and unnecessary work at the freight forwarder port of exit and/or the port of discharge. The U.S. Government will sponsor shipment of this materiel to FOB U.S. Point of Origin.

B. REPAIR AND RETURN OF FOREIGN COUNTRY OWNED MATERIEL

1. The offer and acceptance document (DD Form 1513) will be annotated in Blocks 19, 20, 33 and 34, to reflect the appropriate Code as determined below:

a. Block (19) Offer Release Code. The appropriate Code from paragraph A.1.a. above should be entered opposite each materiel line item. This Code provides instructions for the return shipment to the customer.

TABLE 7-II-2. (Continued)

b. Block (20) Delivery Term Code (for repair and return procedures. Enter one of the following Codes opposite each materiel line item as applicable:

<u>Code</u>	<u>Explanation</u>
A	U.S./DoD is responsible for transportation from a designated overseas port of embarkation (POE) to a CONUS destination, and return to a designated overseas port of debarkation (POD). Customer country is responsible for overseas inland transportation of materiel to/from the overseas POE/POD and overseas port handling.
B	U.S./DoD is responsible for transportation from a designated overseas port of embarkation (POE) to a CONUS destination, return to a CONUS port of embarkation and CONUS port handling. Customer country is responsible for overseas inland transportation to the overseas POE, overseas port loading, and overocean transportation from the CONUS POE to ultimate destination.
C	U.S./DoD is responsible for CONUS port unloading of country arranged carrier, transportation to and from a designated CONUS destination and CONUS port loading of country arranged carrier. Customer country is responsible for movement of materiel to and from the CONUS POE/POD.
D	U.S./DoD is responsible for CONUS port unloading of country arranged carrier, transportation to a CONUS destination and return to an overseas designated POD. Customer country is responsible for overocean transportation to a CONUS POD, overseas port unloading and overseas inland transportation to ultimate destination of returned materiel.
E	Customer country is responsible for all transportation from overseas point of origin to CONUS activity and return to an overseas destination.
F	U.S./DoD is responsible for transportation from an overseas inland location to an overseas POE, overseas port handling, overseas transportation to a CONUS POD, CONUS port handling, inland transportation to be a designated CONUS destination, and return to an overseas destination.
G	U.S./DoD is responsible for overseas port handling through an overseas POE, overseas transportation to a CONUS POD, CONUS port handling, inland transportation to a CONUS destination, and return to an overseas port of debarkation and overseas port handling. Customer country is responsible for overseas inland transportation to and from the overseas port.

TABLE 7-II-2. (Continued)

b. Administrative Charges.

(1) Scope. An administrative charge shall be added to all FMS cases to recover DoD expenses related to the administration of the FMS transactions in accordance with Section 21(e)(1)(A) of the AECA. (Normally, the charge will be three percent, however, in certain instances a five percent charge will apply.) See DoD 7290.3-M, Section 705, for the appropriate administrative charges which must be included in FMS cases. If the LOA contains both standard and non-standard items, they must be cited as separate line items on the LOA.

(2) Cancellations. In the event that the FMS purchaser cancels an entire FMS case (LOA or Amendment) at any time prior to the delivery of all articles and services involved, the following guidance applies:

(a) Guidance Regarding Cancellation of FMS LOAs.

-- Standard Defined Order Cases. On standard defined order FMS cases the administrative charge will be three percent of the actual value at case closure or one percent of the implemented program value, whichever is greater. For offers on or after 1 October 1983, the administrative charge shall not be applied to case management lines.

-- Non-Standard Defined Order Cases. On FMS cases which provide for non-standard procurement, the administrative charge will be five percent of the actual value at closure or one percent of the implemented program value, whichever is greater.

-- Blanket Order and CLSSAs. On Blanket Order FMS cases or FMSO II cases, the administrative charge will be three percent of the delivered value at case closure. For FMSO I transactions the applicable charge is five percent.

(b) LOA Notes Regarding Cancellation Charges. A note should be placed on LOAs and amendments which indicates to the FMS purchaser the appropriate administrative charge which would be assessed should the entire LOA or amendment be cancelled.

(c) Approval to Assess a Cancellation Charge. The DSAA Comptroller and the Director of Operations must approve the assessment of the one percent cancellation charge on applicable FMS cases. DSAA countersignature of a DD Form 1513-2 decreasing the dollar value of a cancelled FMS case does not constitute this approval. When case closure certificates are submitted to the DSAA for review, the following information is required:

-- A copy of the FMS case, including all amendments or modifications.

-- Either a copy of correspondence pertaining to the cancellation or a written explanation as to the reason why the case was cancelled. The explanation should identify whether the items on the LOA were placed on contract by the MILDEP and whether the DoD incurred any "out-of-pocket" costs in implementing or cancelling the LOA.

-- The name and telephone number contact of an individual cognizant of the case to whom inquiries could be directed.

[Note: Administrative cancellation charge does not apply to cases closed with zero deliveries/expenditures. SAAC is authorized to automatically close these cases without applying an administrative fee.]

(3) Annual Administrative Budgets. DoD components incurring costs in support of FMS programs will prepare annual budgets for related administrative expenses in accordance with Chapter 13, Section I, this Manual.

c. Review of Accessorial and Administrative Rates. Rates for accessorial and administrative costs are subject to review at least every two years. Requests for exceptions to the pricing policies prescribed herein, in the case of unresolved disputes, or deviations from any price or service charge when it can be shown that such deviation is in the best interests of the U.S. Government shall be submitted through the Director, DSAA, to the Assistant Secretary of Defense (Comptroller) for resolution or approval. Such requests will contain the basis or justification and supporting data for the exceptions. See additional guidance in DoD 7290.3-M, paragraph 71801.

d. Nonrecurring Cost (NRC) Recoupment Charges.

(1) Background. Section 21 of the AECA requires that, in selling defense articles to foreign governments and international organizations, an appropriate charge be made for a proportionate amount of any nonrecurring cost of research, development, test and evaluation (RDT&E), and production of major defense equipment (MDE). Implementation guidance on establishment of charges, collections, and waivers is contained in DOD Directive 2140.2, dated August 5, 1985.

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(2) DoD Component Responsibility. As a matter of DoD policy the military components are responsible for determining recoupment charges for all items of defense equipment having a total nonrecurring development and production cost of \$5 million or more. DoD components must use actual, not program, cost data and may use estimates where the development of more precise data is not possible; however, in the latter case, it must be demonstrated that a reasonable approach was used and prior approval of alternative costing methods must be obtained from the OSD Comptroller (Accounting Policy), with DSAA concurrence. The costs to be applied against the foregoing threshold levels shall normally be determined based upon the system roll-away, sail-away or fly-away cost of the end item, and assessments for product sales shall be made on the basis of end item sales. In the event an end-item contains one or more components which individually meet these thresholds, recoupment will be made on both end item and component sales. Nonrecurring RDT&E costs are those costs funded by an RDT&E appropriation to develop or improve the product or technology. This includes costs of any engineering change proposal (ECP) initiated prior to the date of the contract with the customer, as well as projections of such costs, to the extent additional effort applicable to the sale model or technology is necessary or planned. It does not include costs funded by either procurement or operations and maintenance appropriations to improve the product or for costs of publications. The costs of such improvements are recurring costs and will be recovered in accordance with DoD 7290.3-M. Nonrecurring production costs are those one-time costs incurred in support of previous production of the model specified and those costs specifically incurred in support of the total projected production run from which delivery is to be made which would normally be expenses against a production run. These nonrecurring costs include such costs as preproduction, special tooling, special test equipment, production engineering, product improvement, destructive testing, and pilot model production, testing, and evaluation. They do

(c) Authority to approve waivers is vested in the Secretary of Defense and delegated to the Director, DSAA. A waiver request will be considered by DoD only if it is initiated by the country or international organization involved, and forwarded to the Director, DSAA. The Director, DSAA is responsible for obtaining coordination of DoD activities concerned, and for submitting cases involving opposing views to the Secretary of Defense for decision.

(d) This policy applies to all sales, direct commercial as well as government-to-government (FMS), and regardless of whether the items involved are classified as "major defense equipment" or "non-MDE." It will not be construed, however, as nullifying or modifying in any way specific government-to-government agreements or specific memoranda of understanding for waiver of nonrecurring costs or asset use charges that were executed in writing and signed by all concerned prior to 1 January 1982.

e. Charges for Use of U.S. Government-owned Facilities, Plant and Production Equipment. Sale of defense articles to any foreign country or international organization shall include appropriate charges for any use of U.S. Government-owned facilities, plant and production equipment in connection with the production of the defense articles. Charges for use of U.S. Government-owned facilities, production and research property shall be assessed whether on an FMS or a direct commercial sale, where such U.S. Government owned property is being used in performance of services or manufacture of articles for foreign countries or international organizations.

(1) Asset Use Charges. Sales of defense articles which were produced in government-owned facilities or with government-owned plant and production equipment shall be priced to include an asset use charge, except where the production of the defense articles was subject to rental charges for use of DoD facilities, plant and production equipment. Asset use charges will be calculated in accordance with the provisions of DoD 7290.3M, Section 706.

(2) Rental Charges for Use of DoD Assets. Sales of defense articles which were produced in government-owned facilities or with government-owned industrial plant and production equipment, for which a rental is assessed in accordance with the provisions of DOD FAR Supplement 45.4 and FAR 52.245-9, will be priced to include the appropriate rental charge. When there is a provision for rental charges for use of U.S. facilities, plant, production or research property, in the DoD facilities contract, the rental charge will be assessed. The asset use charge applies only to FMS when there is no provision for rental charges. At no time will both a rental charge and an asset use charge be applied to the same defense articles on an FMS transaction.

(3) Use of U.S. Industrial Plant Equipment (IPE) for Work for Foreign Governments or International Organizations. Non-government use of U.S. Government-owned industrial plant equipment requires prior written approval of the contracting officer or Departmental level approval depending upon the percentage of usage, in accordance with the provisions of the DOD FAR Supplement 45.407.

(4) Use of U.S. Production and Research Property for Work for Foreign Countries or International Organizations. Non-government use of U.S.

production and research property for foreign procurement requires the prior written approval of the MILDEP having cognizance of the property. Such approval may be granted only if use will not interfere with U.S. requirements, and the work is in support of FMS or a direct commercial sale approved under the terms of the AECA. Either the asset use or applicable rental charges will be assessed.

(5) Waiver or Reduction of Asset Use/Rental Charges for Use of DoD Assets. Requests for waiver or reduction of asset use/rental charges will be considered for particular sales which would, if made, significantly advance U.S. Government interests in standardization with NATO, NATO member countries, Australia, New Zealand, or Japan. Waivers will be considered only where it is demonstrated clearly that a particular sale will significantly advance U.S. interests in standardization. The burden of such demonstration rests with the purchasing foreign country or international organization. Requests from foreign countries can be submitted directly to the Director, DSAA. In the event the request is provided by the country to the contractor, it should be submitted to the contracting officer who shall refer it through procurement channels to the Director, DSAA, ATTN: Operations Management Division, for consideration and decision. Contracting officers should consider and indicate any potential interference with U.S. requirements prior to forwarding a waiver request for the DSAA, and assure that the request identifies the total amount of charges involved.

f. Quality Assurance and Inspection, Contract Audit Services, and Other Contract Administration Services. **

(1) Refer to DoD 7290.3-M, paragraph 70305 for guidance regarding recovery of contract administration services costs incurred in support of new procurement for FMS.

(2) Costs incurred by the DOD for quality assurance and inspection, contract audit services, and other contract administration services will be assessed for FMS programs as prescribed by DOD 7290.3-M.

(3) Quality assurance and inspection, contract audit services, and other contract administration services provided in connection with contracts or subcontracts for defense articles or defense services entered into after October 29, 1979, either directly or indirectly by a NATO member country, or pursuant to an FMS Letter of Offer and Acceptance (LOA) with a NATO member country, may be provided without charge if that government provides such services in accordance with an agreement on a reciprocal basis, without charge, to the U.S. Government.

(4) These services may also be provided without charge in connection with the placement or administration of any contract or subcontract for defense articles or defense services pursuant to NATO infrastructure programs in accordance with an agreement under which the foreign governments participating in such programs provide such services, without charge, in connection with similar contracts or subcontracts.

(5) Agreements for the provision of such services without charge will be negotiated by the Office of the Secretary of Defense (Acquisition and Logistics) and will be implemented by the Director, DSAA,

under the authority of the AECA, Section 21(h)(1); Section 106, P.L. 99-661 (NATO-E3A); and Section 132, P.L. 99-83 (Germany-Patriot). Since the reciprocal nature of providing such services can normally only be provided on a country-wide basis, agreements for reciprocal waivers will normally not be made for specific programmatic requirements.

(6) A listing of approved reciprocal waiver agreements is provided at Figure 7-III-2.

g. Termination Liability Reserve.

(1) MILDEPs implementing foreign military sales agreements are responsible for the determination of costs of potential contract termination

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law, however, only sales from procurement sources (Section 22 or Section 29 of the AECA) are dependable undertakings -- sales from DoD stocks require terms of sale of either "Cash with Acceptance" or "Cash prior to Delivery."

b. Payment of Initial Deposits. To accept an LOA, the purchaser may be required to make an initial deposit equal to a portion or all of the estimated value of the FMS agreement. The amount of the initial deposit will be as specified on the LOA and computed in accordance with paragraph c. below, except for FMSO I Agreements. DoD 7290.3-M provides special guidance for computing initial deposits for FMSO I. Where an initial deposit is required, the purchaser is responsible for forwarding payment to SAAC by check or wire transfer at the time of and as an integral part of accepting the DD Form 1513. In the absence of such payment, there is no binding agreement that can be implemented. If the purchaser has excess funds in his FMS Trust Fund Holding Account, he may request use of these funds to pay initial deposit requirements. For that portion of the value of the FMS agreement for which the purchaser need not make an initial deposit, the SAAC will bill the purchaser as required. For those purchasers not authorized direct arrangements for dependable undertaking (and, accordingly, are not listed in Table 7-III-2), terms of sale on a cash sale from procurement will be "Cash with Acceptance," unless DSAA has provided approval for other financing terms.

c. Computation of Initial Deposit. Except for FMSO I, the implementing agency will compute the initial deposit as follows: The initial deposit must be sufficient to cover the potential charges to be incurred (e.g., contractor progress payments, contractor holdbacks, potential termination charges, deliveries from DoD inventories, etc.) from the expiration date of the offer set forth in the LOA through the day immediately preceding the calendar quarter to which the first bill applies. New FMS agreements can enter the billing system at the SAAC during a particular calendar quarter through the tenth day of the last month of that quarter. A bill is issued as of the close of business of that quarter with payment due 75 days later. The bill covers all costs incurred as of the date of the bill plus anticipated costs through the quarter following the payment due date. Therefore, if the agency anticipates that an LOA will be accepted by the purchaser and will be received by SAAC before the tenth day of the last month of the quarter, the implementing agency should require an initial deposit to cover only the estimated payments due through the end of the first full calendar quarter following the acceptance of the agreement. To illustrate, a new agreement with an expiration date of between 11 September through 10 December would first appear on the billing statement as of 31 December. The 31 December statement would request payment on 15 March for costs estimated to be incurred during the period 1 April through 30 June. Therefore, the initial deposit should cover only the estimated payments due from date of acceptance through 31 March. However, if the SAAC does not receive a new agreement until 11 December, the agreement would first appear on the billing statement as of 31 March. This 31 March statement would request payment on 15 June for costs estimated to be incurred during the period 1 July - 30 September. In this case, the initial deposit should cover all estimated payments due from date of acceptance through 30 June. The payment schedule set forth in a Financial Annex will be based on the foregoing and reflect the date that payment is due. Other than initial deposits, payment due dates are 15 March, 15 June, 15 September, and 15 December. An example is as follows:

Offer Expiration Date: 15 December
Initial Deposit: Costs to be incurred
 from date of acceptance through 30 June
First Forecast Quarter in Payment Schedule:
 1 July thru 30 September
"As of Date" of Billing: 31 March
Approximate Mailing of Billing: 15 April
Payment Due: 15 June

(1) If there will be no performance on the case during the period covered by the initial deposit, that is, no deliveries of articles from stock, no services performed, or no items placed on contract, the initial deposit should consist only of one-half (50%) of the administrative surcharge shown in block 23 of the DD Form 1513. **

(2) If items will be placed on contract during the initial deposit period, a reserve for termination liability (TL) and contractor holdback must be included in the initial deposit. The amount required for TL in the initial deposit is the amount for which the U.S. Government would be liable should the contract be terminated during the period covered by the initial deposit, not the full amount of TL that may be required during the life of the case. If items will not be placed on contract until later in the course of the LOA, there should be no TL or contractor holdback in the initial deposit. **

(3) Detail guidance for determining initial deposits and preparation of payment schedules is given in DoD 7290.3-M, Chapter 4. Figure 7-III-1 summarizes the above dates as viewed by the SAAC as the responsible authority for assuring the adequacy of cash deposits from FMS purchasers. *

3. Terms of Sale. Terms of Sale and related statements to be used on LOAs are as follows:

a. Terms.

(1) "Cash with Acceptance." This term applies when the initial cash deposit equals the amount in the "Estimated total Costs" block of the LOA. Paragraph B.3.a. of Annex A of the LOA defines this term. This term will also be used for FMSO I even though the initial deposit is less than "Estimated Total Costs."

(2) "Cash Prior to Delivery." Under this term, the U.S. Government collects cash in advance of delivery of defense articles and rendering of defense services and design and construction services from DoD resources. Section 21(b) and Section 29 of the AECA apply. Paragraph B.3.b. of Annex A of the LOA defines this term.

(3) "Dependable Undertaking." Under this term, the U.S. Government collects cash in advance of procurement contract payment requirements. Section 22 and Section 29 of the AECA apply. Paragraph B.3.c. of Annex A of the LOA defines this term. If Section 22(b) is applicable based on Presidential action (i.e., payment due 120 days after delivery), add "with 120 days payment after delivery." The countries identified in Table 7-III-2 are authorized to make direct arrangements with the cognizant DoD component for purchases under a dependable undertaking transaction.

(4) "Payment on Delivery." Under this term, the U.S. Government issues bills to the purchaser at the time of delivery of defense articles or rendering of defense services from DoD resources. The first sentence of Section 21(d) of the AECA applies. Paragraph B.3.d. of Annex A of the LOA defines this term. The implementing agency may use this term only pursuant to a written statutory determination by the Director, DSAA, who must find it in the national interest to do so. If the last sentence of Section 21(d), of the AECA is applicable, based on Presidential action, modify to read "Payment 120 days after Delivery."

(5) "FMS Credit." This term applies to payment for a Foreign Military Sale in whole or in part with FMS loan funds, extended or guaranteed by DOD under Sections 23 and 24 of the AECA or under other legislation. Paragraph B.3e of Annex A of the LOA defines this term. If the sales agreement is to be financed only in part with FMS credit funds, the implementing agency will will also cite in the "Terms" block (27) of the LOA the appropriate other Terms of Sale and the amounts applicable to each type of financing. (Note: The purchaser must request the drawdown of FMS loan funds in payment of the initial deposit and subsequent payments (if any) in accordance with the Financial Annex of the LOA. Instructions for processing loan drawdowns are contained in Chapter 9.) **

(6) "MAP Merger." This term applies to payment for a Foreign Military Sale in whole or in part with Military Assistance Program (MAP) funds, authorized for transfer to the FMS trust fund for merger with country trust fund deposits. If the sales agreement is to be financed only in part with MAP merger funds, the implementing agency will also cite the appropriate other terms and the amounts applicable to each in the LOA. **

b. Related Information.

(1) If more than one of the above Terms of Sale apply to a particular LOA, the implementing agency will cite all of the appropriate Terms of Sale on the LOA. No attempt should be made to break out the estimated costs of each or some line items, except where FMS Credit or MAP funds are cited in which case a dollar breakout will be shown. Applicable line items for credit will be coded "TAZ." Mixed line items will show "TAZ" and other appropriate "TA" code. (See Paragraph 4 below.)

(2) In addition to the applicable Terms of Sale, the implementing agency will enter the following statement in the "Terms" block of the LOA: "Payment will be in accordance with the provisions of the Financial Annex subject to paragraph B.3.f. of Annex A." However, this statement does not apply to Cash with Acceptance and FMSO I cases. If the purchaser is not authorized a Dependable Undertaking for Section 22 or Section 29 sales, the Term of Sale will be "Cash with Acceptance," unless specific DSAA approval is obtained. A Financial Annex is required for all LOAs except FMSO I agreements. Paragraph M.1.d., this section sets forth instructions for Financial Annexes.

4. Type of Assistance (TA) Codes.

a. Codes Identified.

- Code 3: Sec 21 (b), AECA; Source of Supply "S", "R", "E".
- Code 4: Mixed Sec 21(b), 22(a), or Sec 29 AECA or source undetermined; Source of Supply "X".
- Code 5: Sec 22(a), AECA; Source of Supply "P".
- Code 6: Sec 21(d), AECA; Payment on Delivery; Source of Supply "S", "R", "E".
- Code 7: Sec 22(b), AECA; Dependable Undertaking with 120 days payment after delivery; Source of Supply "P".
- Code 8: Sec 21(d), AECA; Stock sales with 120 day payment Source of Supply "S", "R", "E".
- Code M: Sec 503(a)(3) Foreign Assistance Act, MAP Merger.
- Code U: FMSO I, Source of Supply "P".
- Code V: FMSO II, Source of Supply "P".
- Code Z: Sec 23 or 24, AECA; FMS Credit.

b. Use with Source of Supply Codes. The type of assistance code may be interchanged when used in the "Availability and Remarks" block of the LOA. Example: TA3, TAZ. The Source of Supply codes shown in paragraph 3, Explanatory Notes, Annex A, to the LOA, must be determined and indicated independently of TA codes. For example, the source of supply coding for FMSO II should be "P(*)" and the TA code for FMSO II should be "TAV" with both designations being shown in the "Availability and Remarks" block of the LOA.

L. MULTIPLE SOURCES OF FINANCING.

1. Reasons for Use.

a. Inadequate Credit/MAP Funds. A purchasing nation may find, when procuring high-dollar-value, long-lead-time items, that the amount of credit/MAP funds currently available for such procurement is inadequate to finance the entire purchase. Therefore, since credit/MAP funds which are not yet available to the purchaser may not be cited on the LOA, that portion not covered by credit/MAP financing must be reflected as "cash" on the LOA. As additional credit/MAP funds become available to the purchaser, it may then request the military department to amend the LOA to convert the cash portion to credit/MAP to the extent that such financing is available.

b. Inadequate Cash. A purchasing nation may accept an LOA which cites "cash" as the method of payment, only to find at some later date that its national funds are inadequate to pay subsequent billings from SAAC. In such an instance, the purchaser may request the military department to amend the LOA to cite credit/MAP funds, if available, to finance the remaining payments.

M. FINANCIAL CONTROL OF FMS AGREEMENTS.

1. Accuracy of Pricing and Payment Schedules.

a. Need for Accuracy. Historically, a major area of purchaser concern has been the rapid change in pricing and financial commitments after acceptance of FMS agreements. Purchasers are concerned that the amounts they

are required to pay on the DD Form 645, FMS Billing Statements, often differ significantly from the amounts estimated in the LOAs and related payment schedules. Inaccurate payment schedules hamper financial planning on the part of purchasers and, as a result, they must obtain emergency funds from (or must return monies to) their parliamentary bodies.

b. Effect of Inaccuracies on Customers. Since purchasing governments typically have budgetary practices that are as involved as our own, emergency funding may not be available in time to avoid penalty interest assessments on delinquent FMS debts. Interest charges for late payments are especially difficult for DoD to explain when the cause for delinquency is attributable to inaccurate pricing and inflated payment schedules provided to the purchasers by DoD .

c. Policies for Pricing. The policies for pricing defense articles and services are set forth in DoD 7290.3-M. Each DoD component must strictly adhere to the policies prescribed. To assist in the pricing of FMS 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.

**

(a) Implementing agencies will revise LOA payment schedules as outlined in paragraph (b) below. A new payment schedule should be furnished whenever a substantive change in payment requirements is evident. SAAC will bill in accordance with payment schedules so long as payment schedules are realistically in line with financial requirements.

(b) Implementing agencies will establish formal procedures for the review and revision of FMS case payment schedules as follows:

1. The payment schedule should be evaluated each time a DD Form 1513-1 or 1513-2 is issued that affects case or line values.

2. Payment schedules for cases with performance extending beyond two years should be reviewed as indicated below:

<u>Total Case Value</u>	<u>Review Frequency</u>
\$100 million or less	Annually
\$100-\$500 million	Semi-annually
\$500 million or above	Quarterly

3. If the review discloses that actual disbursements and payables vary from estimated disbursements by more than 10%, implementing agencies should give priority to revising applicable payment schedules.

4. Implementing agencies will monitor the contract award date contained in the Financial Analysis (SAMM, Chapter 7, Section II, para. C.8.c.(1)(d)7) provided with each new LOA. If the contract award date slips, the payment schedule should be adjusted accordingly. A revised payment schedule must be issued by DD Form 1513-2 within 30 days of contract award, in such a situation.

(c) Except in emergency situations, payment schedule changes will be provided to SAAC via a properly executed DD Form 1513-2 (or customer-signed DD Form 1513-1).

(d) On an emergency basis, when immediate suspension or modification of the billed amount is required, a revised/restated payment schedule may be provided to SAAC by message. However, this means of notification should be used only if a properly executed DD Form 1513-2 or customer-signed DD Form 1513-1 cannot reach SAAC by the 10th day of the last month of the calendar quarter. Message notification must be immediately followed by a financial annex payment schedule modification (DD Form 1513-2).

(e) If an emergency payment schedule change is not followed by a DD Form 1513-2 containing a new payment schedule prior to the next billing cycle, the FMS billing statement (DD Form 645) will revert to the payment schedule contained in the most recent official LOA document (DD Form 1513, 1513-1, or 1513-2, as applicable).

(f) Implementing agencies are encouraged to develop standard payment schedule management systems. Implementing agencies will ensure that internal regulations are consistent with the SAMM with respect to payment schedule preparation and revision.

(3) Prohibition on Front-Loading of Payment Schedules. LOA payment schedules should reflect the case manager's best estimate of financial requirements. Requests from FMS purchasers to front-load FMS case payment schedules must be coordinated with DSAA Operations and Comptroller prior to submission of the LOA for countersignature. A copy of the purchaser's request must be included in the coordination package. In addition, the amount of acceleration involved with the proposed schedule and the type(s) of financing involved should be identified. **

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. Payments often are received cumulatively which are in excess of the value of a particular case. These funds may be transferred into Trust Fund "Holding Accounts," similar to pseudo-cases, under the following conditions: **

(1) Cash. With the purchaser approval, surplus cash (national funds) may be transferred to a cash holding account upon case closure, cancellation or case value reduction. Monies on deposit in cash holding accounts are available to the purchaser for application to other FMS cases. However, upon purchaser request cash overpayments will be refunded provided there are no collection delinquencies on other FMS cases for that purchaser.

(2) FMS Credits. Upon reduction or cancellation of FMS credit-financed cases, the SAAC will automatically transfer the excess credit funds from the case to the appropriate credit holding account. Prior to each billing cycle, SAAC will move excess funds in credit holding accounts to other FMS credit-financed cases, not to exceed the total of credits committed to each case. In selecting the cases to which excess credits will be transferred, SAAC will apply the funds, by in-country service, first to credit cases with overdue payments, and then to credit cases with payments due in the next billing cycle. If there are no remaining candidate cases, funds will remain in the credit holding account. Prior to transferring credits to or from cases at case closure, SAAC will make a written request to DSAA/FR&CPD, so that credit commitment records may be adjusted to reflect the final case value.

(3) MAP Merger. Upon reduction or cancellation of MAP merger-financed cases, the SAAC will automatically transfer the excess MAP funds from the cases to the MAP holding account. Prior to transferring MAP funds to or from cases at case closure, SAAC will make a written request to DSAA/FR&CPD so that MAP commitment records may be adjusted to reflect the final case value.

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 implied, but the integrity of deposit and disbursement accounting for individual cases will be maintained.

b. Disbursement Authorities. The total DoD disbursement authority for each FMS purchaser is equal to the amount of undisbursed monies on deposit for the purchaser in the FMS Trust Fund. Any subdivision of this authority must be requested by the DoD components. Based on the amount of a request and of available monies, the SAAC will formally release advice of disbursement authority in a specified amount at FMS country level to the DoD component. The DoD component must exercise prudent control to ensure the disbursement limitation is not exceeded when paying contractors or reimbursing U.S. appropriations.

6. Accounting for Contractual Progress Payments.

a. Incremental Payments. Most of the materiel furnished on FMS orders is procured by the DoD on behalf of FMS purchasers. Associated with these procurement actions are incremental, contractual progress payments for work in process. It is to the benefit of DoD and of the FMS purchaser that contractors receive incremental payment as fabrication and assembly of new materiel progresses under an FMS case. Installment payments reduce the impact on customers budgets and reduce contractors' investment in work in process. Similarly, it reduces mutual exposure and risk of case cancellation. It provides also for continuing assessment of case requirements and pricing to update any elements of inaccurate price estimation that may have occurred at time of case offer.

b. Segregating and Accounting for FMS Costs. Sections 22 and 29 of the AECA necessitate accurate and prompt segregation and accounting for incremental costs to ensure that DoD appropriations are not adversely impacted by contractual payments on behalf of FMS orders. DoD policy is that contractors separately request progress payments when more than one country's requirements or U.S. requirements are included in the same contract. The DoD agency that makes the progress payment must promptly report these costs to the SAAC to insure that billings accurately reflect the rates at which disbursements are made. As stated previously, the SAAC is responsible for ensuring sufficient monies are collected in advance to cover forecasted costs by the DoD agencies. If the payment schedule appears to be inadequate, the DoD agency should modify it (DD Form 1513-2) with notification to both the FMS purchaser and the SAAC.

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FIGURE 7-III-1

KEY DATES IN FMS BILLING AND COLLECTION

<u>Offer Expiration/ Acceptance Dates of LOAs*</u>	<u>SAAC "Cut-off" for Delivery Performance Reports from Implementing Agencies</u>	<u>As of Date on FMS Bill- ing Statement</u>	<u>Approximate Date of FMS Billing Statements</u>	<u>Payment Due at SAAC</u>
11 Sep - 10 Dec	16 Dec	31 Dec	15 Jan	15 Mar
11 Dec - 10 Mar	16 Mar	31 Mar	15 Apr	15 Jun
11 Mar - 10 Jun	16 Jun	30 Jun	15 Jul	15 Sep
11 Jun - 10 Sep	16 Sep	30 Sep	15 Oct	15 Dec

*Accepted LOAs received and implemented between these dates will appear on the next quarterly FMS Billing Statement.

FIGURE 7-III-1. Key Dates in FMS Billing and Collection.

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 23 Apr 1986 23 Apr 1986	Contract Audit Quality Assurance and Inspection Contract Administration Services	** **
Netherlands (NE)	18 Apr 1985 9 Apr 1982	Contract Audit Quality Assurance and Inspection	
Norway	23 Nov 1986	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 (NICCSMA) (N2), (K4)	30 Sep 1981 6 May 1980	Contract Audit Quality Assurance and Inspection	
NATO (All infrastructure 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 programs 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 initial 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 repository in time to meet prescribed payment dates. The preferred method for forwarding cash payments is by bank wire transfer to the Department of the Treasury account at the Federal Reserve Bank of New York using the standard federal reserve funds transfer format. Wire transfers will be accepted by the Federal Reserve System (FRS) only from banks that are members of the FRS, therefore, non-U.S. banks must go through a U.S. correspondent FRS member bank. The following information is applicable to cash payments:
 - a. Wire Transfer:
 - Treasury Department Name: TREAS NYC
 - Treasury Department Code: 021030004
 - Agency Name: AFAFC/SAAC
 - Agency Code: (3801)
 - Third Party Information: Identify reason for funds transfer.

 - b. Check Mailing Address:
 - AFAFC/ACFC/SAAC/FSR
 - P.O. Box 20030
 - Denver, CO 80220-0030

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

TABLE 7-III-2

FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS AUTHORIZED
DIRECT ARRANGEMENTS FOR DEPENDABLE UNDERTAKING

COUNTRIES

<u>Africa</u>		<u>Near East and South Asia</u>	
Algeria	Morocco	Bahrain	Pakistan
Botswana	Nigeria	Bangladesh	Oman
Cameroon	Sudan	Egypt	Qatar
Kenya	Tunisia	India	Saudi Arabia
Liberia		Israel	The United Arab Emirates
		Jordan	Yemen Arab Republic
		Kuwait	
		Lebanon	
		Nepal	
<u>Europe</u>		<u>Western Hemisphere</u>	
Austria	Malta	Argentina	Haiti
Belgium	Netherlands	Bahamas	Honduras
Denmark	Norway	Barbados	Jamaica
France	Portugal	Brazil	Mexico
Germany (Fed. Rep. of)	Spain	Canada	Panama
Greece	Sweden	Colombia	Peru
Iceland	Switzerland	Costa Rica	St. Lucia
Ireland	Turkey	Dominica	St. Vincent
Italy	United Kingdom	Dominican Republic	Surinam
Luxembourg	Yugoslavia	Ecuador	Trinidad and Tobago
		El Salvador	Uruguay
		Guatemala	Venezuela
<u>Far East</u>		<u>International Organizations</u>	
Australia	New Zealand	NATO (North Atlantic Treaty Organi- zation and its agencies)	
Brunei	People's Republic of China (PRC)		
Indonesia	Philippines		
Japan	Singapore		
Korea	Taiwan		
Malaysia	Thailand		

TABLE 7-III-2. Foreign Countries and International Organizations Authorized
Direct Arrangements for Dependable Undertaking.

SECTION IV - CONGRESSIONAL SECTION 36(b) NOTIFICATIONS AND REPORTS AND SECTION 118 REPORTS OF FOREIGN MILITARY SALES

A. PURPOSE. The purpose of this section is to provide DoD components with the procedures to be followed during the processing of a Letter of Offer and Acceptance (LOA) (DD Form 1513) when that LOA meets or exceeds the thresholds established for Congressional notification in the Arms Export Control Act (AECA) and Congressional reporting in AECA, Section 36(b) and in Title 10, United States Code (USC). This section enumerates the requirements of the AECA, Section 36(b), and the USC, title 10, Section 118 under which Congressional notifications and reports must be submitted; defines the criteria, responsibilities, and procedures established for the submission of these Congressional notifications and reports; and prescribes the data elements, format (to include classification), and procedures for the submission of information to the Defense Security Assistance Agency (DSAA) required for Congressional notifications and reports.

B. STATUTORY PROVISIONS, EXECUTIVE REQUIREMENTS, AND EXCEPTIONS.

1. Statutory Provisions. Provisions of the AECA and the USC, title 10 require the following submissions to Congress:

a. Governmental Military Export [Section 36(b)(1)] Notification.

(1) Section 36(b)(1) of the AECA requires that, in the case of any LOA to sell any defense articles or services under the Act for \$50,000,000 or more, any design and construction services for \$200,000,000 or more, or any major defense equipment (MDE) for \$14,000,000 or more, before such LOA is issued, a numbered certification must be submitted to the Congress indicating (a) the foreign country or international organization to which the defense article or service is to be offered for sale, (b) the dollar amount of the offer to sell and the number of defense articles to be offered, (c) a description of the defense article or service to be offered, and (d) the United States Armed Forces or other agency of the United States which is to make the offer to sell or, in the case of a sale of design and construction services, the following must be shown: (a) the purchaser, (b) the U.S. Government department or agency responsible for implementing the sale, (c) an estimate of the dollar amount of the sale, and (d) a general description of the real property facilities to be constructed pursuant to such sale. In either type of submission, the certification must contain a description of any contribution, gift, commission, or fee paid or offered or agreed to be paid in order to solicit, promote, or otherwise to secure such LOA, including (a) the name of the person who made or will make such payment, contribution, gift, commission, or fee; (b) the name of any sales agent or other person who is to receive or has received such payment, contribution, gift, commission, or fee; (c) the date and amount of such payment, contribution, gift, commission, or fee; (d) a description of the sale in connection with which such payment, contribution, gift, commission, or fee was or will be paid; and (e) the identification of any business information considered confidential by the person submitting it which is included in the report. Such numbered certifications shall also contain an item, classified if necessary, identifying the

estimate of the costs to be incurred by the United States in connection with such agreement compared with costs which would otherwise have been incurred, an estimate of the economic impact and unemployment which would result from entering into such proposed agreement, and an analysis of whether such costs and such domestic economic impact justify entering into such proposed agreement;

(n) The projected delivery dates of the defense articles, defense services, or design and construction services to be offered;

(o) A detailed description of weapons and levels of munitions that may be required as support for the proposed sale; and

(p) An analysis of the relationship of the proposed sale to projected procurements of the same item.

b. Impact on Current Readiness (Section 118) Report. *

(1) The USC, title 10, Section 118 has replaced the Congressional reporting requirement specified in former Section 133b of title 10. *

(2) The USC, title 10, Section 118 requires that, for any LOA to sell or any proposal to transfer defense articles which are valued at \$50,000,000 or more from the United States active military forces' inventories or from current production, a report shall be submitted to the Congress setting forth: *

(a) The impact of such sales or transfers on the current readiness of United States forces;

(b) The adequacy of reimbursements to cover, at the time of replenishment of United States inventories, the full replacement costs of those items sold or transferred; and

(c) For each article to be sold (i) the initial issue quantity requirement for United States forces for that article, (ii) the percentage of such requirement already delivered to such forces or contracted for at the time of the report, (iii) the timetable for meeting such requirement absent the proposed sale, and (iv) the timetable for meeting such requirement if the sale is approved.

(3) See also Chapter 7, Section IV, paragraph B(3).

2. Executive Requirements.

a. Preparation and Submission of Notifications and Reports. Under Executive Order 11958, the Secretary of Defense is delegated the responsibility of implementing Section 36(b) of the AECA in consultation with the Secretary of State. The DSAA is responsible for preparing and submitting the Congressional notifications and reports under the AECA, Section 36(b) and reports under USC, title 10, Section 118. To minimize delays in processing such notifications, consistent with the legislative and other requirements, the procedures in this section are placed in effect. *

b. Advance Section 36(b)(1) Notification. In order to provide Congress with sufficient time to review the proposed sale about to be notified under Section 36(b)(1), DSAA has agreed to provide Congress with advance notification of such offer at least 20 days prior to the submission of the statutory notification. Offers to NATO, any NATO member country, Japan, Australia, and New Zealand are exempt from the advance notification agreement.

c. Sensitivity of Technology.

(1) The AECA, Section 36(b)(1), as amended by Section 20(b) of the International Security Assistance Act of 1979, and the International Security and Development Cooperation Act of 1985 require a Sensitivity of Technology Statement concerning the extent to which the items to be included in the proposed sale contain sensitive technology or classified information and a justification for the proposed sale in view of the sensitivity of such technology.

(a) For purposes of this requirement, the term "sensitivity of technology" will be construed to mean the extent to which the unauthorized disclosure or diversion of any equipment, technical data, training, services, or documentation required to be conveyed in connection with the proposed sale could be detrimental to the national security interests of the United States. The evaluation will address not only sensitive technological information contained in equipment components or technical documentation related to the sale, whether classified or not, but also restricted information contained in classified components or classified documentation required to be released in connection with the sale.

(b) It should be noted that the evaluation of sensitivity is to be made solely with reference to unauthorized disclosure or diversion of the defense equipment, technical data, training, services, and documentation to be provided and need not address either the risk of such unauthorized disclosure or diversion (covered by National Disclosure Policy procedures and Under Secretary of Defense Research & Engineering review) or the foreign policy implications of authorized use by the proposed recipient (covered by Arms Export Control Board (AECB) procedures).

(c) Whenever the transfer of sensitive technological information is involved, the equipment components, types of documentation, or technical data containing the sensitive information are to be identified, and the reasons for considering them as sensitive information must be provided. Whenever the transfer of classified defense equipment or classified documentation is required, the classified components or types of documentation containing the classified information must be identified and the reasons for the classification are to be provided.

(d) When release of the classified or sensitive technology is within classification guidelines for disclosure to a specific government as stipulated in National Disclosure Policy (NDP-1), a separate paragraph should be included in the Sensitivity of Technology Statement (Table 7-IV-4A) to show that a determination has been made that the recipient government can provide substantially the same degree of protection for the technology being released as the U.S. Government. That paragraph should also include a statement to the effect that the sale is necessary in furtherance of the U.S.

3. Exceptions.

a. Impact on Current Readiness (Section 118) Report Exceptions. *
 No Section 118 report is required if a proposed foreign military sale of *
 defense articles valued at \$50,000,000 or more is to be taken from other than
 a regular military component (active forces) inventories, nor is such report
 made if such sale is to be executed through a U.S. Government procurement
 contract and no concurrent procurement for the U.S. Government's own require-
 ments is expected to be underway at the time the LOA is accepted by the
 purchaser.

b. Price and Availability (P&A)/Planning and Review (P&R). No
 Section 36(b) notification is required for the provision to a prospective
 purchaser of separately stated P&A or P&R data even though applicable noti-
 fication thresholds are met or exceeded. However, P&A data meeting threshold
 requirements which are later transferred to a DD Form 1513 must be notified to
 the Congress under Section 36(b) procedures before the LOA containing such P&A
 data may be provided to the prospective purchaser.

C. CRITERIA AND RESPONSIBILITIES FOR CONGRESSIONAL SUBMISSIONS.

1. Processing Letters of Offer for \$50 Million or More or for Major
 Defense Equipment (MDE) of \$14 Million or More, or for Design and Construction
 Services for \$200,000,000 or More.

a. In compliance with the AECA, Section 36(b)(1), Congress must be
 provided with a notification of all "Letters of Offer" to sell any defense
 articles or services for \$50 million or more, any MDE of \$14 million or more,
 or for design and construction services for \$200,000,000 or more, before such
 LOA is issued. The Defense Security Assistance Agency has been designated to
 submit this notification to the Congress.

b. The OSD General Counsel has determined that the term "Letter of
 Offer" used in the AECA pertains to any proposed sale of defense articles or
 services to any foreign government or entity, whether or not the initial
 document (or set of documents) to be used to consummate the sale is a DD Form
 1513 "Letter of Offer and Acceptance," or a document bearing another name. If
 a document other than a DD Form 1513 is used for this purpose, a DD Form 1513
 shall be subsequently executed to conclude the final details of the agreement
 unless an exception is authorized by the Director, DSAA. If there is a
 conflict between the terms of the agreement and the DD Form 1513, the agree-
 ment shall provide that the DD Form 1513 will govern.

c. The statutory requirement for notification, as well as the
 requirement for advance notification to the Congress extend to any undertaking
 by the Department of Defense to establish an FMS transaction. This includes,
 but is not limited to FMS transactions embodied in the following:

- (1) Memorandum of Understanding for Coproduction of military
 items,
- (2) Cooperative Research and Development Agreements, and

(3) Providing specific items or services under any existing general agreements, such as the Engineering Assistance Agreement entered into between the Army Corps of Engineers and the Saudi Arabian Government in 1965.

d. The AECA, Section 36(b)(1), notifications to the Congress are to be made when:

(1) An LOA under preparation is expected to meet or exceed the thresholds;

(2) A Letter of Intent (LOI), meeting or exceeding the thresholds, is authorized to be accepted by a DoD component; or

(3) An LOA amendment is prepared adding \$50 million or more to an existing FMS case unless such amendment results solely from identifiable inflationary cost increases, and to any amendment adding MDE valued at \$14 million or more. These provisions also apply to any amendment which would increase the value of an existing case from under \$50 million to a value of \$50 million or more, and any amendment which would increase the value of MDE in an existing case from under \$14 million to a value of \$14 million or more. New LOAs will be processed to cover the new requirements unless such amendments are absolutely necessary and justified, in writing, to the Director, DSAA.

e. The following are examples of MDE FMS cases that must be notified under Section 36(b)(1):

(1) An FMS case for a single line item of MDE totalling \$14 million or more.

(2) An FMS case for two or more line items of MDE totalling \$14 million or more.

(3) An amendment to an FMS case for additional units of MDE if that portion of the amendment totals \$14 million or more.

f. MDE FMS cases that do not require notification under Section 36(b) are:

(1) An FMS case for one line item of MDE totalling less than \$14 million. The case does not contain any other MDE; however, other defense items are included which bring the total case value to more than \$14 million but less than \$50 million.

(2) An FMS case for one line item of MDE totalling less than \$14 million. The case does not contain any other MDE; however, spare parts, publications, and training associated with the MDE are included which bring the total case value to more than \$14 million but less than \$50 million.

g. The following special considerations apply to Foreign Military Sales Order (FMSO) cases:

(1) An amendment to an LOA for a FMSO I transaction, the result of which brings the total case value of that LOA and related amendments

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 118, 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 118 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 118 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 118 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 118 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.

b. If any of the data presented is classified, the procedures indicated in paragraph 1.b. above are to be followed.

3. Sensitivity of Technology Statements. Classification guidance indicated in paragraph 1.a. or 1.b. above is to be followed in submitting Sensitivity of Technology statement supporting data to the DSAA/Compt-FMSCD.

4. Impact on Current Readiness Section 118 Reports. Classification * guidance indicated in paragraph 1.a. or 1.b. above is to be followed in * submitting the USC, title 10, Section 118, supporting data to the DSAA/ Compt-FMSCD.

FIGURE 7-IV-1

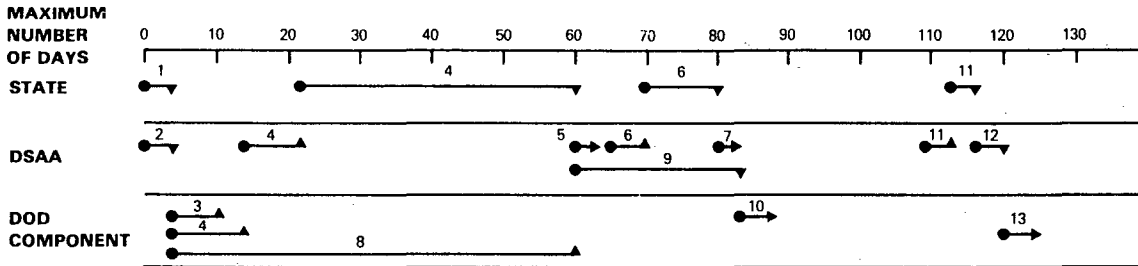
MILESTONES FOR LOA REQUESTS FOR SIGNIFICANT MILITARY EQUIPMENT

MILESTONES FOR LOA REQUESTS FROM NON-EXEMPTED PURCHASERS
FOR SIGNIFICANT MILITARY EQUIPMENT WHICH REQUIRE 36(b)(1) NOTIFICATION

ACTION FROM PURCHASER: Message request from in-country via U.S. Embassy jointly addressed to Sec State/PM and Sec Def/DSAA. Info copy to appropriate DOD Component (Mil Dep), Unified Command, and Arms Control and Disarmament Agency (ACDA).

or

Letter request from Purchasing Mission, Embassies, or Military Attaches in U.S. jointly addressed to Sec State/PM and Sec Def/DSAA.

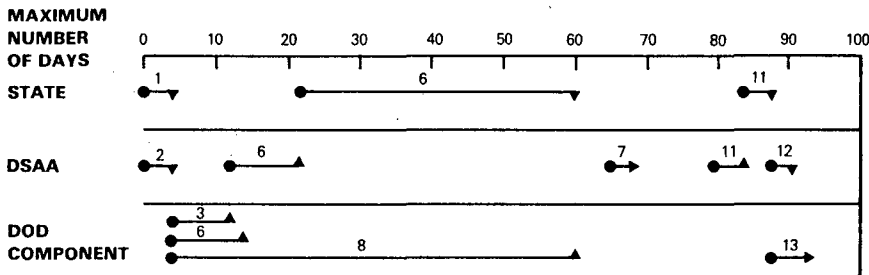


MILESTONES FOR LOA REQUESTS FROM EXEMPTED PURCHASERS
FOR SIGNIFICANT MILITARY EQUIPMENT WHICH REQUIRE 36(b)(1) NOTIFICATION

ACTION FROM PURCHASER: Message request from in-country via U.S. Embassy jointly addressed to Sec State/PM and Sec Def/DSAA. Info copy to appropriate Unified Command and ACDA.

or

Letter request from Purchasing Mission, Embassies, Military Attaches in U.S. jointly addressed to Sec State/PM and Sec Def/DSAA.



PROCESSING FOREIGN MILITARY SALES LETTERS OF OFFER

1. Preliminary review and approval.
2. Tasking of the preparation of the Letter of Offer and Acceptance and 36(b) information, as appropriate.
3. Input of 36(b) data to DSAA/FMSCD and case identifier information into the DSAA 1200 system.
4. Preparation, review, and approval of the advance 36(b) notification to the Congress, including interagency and Executive Office staffing, as necessary.
5. Transmittal of the advance 36(b) notification to Congress.
6. Preparation, review, and approval of the statutory 36(b) notification to the Congress, including interagency and Executive Office staffing, as necessary.
7. Transmittal of the statutory 36(b) notification to Congress.
8. Letter of Offer and Acceptance preparation.
9. Review and approval of unsigned Letter of Offer and Acceptance.
10. Dispatch of unsigned Letter of Offer and Acceptance to the customer.
11. Final review and approval.
12. Countersignature.
13. Dispatch of the signed Letter of Offer and Acceptance to the customer.
14. DoD component to notify Sec State/PM and Sec Def/DSAA, which will initiate the appropriate procedures.

MILESTONES FOR LOA REQUESTS FOR SIGNIFICANT MILITARY EQUIPMENT WHICH DO NOT REQUIRE 36(b)(1) ACTION

ACTION FROM PURCHASER: Message request from in-country via U.S. Embassy jointly addressed to Sec State/PM and SEC Def/DSAA. Info copy to appropriate Unified Command and ACDA.

or

Letter request from Purchasing Mission, Embassies, Military Attaches in U.S. jointly addressed to Sec State/PM and Sec Def/DSAA.

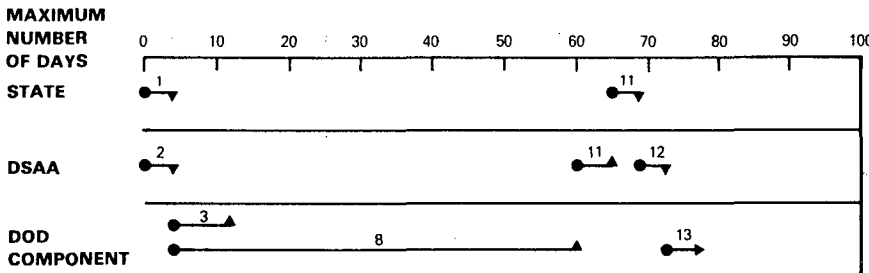


FIGURE 7-IV-1. Milestones for LOA Requests for Significant Military Equipment Which Require 36(b)(1) Notifications.

(CLASSIFICATION)

k. (*) A description of each payment, contribution gift, commission or fee paid or offered or agreed to be paid in order to solicit, promote or otherwise to secure such LOA. Description should include:

(1) Name of person who made such a payment, contribution, gift, commission, or fee:

(2) The name of any sales agent or other person to whom such payment, contribution, gift, commission, or fee was paid:

(3) The date and amount of such payment, contribution, gift, commission, or fee:

(4) A description of the sale in connection with which such payment, contribution, gift, commission, or fee was paid:

(5) The identification of any business information considered confidential by the person submitting the information under the AECA, Section 39 to the Secretary of State:

1. (*) Sensitivity of technology contained in the defense articles or defense services proposed to be sold (see Section B.2.c. of this section for definitions, Note 1 below for entry requirements, and Table 7-IV-4A for details of required data and format):

m. (*) Previously reported under DSAA(A) 1138 Report requirements? If so, for which fiscal year quarter?

n. (*) Third party transfer certification:

(1) Name of the proposed third party recipient of these articles, training, or other defense services:

(2) Reason for the proposed transfer:

(3) Date on which such transfer is proposed to be made:

o. (*) Expected security classification of the case and LOA after statutory notification (If the case and LOA will be classified, cite rationale and attach justification.):

p. (U) Action officer's name, office, and telephone number (For individuals located in the Washington area provide commercial number, others are to provide AUTOVON and commercial numbers.):

2. (*) Impact on Current Readiness (Section 118) Report will/will not be required. (If deemed as not required, provide rationale and attach justification.) *

Attachment (see Note 2 below.):

(CLASSIFICATION)

TABLE 7-IV-1. (Continued)

(CLASSIFICATION)

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

NOTE: 1. Whenever a proposed sale involves no transfer of sensitive technology or classified information, the word "None" will be entered under this heading. Whenever the transfer of sensitive technology or classified information is involved, the words "See Attachment _____" will be entered under the heading and the data specified in Table 7-IV-4 will be attached to the submission.

NOTE: 2. Attach the Military Justification (Table 7-IV-2) and, if required, the Sensitivity of Technology Data (Table 7-IV-4A), justification for security classification of the case and LOA after statutory notification, and the rationale why Section 118 report will not be required. If data is available and Section 118 report will be required, the data required by Table 7-IV-5 may also be attached. *

TABLE 7-IV-1. (Continued)

(CLASSIFICATION)

k. (*) Sensitivity of technology contained in the defense articles or defense services proposed to be sold (see Section B.2.c. of this chapter for definitions, Note 2 below for entry requirements, and Table 7-IV-4A for details of required data and format);

1. (*) Previously reported under DSAA(Q) 1138 Report requirements? If so, for which fiscal year quarter?

m. (*) Third party transfer certification;

(1) Name of the proposed third party recipient of these articles, training or other defense services;

(2) Reason for the proposed transfer;

(3) Date on which such transfer is proposed to be made;

n. (*) Security classification of the LOA after statutory notification (If the LOA will be classified, cite rationale and attach justification.);

o. (U) Action officer's name, office, and telephone number (For individuals located in the Washington area provide commercial number, others are to provide AUTOVON and commercial numbers.).

2. (*) Impact on Current Readiness (Section 118) Report will/will not be required. (If deemed as not required, provide rationale and attach justification.)(See NOTE 3 below.) *

Attachments (See Note 4 below.):

(CLASSIFICATION)

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

NOTE: 1. Information supplied under g. shall be in the same detail as is required to be supplied under 1.j. of Table 7-IV-1.

NOTE: 2. Whenever a proposed sale involves no transfer of sensitive technology or classified information, the word "None" will be entered under this heading. Whenever the transfer of sensitive technology or classified information is involved, the words "See Attachment _____" will be entered under the heading and the data specified in Table 7-IV-4A will be attached to the submission if required and previously not provided.

TABLE 7-IV-3. (Continued)

NOTE: 3. If the advance notification data submission addressed this subject by either providing the rationale for not reporting Section 118 data or by submitting the data required for this report as specified in Table 7-IV-5 state: "Information has been provided." However, if the prospective purchaser is an exempted entity this paragraph must be completed and, if required, the data required in Table 7-IV-5 attached. *

NOTE: 4. If the prospective purchaser is an exempted entity attach the Military Justification (Table 7-IV-2) and, if required, the Sensitivity of Technology (Table 7-IV-4A) and Section 118 report data (Table 7-IV-5). Also, if case and LOA are to be classified per paragraph f. and/or n. above, attach the required justification. *

TABLE 7-IV-3. (Continued)

J. (*) Estimate of the number of additional U.S. Government personnel and U.S. contractor representatives required in the area of the prospective purchaser to implement the proposed enhancement or upgrade of capability or sensitivity of technology and the number of months each category of personnel will be needed:

K. (*) Has the proposed sale of the enhancement or upgrade in capability or sensitivity of technology previously been reported in a DSAA(Q)1138 Report? If so, for which fiscal year quarter?

L. (*) Provide data for Section 118 report, if net value of enhancement or upgrade equals \$50 million or more. *

2. Provide detailed justification including reasons necessitating the sale of the item(s) or service(s) in view of the sensitivity of such technology:

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-4C. (Continued.)

TABLE 7-IV-5
 IMPACT ON CURRENT READINESS REPORT DATA
 (CLASSIFICATION)

DATA FOR POSSIBLE IMPACT ON CURRENT READINESS (Section 118) REPORT (U) *

1. (U) The following supporting data are provided in accordance with Chapter 7 of the Security Assistance Management Manual:

- a. (*) Prospective purchaser:
- b. (*) Selling DoD component:
- c. (*) Type and quantity of equipment:
- d. (*) Total estimated dollar value:
- e. (*) Source of supply:
- f. (*) Impact of sale of articles on current readiness of U.S. forces:
- g. (*) Adequacy of reimbursements to cover replacement cost:
- h. (*)
 - (1) The Initial Issue Quantity (IIQ) requirements for U.S. forces:
 - (2) Percentage of such requirement already delivered to U.S. forces or contracted for at this time:
 - (3) The timetable for meeting the requirement for U.S. forces absent this proposed sale:
 - (4) The timetable for meeting the requirement for U.S. forces if this sale is approved:

2. (U) Action officer's name, office, and telephone number:

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-5. Impact on Current Readiness Report Data.

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.

*
(deletion)

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

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.

(d) Transportation Cost Look-Up Table. For specific ** approved items shipped in the DTS, DOD components are required to use the estimated actual transportation costs from the transportation cost look-up table in Appendix G. (Procedures for the development of the Look-Up Table are outlined in Appendix F.)

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."

o. Procurement from Sources Outside the United States (Offshore). **

(1) Pursuant to U.S. Government procurement procedures, under certain circumstances, FMS material may be procured outside the United States (Offshore). **

(2) Normally, the U.S. Government will require the offshore contractor to provide for movement of the articles to the CONUS freight forwarder or country representative indicated by the freight forwarder code annotated on the DD Form 1513 (LOA). **

(3) As an exception to policy, the FMS customer may elect to have a freight forwarder, authorized to do business in the same country as the offshore contractor, arrange the transportation from the offshore contractor's facility to the customer's consignee. A customer country representative located in the same country as the offshore contractor may also be authorized to arrange transportation from the offshore contractor's facility to the customer's consignee. **

(4) The DOD component will endeavor to notify the FMS customer of articles to be procured offshore as soon as possible after identification of source and state that the article will be moved to the CONUS freight forwarder unless a request is received to accept delivery of the articles at the offshore contractor's facility. The customer request must be made within 20 days of the DOD component's notice of offshore procurement. **

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

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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:

cognizant DOD Component will determine the use of amendments up to the above thresholds, subject to the criteria outlined in the above paragraphs. Normal DSAA staffing and countersignature is required for all such amendments.

7. DSAA Recording of DD Form 1513-1s with Cost Increases in Excess of \$50,000. The DSAA data base will record amendments of more than \$50,000 in the fiscal year the DD Form 1513-1 is accepted. DD Forms 1513-1 which reflect an increase of \$50,000 or less shall be recorded in the year of the basic FMS case.

8. Detailed Instructions for Format. See detailed instructions on preparing the DD Form 1513-1 contained in Figure 8-V-1.

9. Initial Deposits. When an amendment is prepared to add additional defense articles or services, the existing LOA payment schedule may not include sufficient amounts to cover costs of the added articles/services from the expiration date of the DD Form 1513-1 until the next billing cycle. When this occurs, the DD Form 1513-1 should require an initial deposit. Use the methodology in Chapter 7, Section III, paragraph K.2. to determine the period the initial deposit should cover. Show the initial deposit requirement in the right hand corner of block (28) by typing "(28a) Initial Deposit (this Amendment): \$XXX,XXX.00." Also include the initial deposit in the financial annex payment schedule.

10. Undercollected Cases. New requirements will not be added to any case that has expenditures in excess of payments received, unless prior approval is obtained from DSAA. Implementing agencies will inform the purchaser that the amendment will be deferred until sufficient payments have been received to cover current financial requirements (including termination liability).

11. General Conditions. For overall purposes, all DD Forms 1513-1 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 1513-1 may contain the following note:

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

12. Shifts of Case Value Between Cases. In certain circumstances, purchaser requests to shift case value between two or more cases may be accomplished by processing concurrent modifications (DD Form 1513-2) in lieu of amending the case(s) being increased (see Paragraph C.3.c.).

B. PEN-AND-INK CHANGES - DD FORMS 1513 AND 1513-1. Pen-and-ink changes are modifications to a DD 1513 or DD 1513-1 authorized by the issuing DoD component prior to acceptance of the document. Pen-and-ink changes should be avoided to the maximum extent possible. The change may be at the request of the purchaser or an initiative of the issuing DOD component. If the change authorizes any increase in scope or any revision of the terms of sale or total costs, the DSAA-Comptroller, FMS Control Division, must concur prior to authorization. The issuing agency must authorize the pen-and-ink change by message or letter to the purchaser with a copy to SAAC/FSR and DSAA-Comptroller

(FMS Control Division). Extensive changes must be made by issuance of a new or restated DD 1513 or a DD 1513-1 (after acceptance of the basic case) rather than by a pen and ink change. Copies of all DD 1513s and DD 1513-1s (including revised termination liability worksheets, if applicable) that have been modified by authorized pen and ink changes must be disseminated to required organizations (for example, SAAC).

C. DD FORM 1513-2 - NOTICE OF MODIFICATION OF OFFER AND ACCEPTANCE.

1. Purpose. This form is utilized to record modifications to an existing LOA, which do not constitute a change in scope, except for decreases due to a deletion of an item. Modifications which do affect the scope of the LOA (other than decreases) require either a new DD Form 1513 or a formal Amendment (DD Form 1513-1, see Figure 8-V-2). All DD 1513-2s, except as specifically exempted in this section, will be submitted to the DSAA Comptroller (FMS Control Division) for countersignature. Note that all modifications to cases which involve FMS credit, MAP, or third country financing or which have been the subject of Congressional [Sec. 36(b) AECA] notifications are not exempt and must be submitted for countersignature. Copies of all exempted modifications will be provided to SAAC (FSRC) by the Implementing Agency at the time of release to the country.

2. Acceptance of Foreign Country or International Organization. When the DD Form 1513-2 is used, acceptance by the foreign country or international organization is not required. Acknowledgement of receipt ensures that the Notice of Modification has been received by an authorized official. The DD Form 1513-2 should be used for changes in data which may be made unilaterally under an offer and acceptance (non-scope change).

3. DD Form 1513-2's Requiring DSAA Coordination and Countersignature. The following modifications to an LOA or Amendment must be accomplished by use of a DD Form 1513-2. Such modifications require DSAA coordination and countersignature prior to dispatch to the foreign country or international organization.

a. Price increases in excess of \$1.0 million and related changes in payment schedules to a previous DD 1513 or amendment thereto. Price increases of less than \$1.0 million are exempt from the requirement for countersignature. DoD components issuing Letters of Offer will promptly and officially notify purchasers whenever the estimated total costs (Block 26 of the DD Form 1513) increase by ten percent. For such price increase notifications, to ensure that the country is fully aware of its options with respect to the cancellation or reduction of the case, the following information, if applicable, should be included in Block 11:

- (1) The detailed reasons for the increase.
- (2) Status of contracting for this purchase -- e.g., contract completed, contract still being negotiated, etc.
- (3) The options that the country has, if any, with respect to avoiding the price increase (e.g., contract termination or reduction of quantities).

(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 between two or more FMS cases 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 of the modifications must be less than or equal to zero; i.e., the modifications may transfer equal amounts of case value or may decrease the total amount of case values involved in the affected cases. For example: **

<u>Case(s) reduced</u> (Total Case Value)	<u>Case(s) increased</u> (Total Case Value)	<u>Acceptable</u>
-1,000	+1,000	Yes
-1,000	+ 800	Yes
-1,000	+1,200	No

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

(8) The modifications shifting case value between cases must be submitted as package to DSAA for countersignature and must cross reference each other in block (11), Description and Reason for Modification. For example: **

(a) Case(s) being decreased: "Case value of \$1,000 is hereby transferred to FMS case BA-B-BAA (ref Notice No. 1)."

(b) Case(s) being increased: "Case value of \$1,000 is hereby transferred from FMS case BA-B-BBB (ref Notice No. 7)."

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

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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.

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.

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. If the sales agreement is to be financed by a combination of sources of financing, each term of sale and applicable amount will be cited. ^{*}(deletion)

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. If the sales agreement is financed by a combination of sources of financing, each term of sale and applicable amount will be cited. * (deletion)

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)

borrower, and collects loan payments. An example of an FFB guaranty loan agreement between the borrower and the FFB is at Table 9-III-1, and an example of a DoD guaranty document executed between DSAA and the FFB is at Table 9-III-2. An example of a DoD direct loan document is at Table 9-III-3.

E. ISSUANCE OF FMS LOANS.

1. Federal Financing Bank Loans.

a. Guaranty Fee. The AECA, Section 24, requires recipients of guaranteed FMS loans to pay a fee for such guaranties. Accordingly, recipients of DoD guaranteed loans issued by the FFB must remit payment of the guaranty fee to the DSAA. This one-time (non-refundable) fee is currently set at one-fourth of one percent of the principal amount of the loan.

b. Signature Authorizations. Three authorizations (which may be incorporated into a single document) are required from the borrowing country before an FFB loan agreement may be implemented. The required authorizations are as follows:

(1) Authorization for a designated person to sign the loan agreement. (Most FMS loans are signed by the borrowing country's ambassador, or defense attache at its embassy in Washington, D.C.)

(2) Authorization for a designated person to sign the promissory note that accompanies the loan agreement.

(3) Authorization for a designated person(s) (an alternate is advisable) to sign requests for disbursements (drawdowns) from the loan.

c. Guaranty. Upon signature by authorized representatives of the FFB and the borrowing country, and upon receipt of the required guaranty fee, the DSAA then issues its guaranty document to the FFB.

d. Legal Opinion. Following issuance of the guaranty, the Office of the OSD General Counsel prepares and submits to the FFB a legal opinion document. Upon completion of this required document, and assuming that all preceding actions are also completed, funds from the FFB loan are then available for use by the borrowing country.

2. Direct Loans. The DSAA issues direct loans to eligible borrowing countries, utilizing the annual appropriation as discussed in paragraph B., above. As in the case of Federal Financing Bank loans, three authorizations as described in paragraph E.1.b., above, are required from the borrowing country before loan funds may be disbursed.

3. Interest Rates.

a. Applicability. All loans must be repaid with interest unless payment is waived by the Congress.

b. Interest on DoD Direct Loans. Interest charged on direct loans is at a single fixed rate as determined by the Department of Treasury to be the cost of money to the U.S. Government as of the last day of the month

preceding the date of consummation of the loan agreement. Interest rates at less than the cost of money to the U.S. Government must be in the national interest and must be so justified by the President to the Congress.

c. Interest on DoD Guaranteed Loans Issued by FFB. Interest rates on FFB guaranteed loans are based upon the cost of money to the U.S. Government plus an administrative fee (currently one-eighth of one percent). Individual fixed interest rates are calculated on the day each incremental disbursement is processed from the loan. After all loan funds have been disbursed, the FFB computes a weighted average interest rate.

4. Repayment.

a. Repayment Period. Loans are normally repaid in five to nine years following a grace period of one or two years on repayment of principal. The AECA requires that all direct loans be repaid over a period not to exceed twelve years unless legislated otherwise by the Congress. The same twelve year limitation has been extended to guaranteed loans except for countries specified by statute. Historically, the Congress has authorized longer repayment terms for specific countries. The repayment of these loans are made over a period of twenty years following a grace period of ten years on repayment of principal. (NOTE: Semi-annual interest payments are required on the principal amount of loan funds disbursed during the grace period).

b. Frequency of Payments. Repayments of FMS loans are made in equal semi-annual installments. Billing statements (a courtesy rather than a requirement of FMS loan agreements) are submitted to borrowing countries 30 - 45 days prior to payment due dates.

F. APPROVAL OF FMS CREDIT-FINANCED PURCHASES.

1. Funding Limitation. All purchases (from either U.S. military departments or U.S. commercial suppliers) that are to be financed from FMS loans must be approved in advance by the DSAA. Such approvals will be limited by the overall availability of FMS credits. DSAA policy precludes approval of credit financed purchases in excess of available credit funds.

2. Credit Financing of New FMS Cases. For purchases initiated through the U.S. military departments, the borrower must cite FMS credit financing in its request for an LOA.

3. Conversion of FMS Cases from Non-Credit to FMS Credit Financing. For FMS credit financing of cases originally issued under cash/dependable undertaking terms, the purchasing country must submit requests for conversion to DSAA, together with a copy of the pertinent DD Form 1513.

G. COMMITMENT OF FMS CREDIT FUNDS.

1. The DSAA will commit the appropriate amount of FMS loan funds to finance each approved purchase. DSAA policy requires the FMS loan funds to be committed to loans in their order of issuance. This encourages commitments within the normal expiration period of each loan, reduces the volume of loan records that must be maintained in an active status, and permits older loans to be closed out. **

2. DSAA records commitments against a specific Fiscal Year loan (or MAP program). This information is maintained in DSAA ADP records but will not appear on LOA documents (DD Forms 1513, 1513-1, or 1513-2). **

3. For new LOAs, DSAA initially commits credit (or MAP funds) during the countersignature process. DSAA adjusts commitments as required based on DD Forms 1513-1, 1513-2, or case closures. **

4. Upon decommitment of prior year FMS credit (or MAP funds) for case closures, case value reductions, or case cancellations, DSAA will automatically revise the fiscal year breakout of funding on other active cases to reapply decommitted funds. DSAA will attempt to make all adjustments required by using a single, large value FMS case. In this manner, uncommitted funds will always be identified to current loans or MAP programs, permitting older programs to be closed out. **

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H. DISBURSEMENT OF FMS LOAN FUNDS.

1. General Policy. While the DSAA records and maintains commitments of FMS loan funds by specific loan, this commitment by specific FMS loan is used as a planning function and does not mean that the borrowing country must cite that specific loan when disbursement of loan funds is required. **

2. Expiration of Disbursement (FFB Loan Commitment) Period. Section 1.1 of FFB and DoD loan agreements (see Tables 9-III-1 and 9-III-3) define the period through which funds may be disbursed under the loan. In the case of FFB loans, this is called the loan commitment period. The term "commitment period" in this context means the period through which the FFB is committed to disburse loan funds. Loan funds remaining undisbursed after the expiration date are lost from the borrower's use. However, if the borrowing country is unable to disburse all of the loan funds before the expiration date, it may request an extension to the expiration date via an amendment to the loan agreement. Requests for such an amendment must be in writing from the borrowing country and must be submitted to the DSAA for interdepartmental coordination and processing of the amendment document. Amendments to FFB loans require the signatures of the borrowing country, the FFB, and the DSAA. Amendments to DoD loans require the signatures of the borrowing country and the DSAA.

3. Requests for Disbursement of Loan Funds. All requests for disbursement of FMS loan funds must be submitted to the DSAA by the borrowing country in the letter format set forth in the applicable FMS loan agreement. Each request for payment of FMS loan funds to the Security Assistance Accounting Center (SAAC) for amounts due on FMS cases must indicate the FMS case designator(s) and the dollar amount(s) to be disbursed for each case. Procedures for requesting disbursements to commercial suppliers are discussed in paragraph I.1. of this section.

4. Methods of Disbursement. All disbursements from FFB loans are accomplished by electronic wire transfer. The FFB does not process disbursements by issuance of checks. Disbursements from direct loans are accomplished by issuance of checks through the USAF Disbursing Office at Bolling AFB, D.C.

5. Limitation on FFB Disbursements. Not more than one FFB disbursement shall be requested by the borrower in any single month, except that an advance of \$500,000 or more may be requested at any time.

6. Restriction on Use of FMS Loan Funds for Costs of Transporting FMS Credit-Financed Cargoes.

a. When ocean transportation is used, all items purchased with FMS loan funds must be transported by U.S. flag vessels. (NOTE: FMS loan agreement documents contain provisions for certain waivers which, if approved, permit shipment of up to 50% of FMS loan financed cargo on vessels of the borrowing country, and in certain instances such cargo may be transported on

vessels of a third country. Such waivers are discussed later in Section IV of this chapter. In no instance may FMS loan funds be used to pay cost of transportation provided by a vessel of non-U.S. registry.)

b. FMS loan funds may be used to pay air transportation costs only if U.S. flag aircraft are used.

I. DIRECT COMMERCIAL PURCHASES

1. Policies and Procedures. FMS loan financing may be used, when approved by DSAA on a case-by-case basis, for the purchase of defense articles and services through direct commercial contracts with U.S. contractors. Generally, if a government-to-government transaction under FMS would be approved for FMS loan financing, a similar direct commercial contract would be approved. In order to insure that FMS loan funds are properly utilized, a careful review of loan financed direct commercial contracts is necessary. The purchasing country must make a formal request to the DSAA, accompanied by a copy of the contract. Upon approval of FMS loan financing, the DSAA notifies both the purchaser and the supplier of its approval action. A sample of the letters to each is at Tables 9-III-4 and 9-III-5, respectively.

a. FMS Credit Guidelines. Currently there are specific policies and procedures in existence in the Federal Acquisition Regulation and the Security Assistance Management Manual which apply to government-to-government FMS loan financed programs. The following FMS loan guidelines establish similar policies and procedures for the use of FMS loans for direct commercial contracts between U.S. industry and foreign countries.

(1) Purchases must be from U.S. incorporated firms licensed to do business in the U.S.

(2) The items purchased must be manufactured in the U.S. and be composed mainly of U.S. made items, components, and services. In the event that the purchase of a U.S. end item consists of both U.S. and non-U.S. components and services, only the value of the U.S. components and services will normally be financed. Foreign content which is an integral part of end products manufactured in the U.S. may be eligible for FMS loan financing under certain limited circumstances. Such financing will be considered when the DOD has procured or is procuring (under provisions of the FAR) the same items from the same foreign sources under existing multi- or bi-lateral agreements, Defense Industrial Cooperation (DIC) agreements, or because the item is not available from a U.S. source. Contracts should specify any non-U.S. origin items, components, or services.

(3) The total value of each contract or purchase order must be for \$100,000 or more. Contracts or Purchase orders for less than \$100,000 will not be approved for FMS loan financing.

(4) Loan financing is discouraged for purchases containing offset provisions as a condition for securing the purchase. Offset provisions are agreements by the seller to make investments or procurements in a country other than the U.S., either concurrent with or subsequent to the purchase for which financing is being requested. No FMS loan funds will be authorized or disbursed to pay for mandatory direct offsets. Mandatory direct offsets are

(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 and related programs appropriations act and continuing resolution. The Amendment states:

*
(deletion)

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) Direct commercial contracts which require new FMSCR financing will not be approved. **

(5) FMSCR or MAP financed cases accepted prior to effective date of sanctions remain in force and will be executed. Modifications or amendments to existing implemented FMS cases are allowed as long as commitment of previously uncommitted FMSCR or MAP funds is not required. *

(6) 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. (If sanctions are lifted, these students will be considered for late admittance to sequential courses or admittance to the next available sequential courses.) *

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

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

(9) 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 these restrictions. Cash payments from national funds may be used to sustain existing FMS cases or fund new cases when 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. (NOTE: If cash or FMSCR financing is used to finance, in whole or part, any existing MAP financed case, any preferential pricing attributable to 100% MAP financing under section 503(a)(3) of the Foreign Assistance Act of 1961, as amended, is void and FMS pricing guidelines must be applied to the *

entire case in accordance with paragraph 71010 of the FMS Financial Management Manual (DOD 7290.3-M). This action could increase the value of the case significantly and may not be in the best interest of the purchaser or the USG.)

c. Pipeline deliveries on materiel blanket open-ended cases implemented prior to the effective date of 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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(3) Specialized English Language Training (SET). Provided the general ECL requirements have been met, SET may be provided in those cases where the military department concerned determines that exceptional fluency or specialized vocabularies are essential to safety and/or effective participation in the course of instruction. The annotation SR (SET required) or SA (SET advised) will appear in the ECL/SET REQ column of the MASL for these courses. Specialized English language (technical terminology) training and supplemental technical terminology training may be conducted in CONUS by U.S. agencies other than DLIELC when the following conditions are met:

*

(a) The trainees have achieved the prerequisite English comprehension level proficiency as prescribed by Service regulations, for entry into technical training.

(b) Such training is given in conjunction with equipment-specific "hands on" training or familiarization, and

(c) Such training is effective and economical for the U.S. and/or foreign government and meets the technical standards set by DLIELC.

(4) Security Assistance Organization (SAO) Responsibility. SAOs are responsible for ensuring that trainees meet the minimum ECL prescribed by the MILDEP for each course of instruction or for entry into DLIELC, as outlined in Section E.1.b.(1) above. Test materials to determine the ECL of foreign selectees are provided by DLIELC, together with instructions for administering the tests. ECL minimum requirements by course are listed in the Military Articles and Services List (MASL), published by DSAA, effective FY 84 and beyond.

(5) Service Waivers. Requests for waivers to minimum course ECL prerequisites to training provided by MILDEPs will be made to the cognizant MILDEP.

(6) English Language Training by Commercial Contract. In those cases where the Director, DSAA, approves that English language training be provided in CONUS (or OCONUS) by a commercial contract funded under IMET (or FMS), DLIELC will provide technical advice and assistance during the contracting process. When English language training is contracted, DLIELC will periodically evaluate the English language training program to insure it is meeting the needs of the students.

(7) Test of English as a Foreign Language (TOEFL) and Graduate Record Examination (GRE). SAOs are authorized to program the cost of the TOEFL and the GRE as part of the course cost under IMET when required for entrance into approved military undergraduate or graduate training programs. Inclusion of the cost of the GRE for graduate training at other than military installations will be authorized by DSAA on a case-by-case basis. Costs of travel by prospective FMTs to the testing site will not be funded under IMET.

(8) Direct Entry ECL Failure Forfeiture Charge. A forfeiture charge of 50 percent will be imposed in all instances when direct entry FMTs fail to achieve the prerequisite ECL on the CONUS course entry ECL test and when failure results in rescheduling or cancellation of direct entry training

due to a language deficiency. This forfeiture policy applies to all direct entry FMTs, including those from countries granted a waiver from the in-country screening ECL testing.

c. Indigenous Training.

(1) In-Country Training Capability. Development of country self-sufficiency depends largely upon the quantity and quality of instructors available to operate in-country training establishments.

(2) Instructor Training. As a basic objective, country personnel designated for instructor assignments should be given priority consideration for U.S. training. If MILDEPs offer specialized instruction for the development of instructor personnel, these courses should be used to the fullest extent possible in developing and maintaining an effective recipient country instructor force.

(3) Assistance in Determining Deficiencies. In addition to specialized training for country personnel, MTTs or survey teams may be made available to eligible countries to assist in determining deficiencies, recommending corrective action, and providing instruction toward the objective of improving country training capability through instructor development. However, such MTTs and survey teams will be made available in accordance with paragraph 2 (below).

d. Fifth Quarter Training.

(1) Fund Availability. Funds are made available for training under "Fiscal Limitation" .001, which identifies funds requiring obligation within the fiscal year for which appropriated. As a means of increasing course scheduling flexibility for IMET, training commencing between 1 October and 31 December may be programmed in either the preceding or current fiscal year program, thus providing a "fifth quarter" in which to implement training in a given fiscal year. Training having fifth quarter availability will be programmed with a "5" in column 70, and will be priced at budget year prices.

(2) Obligation of Funds. When fifth quarter training is programmed in the preceding year, funds must be obligated by 30 September of that year. Training in courses commencing between 1 January and 30 September must be included in the program of the fiscal year in which it commences. Particular problems should be referred to DSAA Comptroller for resolution.

(3) Restrictions. Fifth quarter programming applies to IMET individual student training courses only, and may not be used for orientation training, MTTs, or other training materials or services.

e. Defense Resources Management.

(1) Program Development. In developing programs for training in the field of resources management, care must be exercised to avoid "mirror imaging" of U.S. concepts, systems, and procedures which exceed the real needs or capabilities of the foreign country. There is no precise definition of what constitutes resources management or the skills associated with it. The

(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 Extended Training Service Specialists (ETSS) and Contract Field Services (CFS) personnel, as specified below: *

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

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

(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 all OTs 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 \$800.00 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 0, 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. 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).

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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. Student Medical Screening. FMTs are certified to be medically fit generally for military training before they leave their country by either their government or U.S. in-country authority and prior to issuance of the ITO by the SAOs. Therefore, except for those special situations noted below, FMTs are exempt from medical examinations or any MILDEP urinalysis and blood screening programs before commencing training at U.S. training installations.

a. FMTs will or may be tested medically as followed:

(1) At and by U.S. training installations when the associated physical examination is an established prerequisite for admission to training that involves exceptional physical activity or safety, e.g., flying, underwater, ranger, airborne, etc.

(2) Physical examinations in conjunction with sick call or hospitalization in order to diagnose an FMT's ailment.

(3) In the case of Human Immunodeficiency Virus (HIV)/AIDS specifically, as outlined in the Joint Security Assistance Training (JSAT) Regulation (AR 12-15, OPNAVINST 4950.1H, AFR 50-29, MCO 4950.2) which is based on DSAA Memorandum I-018239/86 for the Military Departments, dated 16 Dec 86.

4. 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.

5. 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.

(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

officers and for enlisted personnel, on the assumption that quarters are available, mess is not available for officers; quarters and mess are available for enlisted personnel. For enlisted personnel, the full entitlement is not paid directly to the trainee. Enlisted personnel are paid a reduced stipend per week for the purchase of personal items of health and comfort, with the remainder programmed for reimbursement to the appropriate MILDEP for laundry and subsistence. Where it is known in advance that quarters and/or mess are not available, the appropriate factors in Table 10-II-2 of this chapter will be used for programming. Where it is determined that dependents are authorized to accompany trainees, i.e., those attending selected courses designated by the MILDEPs as indicated in Note 4 of Table 10-II-2 of this chapter, the "with-dependents" rate will be used.

c. Non-Authorized Living Allowances. Living allowances are not authorized for:

- (1) Periods of unauthorized absence from duty.
- (2) Excess travel time not authorized by the administrative authority of the MILDEP concerned when proceeding by other than U.S. government transportation.
- (3) Periods of delay not in connection with training except for hospitalization or outpatient care.
- (4) Trainees whose country assumes the payment of all living costs.
- (5) Periods of training conducted in the home country of the trainee, except for Panamanian IMET students attending Panama Canal Area Military Schools (PACAMS).
- (6) Periods of leave for individuals on orientation tours.
- (7) Periods of leave authorized by trainee's government following termination of all training courses.

d. Leave with Living Allowances. IMET trainees who receive living allowances while in training status may be granted leave with living allowances within CONUS during authorized holidays, during periods between consecutive courses, and during periods of delay while awaiting transportation at the port of departure for their home country. The SAO and the MILDEPs are jointly responsible for reviewing scheduled sequences of training for individual FMTs to determine whether additional training courses or on-the-job training/observer training (OJT/ORT) could be programmed to fill gaps between courses prior to preparation of the ITO for all FMTs.

e. Advance Payment of Living Allowances. Advance payment of living allowances not to exceed \$100 may be made to trainees at the port of entry or the first training location for trainees in the U.S. and at the first training activity for overseas trainees. MILDEPs may authorize advance payment of allowances which may accrue during the remaining authorized periods following the termination of training.

f. Settlement of Claims. Vouchers for settlement of outstanding entitlements for IMET students will be submitted via the SAO to the nearest U.S. paying agent for payment to the trainees in local currency at the authorized exchange rate no later than 15 calendar days upon return to country. If it is determined that an IMET trainee who has departed the CONUS or overseas training activity was overpaid in CONUS or at the overseas activity by an amount in excess of any amount otherwise owed to the trainee upon submission of the final travel voucher by the SAO in country, no attempt will be made to collect the overpayment from the trainee. The MILDEP concerned will determine whether a funding adjustment via an IMET Order is necessary for the worksheet control number (WCN) series concerned.

6. Baggage Weight Allowance for FMTs.

a. Authorized Baggage.

(1) Authorized Weight Allowance. The baggage allowances outlined below are total allowances, excess baggage being the difference between the baggage permitted by the transportation carrier and the total allowance. These allowances apply for that portion of the travel costs payable from U.S. funds. (Note: Baggage sizes and dimensions are to conform to carrier stipulations.)

(a) Two pieces of checked baggage, not to exceed 70 pounds each are authorized for FMTs programmed for training of less than 40 weeks duration.

(b) Three pieces of checked baggage, not to exceed 70 pounds each are authorized for FMTs programmed for flying training of less than 40 weeks duration.

(c) Four pieces of checked baggage, not to exceed 70 pounds each are authorized for FMTs programmed for training of 40 weeks duration or longer.

(d) In those instances where U.S. and foreign flag carriers differ in free baggage allowance, or baggage is authorized beyond 140 pounds, transportation officers will issue Government Excess Baggage Authorization Ticket (GEBAT) or equivalent to cover the difference up to the free allowable amount of the U.S. flag carrier(s) and also any authorized excess baggage allowance.

(2) Instructional Course Materials. The cost of shipment of student retainable instructional materials (RIM) will be included in the tuition rates for all formal courses, based on standard rates set by Section 71106 of DoD 7290.3-M.

(a) Weight Allowances. The following weight allowances apply to shipment of instructional material:

1. 200 pounds for all courses the MILDEPs consider to be in the PME category (as approved by DSAA) and which will appear in the MILDEP appendices to the JSAT Regulation.

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.

(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.

7. 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. *

8. 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. *

9. 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. *

10. 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." *

11. 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

b. Senior Officers and Senior Civilian Personnel. (Lt Colonels/Commanders and civilian equivalents, and above). When Senior and nondistinguished visitors are on an orientation tour or IP activity, the allowable N60 expenditure will not exceed \$9.00 per individual per installation per activity, not to exceed \$18.00 per day per individual.

c. Foreign Individual Member of OT/DV. For each foreign individual member of an OT/DV, as described in paragraph E.5., the expenditure of representation funds is authorized at a rate not to exceed \$18 per individual per installation per activity visited and not to exceed \$36 per day per individual.

d. Use for Contingencies. N60 funds may also be used to finance the cost of certain contingency expenditures when they clearly support overall training objectives and are within the legislative constraints contained in the Foreign Assistance Act. Disbursement of funds under these circumstances is authorized only after approval by DSAA.

3. Programming. Programming of dollar requirements will be accomplished by MILDEPs as prescribed in paragraph J of this section. Legislative restrictions on extraordinary expense funds require that ceilings for representation expenses be provided to MILDEPs by DSAA once worldwide requirements are measured against the legislative limitation.

H. OTHER TRAINING SUPPORT. Budget project N70 provides funds for U.S. military guest officers, supplies and materials used exclusively for IMET (excluding training aids), and student support costs.

1. Costs of Facilities Used for Both IMET and FMS Training. Costs related to constructing, extending, refurbishing, or maintaining U.S. training facilities used for both IMET and FMS training will be shared between the IMET and FMS customer countries on a pro rata basis. Such costs should be financed initially by the appropriate MILDEP and the course costs charged for training at these facilities will be adjusted to provide reimbursement to the MILDEP appropriation.

2. Medical Costs. A factor of \$35.00 per student training line (exclusive of orientation) is authorized for programming purposes under generic code N7E (MASL IIN 365003/365004) for medical treatment in U.S. government facilities for IMET trainees. Funds for costs such as burial expense or other student support costs will be programmed under generic code N7F on a case-by-case basis only after DSAA approval.

3. Supplies and Training Materials (Generic N7C). Costs of supplies and training materials (excluding training aids) may be financed when authorized by DSAA. When requirements in these areas exist, supporting documentation will be provided through the appropriate Unified Command to DSAA for approval prior to programming. When third country training requirements exist for supplies and training materials (N7C) and services (N7E), the SAO will submit a request for offshore procurement certification in accordance with DoD Directive 2125.1 to DSAA, with information copies to the appropriate MILDEP and Unified Command.

I. TRAINING MATERIALS.

1. Used for In-Country English Language Training. Training aids and devices, books, and other publications, to include training films, for use in establishing or supporting in-country English language training programs, may be programmed and funded under Budget Project N90 as part of the IMET program of eligible countries. Transportation of these materials will be by surface shipment.

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2. Purchase through FMS Channels. Other training aids and devices and books, maps, and other publications should be obtained through FMS channels. Requests for exceptions to this policy will be considered on a case-by-case basis upon receipt of complete written justification. The justification must include statements as to why the provision of training materials under the IMET program is necessary, why it is in the U.S. interest, and the impact on the country training program (i.e., specific courses and training that will be deleted and how this training will be accomplished). Exceptions will be granted on a one-time basis and will not apply automatically to similar future requirements.

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J. POLITICAL ASYLUM AND TEMPORARY REFUGE. Requests for political asylum and temporary refuge by FMTs will be handled promptly and with careful attention to the procedures established by DOD Directive 2000.11 and the implementing instructions of the MILDEPS as follows: AR 550-1, SECNAVINST 5710.22, and AFR 110-26. The instructions cover policy and procedures concerning political asylum and temporary refuge requests from foreign nationals while in territory under exclusive U.S. jurisdiction (including territorial seas, the Commonwealth of Puerto Rico, possessions, and territories under U.S. administration and on the high seas and in territories under foreign jurisdiction (including foreign territorial seas).

K. PROGRAM MANAGEMENT.

1. Presentation of Budget Year Waiver Items. SAOs will submit written waiver requests for policy exceptions to items outlined in paragraph D at the annual training Workshops. Requests will include appropriate justification, supporting rationale and detailed information and required Unified Command and MILDEP concurrence prior to DSAA review. Only those waiver requests that have been approved by DSAA will be accepted for programming at the Training Workshops.

2. Assignment of Budget Year Priority Codes. SAOs will assign priority codes A, B, and C for their Budget Year program using the Budget Year level at the annual training workshops. Priority codes A, B, and C should each equal approximately one third of the Budget Year level. Priority A is the highest priority. Priority C is the lowest priority and, if required, would be cut before priorities B and A. In addition, SAOs should assign priority codes D and E to other valid training requirements in excess of the budget level and to take place not earlier than the fourth quarter. Priority codes D and E should each comprise approximately one half of the training above the budget

<u>Responsible Agency</u>	<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
SAO and MILDEP	61-65	Worksheet Control Number	<p>Must be filled. Enter WCN as assigned by SAO. In the units position (Column 65) enter sequential or follow-on courses in alphabetical sequence in the order in which training is to be conducted:</p> <p>1234L (language training) 1234A 1234B, etc.</p> <p>Use 1234Y and 1234Z for continuing sequential training funded in the new FY but originating in the previous FY, referred to as carryover training. If a third line is needed, use 1234X.</p> <p>Where no sequential training is planned, leave the units position blank.</p>
SAO and MILDEP	66-68	Execution Agency Code	<p>Must be filled. Enter EXA identifier from the MASL. Where cross-service training is involved, enter the EXA identifier of the MILDEP that will conduct the majority of the training. See Table III of this chapter.</p>
MILDEP	69	Change Originator Code	<p>Must be filled. See Appendix D for codes.</p>
SAO and MILDEP	70	Availability/ Report Quarter	<p>Must be filled. Enter "1", "2", "3", "4", or "5" (IMET only) to indicate the quarter in which the student is available. Codes should be adjusted if training schedule changes. All training lines within a WCN series will reflect the quarter availability</p>

<u>Responsible Agency</u>	<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
			of the first line in the sequence. Medical cost lines will have same quarter availability as earliest line.
DSAA	71	Fiscal Code	Leave blank.
SAO and MILDEP	72	Rqmts Priority Code	Must be filled. Enter "A", "B", "C", "D", or "E" as appropriate.
MILDEP	73-80	Total Cost	Must be filled. Enter total cost by multiplying the sum of entries in unit price (Columns 36-43) and travel and living allowance (Columns 51-56) times quantity (Columns 26-29). Right justify units position in Column 80.

(2) Program Changes. "Q" Card. Must include all revised data elements that have changed in addition to data elements listed below:

<u>Responsible Agency</u>	<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
SAO and MILDEP	1	Card Code	Must be filled. Enter "Q".
SAO and MILDEP	2-5	Record Control Number	Must be filled. See DSAA detail listing.
MILDEP	23-24	Reason for Change Code	Must be filled. See Appendix D for codes.
SAO and MILDEP	31-32	Country/Activity Code	Must be filled. See Appendix D for codes.
SAO and MILDEP	45-46	Program Year	Must be filled. Enter last two digits of the appropriate fiscal year.
MILDEP	47-50	Funding Date	Must be filled if training moves to a different quarter. If training has already been funded, a new funding date must be entered.
SAO and MILDEP	61-65	Worksheet Control Number	Enter (WCN) as it appears in the DSAA detail listing. If the WCN itself is being changed, enter the revised WCN.

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 transoceanic 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.

(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. 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.

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(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 \$800.00 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

(5) Item 14A-F(1), Authorized Training. RCN applies to IMET only. For FMS enter "N/A."

(6) Item 15A(3), Dependents. Block "(3)" will be checked only for those IMET FMTs, with authorized accompany dependents, that are attending ACSC, SOS, AWC, CGSC, NCC, NSC, AFIT graduate programs, MCC&SC, AWS, or PGS.

(7) Item 15B(2), Medical Services, Dependents. If Block 15A(1) has been checked, do not check any blocks under 15B(2). Enter "N/A" after the word "Dependents".

(8) Item 15C, Living Allowances. Block (1) will be checked for FMS countries and only those IMET countries participating in full cost-sharing of living allowances. Block (6) will be checked only for those countries for which Blocks 15C(1) through (5) do not apply in whole. Specific living allowance conditions will be outlined in detail in Item 16, Special Conditions.

(9) Item 15D, Travel. Block (1) will be checked for FMS countries and only those IMET countries participating in full cost-sharing of travel. Block (5) will be checked only for those countries for which Blocks 15D(1) through (4) do not apply in whole. Specific travel allowance conditions will be outlined in detail in Item 16, Special Conditions.

(10) Item 15E(1), Baggage. Block (1) will only be checked and statement completed for FMS countries and only those IMET countries participating in full cost-sharing of travel.

(11) Item 16, Special Conditions. If required, use this space to clarify or amplify information in Items 1 thru 14; to list any special conditions not covered in Item 15; or to list variations in conditions as listed in Item 15. Indicate the item numbers to which the information applies. Other desired information that is not applicable to any specific item (e.g., Embassy address and telephone number in Washington DC) will be entered last under the title of "Additional Information".

Examples of types of entries suitable under Item 16:

7A--Three-point waiver granted for direct entry by SATFA-TRADOC msg, ATFA-R, DTGXXXXXXA OCT 83.

15B(1)(C)(3) and (2)(A)2--Bills for medical care/hospitalization will be forwarded to Embassy in Washington, DC for payment.

15D(2)--FMT has been issued only one-way ticket from home country to Harrisburg, PA. Return transportation will be arranged by last training installation.

15(G)--Request for leave upon completion of training will be submitted directly by the FMT to his Embassy in Washington, DC. Written approval in English from the Embassy to the FMT will constitute approval for leave.

(12) Item 17, Distribution. New distribution lists will be provided separately by MILDEPS.

f. Amendments and Continuation Sheets. Amendments and continuation sheets should be prepared on plain bond paper, and must include the following information from the original ITO: Item 1 (the original ITO number), Items 2 through 6A, Items 10, 11, and the WCN. The Item Number and description of the information being continued or amended should also be included. Copies should be provided to applicable original ITO recipients, and other addressees required as a result of the change.

g. MILDEP-specific instructions will be provided in the MILDEP regulations and the Joint Security Assistance Training Regulation, when published. In the interim, consult the individual MILDEP HQ for further guidance on preparation of ITO, if any questions arise.

3. IMET Order Recipients. The recipients of an IMET Order and associated fund allocation are responsible for implementation of the order, including accounting and fiscal reporting, as prescribed by DoD Instruction 7290.1. The implementing agency will be identified in the IMET Order number. IMET Orders for training program lines will be issued to the MILDEP providing the training, except in the case of cross-service training. IMET Orders for entire Worksheet Control Number (WCN) sequences containing cross-service training will be issued to the MILDEP providing the majority of the training or designated as the cognizant MILDEP.

4. Impact of Section 620(q), FAA, and "Brooke Amendment" on Utilization of IMET Funds. **

a. Section 620(q) reads: **

No assistance shall be furnished under this Act to any country which is in default, during a period in excess of six calendar months, in payment to the United States of principal or interest on any loan made to such country under this Act, unless such country meets its obligations under the loan or unless the President determines that assistance to such country is in the national interest and notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate of such determination. **

b. The "Brooke Amendment" which is an integral part of each recent foreign assistance and related programs appropriations act and continuing resolution 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. **

c. Sanctions under Section 620(q) would be triggered by arrearages of more than six calendar months on AID-financed loans (Economic Support Fund, etc.) at such time as the Department of State advises DSAA that no waiver of **

sanctions is being considered. Sanctions under the "Brooke Amendment" would be triggered by arrearages of more than one calendar year on FMS-financed loans (direct or guaranteed) or AID-financed loans.

d. The impact on utilization of IMET funds under both Section 620(q) and the "Brooke Amendment" is identical; therefore, refer to Chapter 9, Section III, paragraph K.4.a-d for the specific sanctions. [NOTE: Utilization of FMS Credit funds are not impacted by Section 620(q).] **

O. TRAINING ANNUAL INTEGRATED ASSESSMENT OF SECURITY ASSISTANCE (AIASA) REPORTS. IMET program resources requirements will be included in the training ATASA submitted for all security assistance recipients to the State Department to facilitate decisions as to the allocation of security assistance resources. Copies of these reports are required by DSAA as part of the planning process.

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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. 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.

*
(deletion)
*

d. Program Finalization. The MILDEP conducting the training assigns an FMS case identifier, prepares the LOA and submits it to the host country representative for acceptance and initial deposit. The MILDEP will implement the case by authorizing the issue of ITOs only after the case has been accepted and funded, and after the Security Assistance Accounting Center (SAAC) provides obligation authority. Any exception to this must be approved by DSAA, Comptroller. *

e. Program Amendments. *

(1) Changes. After implementation, changes in the scope of definitive training requirements may be made by using DD Form 1513-1. Customer requested changes for additions or deletions of programmed students or courses to an already signed FMS case are not considered as substantial changes in scope, if the same general area of training and the number of students are not substantially changed. Substantial changes will be noted in amendments to the annual case when they occur. All changes which reflect an increase in price of \$50,000 or more must be coordinated with DSAA. For deletions and for changes not affecting scope, the DD Form 1513-2 should be used.

(2) Changes within Ceiling. Changes in requirements within the dollar ceiling of annual open-end training cases do not require the use of DD Form 1513-2. This type of change may be made administratively.

f. Fifth Quarter Planning. The IMET 5th quarter planning and programming concept is not applicable to FMS training. *

3. Programming Training Under FMS. Requesting and programming training provided via an FMS case is the same general process as that used for IMET. Procedures for the provision of programming data by the SAO and the MILDEPs are the same as previously discussed for the IMET program. The only differences are in specific IMET data elements which do not apply to FMS training. See paragraph J in Section I of this chapter.

a. SAO Submission Instructions. As a minimum, submit the following data to the MILDEPs. Enter the country, FMS, and FMS case number in the message subject line.

(1) Program Additions, "4" Card. Only those procedures which differ from previous IMET submission instructions are indicated. (See IMET instructions in paragraph K.4.c.(1)).

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
51-56	TLA	Do not enter. Pertains only to IMET.
72	Requirements Priority Code	Do not enter. Pertains only to IMET.

(2) Program Changes, "Q" Card.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
1	Card Code	Enter "Q"
2-5	RCN	Do not enter. Although an RCN is assigned for FMS training, MILDEP documentation available to the SAO may not contain the RCN.
14-20	Item Identification Number (MASL IIN)	Enter the IIN as it appears in MILDEP documentation. This will provide a cross reference in the event of an error in the following WCN.
61-65	Worksheet Control Number	Enter the WCN as it appears in MILDEP documentation. If the WCN itself is being changed, enter the revised WCN.

Changes: Make desired changes to specific data elements by identifying the data element and providing the revised data entry. Do not give the amount of the actual change.

(3) Program Deletions, "R" Card.

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
1	Card Code	Enter "R".
2-5	RCN	Do not enter.
14-20	MASL IIN	Enter the IIN as it appears in MILDEP documentation.
61-65	WCN	Enter the WCN as it appears in MILDEP documentation.

b. MILDEP Submission Instructions.

(1) Program Additions, "4" Card. Only those procedures which differ from previous IMET instructions are indicated. (See IMET instructions in paragraph K.4.c.(1).)

<u>Card Column</u>	<u>Data Element</u>	<u>Instruction</u>
48-50	Case	Enter the FMS Case Designator (last three digits of the FMS Case Number).
51-56	TLA	Do not enter. Pertains only to IMET.
60	TLA Command	Do not enter. Pertains only to IMET.
72	Requirements Priority Code	Do not enter. Pertains only to IMET.

<u>ADDITION CARD 4</u>	<u>CHANGE CARD Q</u>	<u>DELETION CARD R</u>	<u>COLUMN</u>
Avail	Avail		
Report Qtr	Report Qtr		70
Blank	Blank		71
Rqmts	Rqmts		
Priority Code	Priority Code		72
			73
<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:			
Dependents Authorized (3)(4)(10)	\$40	N/A	*(deletion)
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)(11).....	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) An additional \$5 per day is authorized for accompanied 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.

CHAPTER ELEVEN

MILITARY ASSISTANCE PROGRAM (MAP)

SECTION I - USE OF MAP FUNDS TO FINANCE FOREIGN MILITARY SALES

A. GRANT AID (MAP) FUNDING. This chapter provides implementing procedures for the utilization of MAP funds to finance FMS.

1. Legislation. Effective with the FY 1982 MAP appropriation, the FAA, Section 503(a)(3) authorizes the transfer of MAP funds to the FMS Trust Fund (Account 8242) for merger with country trust fund deposits. The law also stipulates that these MAP funds are to be used solely for payment on obligations of the recipient country for purchases from the U.S. Government made under the AECA. FY 1982 and subsequent MAP appropriations, except to the extent utilized for prior year supply operations, administrative expenses, and the FAA, Section 506(a) reimbursements, will be implemented under Section 503(a)(3) procedures. These MAP funds may not legally be used for either (1) funding direct commercial purchases, or (2) financing interest or repayments of principal or guaranty fees with respect to Federal Financing Bank loans. Funds must be obligated within the period of availability prescribed in the annual appropriation act or the Continuing Resolution Authority (CRA).

a. Allocation. The State Department determines which country shall receive a MAP fund allocation and the amount, through inter-agency coordination on a country-by-country basis. When the allocation is determined, State prepares a program justification for each country that is to receive MAP funds, and submits these to the Office of Management and Budget (OMB), requesting apportionment. OMB reviews requests and submits the approved apportionment to the DSAA, Comptroller.

b. Transfer of Funds. Upon receipt of an approved apportionment of MAP funds from OMB:

(1) The DSAA Budget Division will allocate funds from the MAP Parent account to the OSD transfer account, where they become available for transfer to the country FMS Trust Fund. The allocation document will serve as the obligation source document. **

(2) The DSAA FR&CPD will prepare, as necessary, a disbursement authorization document (Authorization to Disburse MAP Funds to FMS Trust Fund) directing that SAAC prepare and process an SF 1081 (Voucher and Schedule of Withdrawals and Credits) charging the MAP appropriation and crediting the FMS Trust Fund Receipt account. The validated SF 1081, which will contain a country breakout, will serve to expend (disburse) MAP funds and to liquidate MAP obligations simultaneously. No check will be issued. **

c. Application of Formerly MAP Funds. The SAAC, in processing the SF 1081, will deposit the funds into unique country trust fund MAP clearing accounts identified on the SF 1081 and will transfer merged MAP funds from clearing accounts into country trust fund accounts to: *

- (1) Finance LOAs which specify MAP type of assistance funding. *
- (2) Satisfy required initial deposits on specific LOAs. (MAP portion of financing will be identified in Block 27 of LOA.)
- (3) Liquidate arrearages of 90 days or more on customer DD Form 645 FMS Billing Statements issued quarterly (at specific direction of DSAA Comptroller only).
- (4) Offset current amounts due and payable on DD Form 645 FMS Billing Statements (at specific direction of DSAA Comptroller only).

SAAC must ensure that adequate procedures and controls are available to preclude refunds of merged MAP funds to the foreign purchaser.

d. MAP Fund Accounting and Reporting. The DSAA FR&CPD will maintain records of obligations and transfers of funds made on the basis of SF 1081s and report to the Treasury (at the appropriate level) in compliance with Treasury Fiscal Requirements Manual.

e. MAP Restrictions. Procurements financed by merged MAP funds will not be governed by the delivery procedures and reversionary rights requirements applicable to the FY 1981 and prior year MAP. Delivery deadlines will not be established for purchases financed with FY 1982 and subsequent year merger funds. Procurement and delivery will be carried out in accordance with FMS procedures. Offshore procurement (OSP) under FMS cases funded with merged MAP funds is restricted by AECA, Sec. 42(c) (see Chapter 9, Section III, paragraph J). Reversionary title rights will not accrue to the U.S. on any defense article sold under FMS procedures even when merger funds may have been used to finance the purchase in whole or in part. Accordingly, the recipient countries will not be required, as they are under FY 1981 and prior year MAP, to return the article to the U.S. when the article is no longer needed. Restrictions on transfers to a third party, however, will continue to apply, as they do to all defense articles and services sold under FMS.

f. Excess Defense Articles (EDA). Recipients of merged MAP funds are not eligible for the grant of EDA. They may, however, purchase EDA under FMS procedures.

2. MAP Financed LOAs for Defense Services. P.L. 99-83 amends Section 503(a) of the Foreign Assistance Act (FAA) of 1961, as amended, and provides for elimination of the cost of military pay and entitlements if the sales case for defense services including training or for design and construction services is totally financed by MAP. Effective 1 October 1985, services provided under Sections 21, 22, or 29 of the AECA shall be priced to exclude military pay and entitlements (including retired pay accrual) only for those cases citing MAP funds as the exclusive method of funding in Block 27 of the DD Form 1513. This pricing applies when services are performed regardless of the date of the DD Form 1513. Any subsequent amendment or modification serving to reduce the MAP method of funding below 100 percent shall require repricing to add military pay and entitlements to the entire case. *

3. Exceptions. The guidance provided above does not apply to FY 1981 and prior MAP programs, to those general costs funds programmed in FY 1982 and subsequent years which are intended for the close-out of those programs, or to emergency drawdowns authorized under Section 506(a) of the Foreign Assistance Act of 1961 (FAA), as amended. For those program years and funds, management and close out are discussed by separate guidance, which will be forwarded to applicable addressees. Section 506 special authority implementing procedures are provided in Section III of this chapter.

4. Impact of Section 620(q), FAA, and "Brooke Amendment" on Utilization of MAP Funds. **

a. Section 620(q) reads: **

No assistance shall be furnished under this Act to any country which is in default, during a period in excess of six calendar months, in payment to the United States of principal or interest on any loan made to such country under this Act, unless such country meets its obligations under the loan or unless the President determines that assistance to such country is in the national interest and notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate of such determination. **

b. The "Brooke Amendment" which is an integral part of each recent foreign assistance and related programs appropriations act and continuing resolution 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. **

c. Sanctions under Section 620(q) would be triggered by arrearages of more than six calendar months on AID-financed loans (Economic Support Fund, etc.) at such time as the Department of State advises DSAA that no waiver of sanctions is being considered. Sanctions under the "Brooke Amendment" would be triggered by arrearages of more than one calendar year on FMS-financed loans (direct or guaranteed) or AID-financed loans. **

d. The impact on utilization of MAP funds under both Section 620(q) and the "Brooke Amendment" is identical; therefore, refer to Chapter 9, Section III, paragraph K.4.a-d for the specific sanctions. [NOTE: Utilization of FMS Credit funds are not impacted by Section 620(q).] **

SECTION II - UTILIZATION, REDISTRIBUTION AND DISPOSAL OF MAP MATERIEL

A. PURPOSE. This section provides utilization, redistribution, and disposal procedures for materiel furnished to foreign countries by the U.S. as grant aid, under a "MAP Order" prior to FY 1982 or as a result of Section 506(a), FAA, emergency drawdown authority. It does not apply to materiel purchased as a result of transfer of MAP funds to the FMS trust fund (see Section I of this chapter).

[This space left blank intentionally.]

is furnished subject to all other laws and regulations applicable to assistance furnished pursuant to Section 503(a)(1), FAA.

3. Implementation:

a. After an emergency is identified, the Department of State will write a presidential determination which, after being signed by the President, authorizes DOD to furnish up to a specified dollar value, military assistance to the country specified in the determination.

b. DSAA (Operations Directorate), with country, ambassador, SAO, CINC, OJCS, State Department and ISA input, will provide implementing instructions to the appropriate military department identifying requirements and providing dollar ceiling levels. Pricing will be in accordance with IMET/MAP (not FMS rates). *

c. Military Departments will:

1. Drawdown articles, services and/or training from DOD assets in accordance with DSAA instructions.

2. Submit programming data to the DSAA 1000 system in accordance with guidance provided in Chapter 15, Section III, para. D of this manual for defense articles and services, and Chapter 10, para. J for training.

3. Report deliveries to DSAA in accordance with guidance provided in Chapter 15, Section III of this manual.

4. Provide guidance to implementing activities as to organizational responsibilities in future drawdowns and regarding which DOD appropriations, funds or accounts are to hold accounts receivable for drawdowns already complete or in progress.

d. DSAA will issue an unfunded MAP order to the military department citing .004 limitation. The MAP order provides a detailed accounting of articles, services and training and is the basis for reimbursement to the military departments if funded by Congress.

e. DSAA will monitor the dollar ceiling levels to insure that funding authorizations are not exceeded. There is no legal authority either to exceed the dollar value specified in the presidential determination or to reimburse implementing agencies for any such excess.

C. SECTION 506(B):

1. Law.

a. The authority contained in this section shall be effective for any such emergency only upon prior notification to the Committee on Foreign Affairs of the House of Representatives, the Committee on Foreign Relations of the Senate, and the Committee on Appropriations of each House of Congress.

b. The President shall keep the Congress fully and currently informed of all defense articles, defense services, and military education and training provided under this section.

D. SECTION 506(C):

1. Law: There are authorized to be appropriated to the President sums as may be necessary to reimburse the applicable appropriation, fund, or account for defense services and military education and training provided under this section.

2. Implementation:

a. DSAA will request funds for reimbursement of Section 506, FAA, drawdowns via the MAP appropriation budget submission.

b. If military assistance program funds are appropriated by Congress and apportioned by OMB to reimburse 506(a) authorizations:

1. DSAA will determine share to be provided each military department.

2. DSAA will provide transfer authorization of funds via SF 1151.

3. Military departments are responsible to reimburse the appropriate fund, account or appropriation.

4. Reimbursable orders are not authorized in anticipation of Congressional approval. DOD components will only maintain memo entries on accounting reports until the appropriation expires for obligation. Section 632(d), FAA, provides that the amount of reimbursement "shall" be credited to the "current" available appropriations, funds or accounts of the agency that furnished the military assistance.

5. Industrial fund and stock fund accounts must absorb the costs until appropriation is enacted.

6. If any commercial transportation costs are involved, U.S. dollars cannot be used. Use of DTS, MAC or SAMM is authorized.

3. Report on Equipment Usage. As indicated in paragraph A.3., above, the overall responsibility for all aspects of lease administration, including monitoring equipment while leased, belongs to the DoD component having logistic responsibility for the leased equipment. The SAO will assist in this function by observing and reporting to the extent of its ability and access to the equipment that leased equipment is being used consistent with the terms and conditions of the lease. Each SAO with open leases to its host country will report to the applicable DoD Component with an information copy to DSAA/OPS-E on an annual basis (not later than 31 December of each year) information on the use of the equipment by its host country. In addition to this annual report DSAA/OPS-E will also be advised of any unauthorized use of the equipment any time a DoD Component or SAO becomes aware of such unauthorized use.

4. Lease Closure Information. In order to assure the closure of both Chapter 6, AECA and 10 USC 2667 leases in a timely manner, SAAC will use the format at Figure 12-I-13 to query the responsible DoD component to determine if lease closure is possible. The DoD components will forward the completed form directly to SAAC as soon as all actions on a lease under its cognizance are accomplished. Since SAAC only manages 10 USC 2667 leases for the U.S. Air Force, use of this format by the Departments of the Army and Navy to assist in the closure of their 10 USC 2667 leases is recommended.

H. U.S. NAVY SHIPS. For leases of U.S. Navy ships, the guidance in Chapter 2 also applies. These leases will be provided to the DSAA Operations Directorate for coordination. All other Naval ship transfer transactions will be provided to the DSAA Plans Directorate for coordination. The AECA, Chapter 6 applies to leases of ships authorized in separate, specific legislation unless such legislation expressly otherwise provides. *

*
*

FIGURE 12-I-1

DETERMINATION REGARDING THE LEASE OF (ARTICLES(S))
 TO (COUNTRY OR INTERNATIONAL ORGANIZATION)
 PURSUANT TO CHAPTER 6 OF THE ARMS EXPORT CONTROL ACT

(Lease Designator)

I hereby determine that _____ (and if applicable -- all associated nonexpendable support equipment, including, but not limited to, tools, ground support equipment, test equipment and publications) are not for the time needed for public use.

I further determine that there are compelling foreign policy and national security reasons for providing such Defense Articles to the (Country or International Organization) on a lease basis rather than on a sales basis under the Arms Export Control Act.

 (Date)

 (Signature)

Attachment
 a/s

Concur: _____
 State (PM)

FIGURE 12-I-1. Determination Regarding the Lease of Article(s) to Countries or International Organizations Pursuant to the Arms Export Control Act, Chapter 6.

CHAPTER FOURTEEN

SPECIAL PROGRAMS AND ACTIVITIES

SECTION I - SPECIAL DEFENSE ACQUISITION FUND (SDAF)

A. AUTHORITY AND PURPOSE.

1. Authority. The SDAF was authorized in 1981 by Chapter 5 of the Arms Export Control Act and the SDAF Charter and Operation Instructions were approved by the Principal Deputy Assistant Secretary of Defense (Comptroller) on 30 December 1982.

2. Purpose. The SDAF funds the procurement of defense articles in anticipation of their sale or transfer to foreign governments. The basic objective of the fund is to facilitate delivery of materiel in advance of normal procurement lead times and establishing a readily available source of selected items of materiel. Such source enhances the USG capability to satisfy urgent military requirements of allied and friendly nations while avoiding diversions from production for U.S. forces or withdrawals from U.S. stocks.

B. MANAGEMENT. The Defense Security Assistance Agency (DSAA) manages the SDAF. DoD components perform selected tasks for the DSAA as described herein. These tasks include planning, letting of contracts, contract management, FMS case management for buy outs of the SDAF equities, maintaining general ledgers, and accounting for the SDAF monies. The Security Assistance Accounting Center (SAAC) performs centralized accounting and disbursing for the SDAF funds and other accounting duties as assigned.

C. FUNDING.

1. Source of Capitalizations. The SDAF is a revolving fund. Since 29 December 1981 it has been capitalized with collections received for the following charges on export sales by the U.S. Government and its contractors:

- Nonrecurring RDT&E charges
- Nonrecurring production charges
- Asset use charges
- Contractor rental payments for use of U.S. Government plant and production equipment.

a. Once capitalized, the SDAF incurs obligations for the purchase of defense items. The sale of these items to foreign governments is another source of funds for the SDAF and permits the SDAF dollars to revolve within the limits established by Congress. The authorization for the SDAF is limited to \$1.07 billion for FY 1987 and each year thereafter. The SDAF may not be obligated without prior Congressional approval obtained through the annual budgeting process in appropriations acts. *

2. Other Collections into the Fund. Collections on FMS cases resulting from sales of SDAF stocks are deposited to the SDAF account and are used thereafter to fund additional procurements. Collections into the fund also occur when SDAF stocks are transferred to foreign governments under the Military Assistance Program (MAP), and when SDAF items which have been transferred to a MILDEP.

3. Method of Collection. MILDEPs deposit amounts collected on FMS and commercial sales as listed in subparagraph (a) above to the SDAF (Account Symbol 11X4116). Monthly, each MILDEP reports deposits to the DSAA via the report: RCS 1147(M), DoD Component Deposits to the SDAF.

D. OPERATING CONCEPTS. An annual procurement plan developed by the DSAA in consultation with the MILDEPs, the Joint Chiefs of Staff (JCS) and Department of State forms the basis for initiating SDAF procurements. Following the decision to buy an item, the DSAA issues a Military Interdepartmental Purchase Request (MIPR), DD Form 448, to the appropriate MILDEP to procure the items. Normal operation of the SDAF provides for foreign governments to buy out the SDAF equity from on-going contracts prior to physical delivery of the end items to the U.S. Government. Thereafter, the items are delivered to the foreign purchasers in less than normal procurement lead times. Aside from selling SDAF stocks through the FMS programs, transfers occur as authorized by MAP or other security assistance legislation. In other instances, SDAF items may be sold to MILDEPs to replace items diverted from MILDEPs to foreign governments.

E. CRITERIA FOR PROCUREMENT. Several criteria are used to select items for procurement by the SDAF. No single criterion determines whether or not an item qualifies for SDAF procurement; however, emphasis is required by statute to be placed on items that are in short supply for U.S. forces that also have anticipated foreign customer requirements. The criteria are:

- Items should be those which, based on experience, judgement, and an analysis of the historical data and a projection of needs, are most likely to be needed to meet foreign requirements in less than normal procurement lead times.

- Items should be those whose withdrawal from active or reserve force inventories, or diversion from production dedicated to active or reserve forces, would result in adverse impact on the combat readiness of U.S. forces.

- Items should be capable of being produced from existing or expanded production lines.

- Items should, if not transferred to meet foreign requirements, be required to meet established acquisition objectives of U.S. forces.

- Items should have significant anticipated FMS demands.

- Items should be those with long procurement lead times, particularly over 24 months.

Input for the above report requirements (a through c) will be provided by SAAC. Additionally, as part of the annual written report to the Congress, required by Section 2431(a) of Title 10, US Code, regarding procurement schedules for each weapon system for which funding authorization is required, the DSAA shall provide a report estimating the likely procurements to be made through the Fund. *

4. Inventory Reporting. SDAF items delivered into inventory or loaned to a MILDEP will be reported to DSAA as provided in Figure 14-I-2.

K. ADMINISTRATIVE EXPENSES. The cost to administer the SDAF is included in the annual FMS Administrative Budget. Specific guidance is provided to each MILDEP with each FMS Administrative Budget call.

FIGURE 14-I-1

DEFENSE SECURITY ASSISTANCE AGENCY
SPECIAL DEFENSE ACQUISITION FUND
LOAN AGREEMENT

Under the authority of Chapter 5 of the Arms Export Control Act as amended by the International Security and Development Cooperation Act of 1981, the defense items listed on the attached listing are loaned to the _____.

The _____ will bear the cost of operation and maintenance of the loaned items while in their use, and the cost of restoration or replacement upon the termination of their use. If the items are to be replaced at the end of the loan period, the replacement items will be of like kind and condition, or of equal or greater utility, and of equal quantity. In the event the items are in essence "sold" to the _____ the price of the items will be as shown on the attached listing. Loan period begins _____ and ends _____.

At the end of the loan period, the Military Department will not use the item(s) any further without first executing a new SDAF loan agreement.

(Signature) _____ (Signature) _____
Director, DSAA Acceptance

FIGURE 14-I-1. Defense Security Assistance Agency Special Defense Acquisition Fund - Loan Agreement.

d. An estimate of the dollar value of the costs to be borne by the North Atlantic Treaty Organization, or by the member countries thereof, in connection with such cooperative project; and

e. A statement of the foreign policy and national security benefits anticipated to be derived from such cooperative project.

F. REQUESTS FOR OFFSET PROCUREMENT.

1. DoD Policy. It is DoD policy not to enter into government-to-government offset arrangements because of the inherent difficulties in negotiating and implementing such arrangements. Any foreign government requesting offset should be informed that the responsibility for negotiating any offset arrangements resides with the U.S. contractor involved. The U.S. Government will not commit a U.S. contractor to an offset commitment without having its prior concurrence.

2. Semiannual Report. The Under Secretary of Defense for Research and Engineering, in coordination with the Assistance Secretary of Defense for International Security Affairs; Assistant Secretary of Defense for International Security Policy; Assistance Secretary of Defense for Manpower, Reserve Affairs, and Logistics; the Department of Defense General Counsel, the DSAA, and the Military Departments, will be responsible for publishing a semiannual report setting forth the status of all existing and proposed compensatory coproduction and offset agreements. Such reports will highlight the U.S. financial obligation and provide other detail as required.

G. RELEASE OF U.S. GOVERNMENT-OWNED TECHNICAL DATA.

**

1. Approval to Release USG-Owned Technical Data.

a. Approval of the DSAA. All requests to acquire U.S. Government-owned technical data as defined in D.2. above (hereafter referred to as Technical Data Packages (TDPs)) under FMS procedures must be approved by the DoD component concerned and the Director, DSAA. Accordingly, all requests received by the DoD components for FMS LOAs for complete or partial TDPs will be referred to the DSAA for review. USG-owned TDPs will only be released under FMS procedures and will normally not be released unless it has been determined to be in the U.S. interest to do so and alternative means of meeting the requirement have been reviewed and are considered to be less desirable. TDPs will be sold only as defined line items for FMS cases and the line item will clearly identify the item of defense equipment to which the TDP applies. The LOA will clearly define the purpose for which the TDP is released, and the applicable limitations and restrictions on the purchaser's use of the data.

(1) TDPs for Production Purposes - Credit Financing. LOAs for the sale of TDPs for production purposes will normally be financed on a cash basis. In the exceptional case when an LOA for a production TDP is approved for FMS credit financing under the AECA, notification must first be provided to the Congress by the Department of State pursuant to the AECA, Section 42(b).

(2) LOAs Impacted by Legislation Related to Watervliet Arsenal. Title 10 USC, Section 4542, prohibits the transfer of a technical data

package from any Government-owned and operated defense plant manufacturing large caliber cannons to any foreign government, or assisting any government in producing any defense items currently being manufactured or developed in a United States Government-owned, Government-operated defense plant manufacturing large caliber cannons, unless the exceptional requirements of the statute are met. Headquarters DA must be consulted as to whether these requirements can be met before action is taken to commit the USG to transfer such TDPs.

b. Types of Requests. Requests for TDPs normally fall into one of three categories:

(1) for use in operation and maintenance of items of U.S. equipment which had previously been transferred to the recipient,

(2) for use in production of the item, follow-on development of the item/components or improving an item of U.S. equipment (or derivations thereof), and

(3) for study or evaluation purposes (for consideration of the desirability of a later request to the USG for use in production).

c. TDPs for which the U.S. Government Owns Rights of Use. Transfer of U.S. Government-owned TDPs (TDPs for which the USG owns rights of use) to foreign governments will be made only under FMS procedures and on a reimbursable basis. Foreign industries must order U.S. Government-owned TDPs through their governments; and, if sold, the TDPs will be used only by agents of the purchasing governments. The LOA will cover, as a minimum, the full costs for preparation, reproduction, and handling of the TDP. In addition, if the TDP is intended to be used for production purposes, the LOA will include the appropriate fee for authorized production. Guidelines for the royalty fee computation are included in paragraph H below. The applicable charge will be included as a separate line item on the LOA unless waived by the Director, DSAA, under the provisions of paragraph H below. The DD Form 1513 will clearly state (on the first page after identification of the item) the purpose of the TDP, as follows:

(1) "This TDP is for production purposes."

(2) "This TDP is for study purposes only - no production is authorized."

(3) "This TDP is for operation and maintenance only - no production is authorized."

d. Editing Munitions Control Export Licenses. The Munitions Control Export Licenses for technical assistance, technical information, and technical data will be annotated to indicate that U.S. Government-owned TDPs can be transferred only under FMS procedures.

2. Sale of TDPs for Operation and Maintenance Purposes.

a. General. Technical data packages (TDPs) will normally not be sold for the purpose of conducting operations and maintenance (O&M) of U.S. equipment. It will only be sold for O&M if there is no other viable means of

ensuring that the U.S. origin equipment can be maintained. TDPs will not be sold for this purpose unless the Military Department is able to verify that the specific item of U.S. equipment was provided to the foreign country through authorized transfer.

b. Data Required by the DSAA. If release of a TDP is requested for purposes of operation and maintenance of an item of U.S. equipment which has been approved for sale to the requestor, the DOD component having cognizance over the item will provide the Director, DSAA, information shown at Figure 14-II-1 prior to release of the LOA, for use in making a release determination.

c. Letter of Offer and Acceptance Provisions. The following note should be placed in those LOAs involving the sale of a TDP for operation and maintenance purposes only:

The technical data package offered herein is provided strictly for operation and maintenance purposes only. Should any new operation or maintenance procedures be developed by (country) for the (defense equipment), they will be shared without charge with the U.S. program manager. In offering this FMS case to (country), the U.S. Government makes no prior commitment or authorization for (country) to manufacture the defense equipment described therein. Separate U.S. Government approval is required for such manufacture. An LOA Amendment (DD Form 1513-1) will be issued for the provision of a certified production technical data package and the applicable charges for its use for manufacture. The purchaser agrees that unless specific authorization is provided in writing from the U.S. Government, the TDP will not be used for production.

3. Sale of TDPs for Production Purposes or Study Purposes.

a. General. If the item requested to be produced in a foreign country is in excess or long supply position in a MILDEP inventory or if foreign production would result in an adverse impact on the U.S. mobilization base for items currently being produced in the United States, requests for technical data for foreign production or evaluation of the item will normally be denied. Referrals of requests to DSAA for production authorization should include the appropriate information relevant to the intended end use of the TDP. An official written communication is required from the purchaser that states the intended end use of the TDP in every case. An LOA for release of TDPs for study purposes will not be offered unless the DOD is willing to release the TDP for production purposes also.

b. Data Required by the DSAA. In the event a TDP is requested for purposes of foreign production of an item of U.S. defense equipment, the MILDEP having cognizance over the item will provide the Director, DSAA, the information shown at Figure 14-II-2 prior to release of the LOA, for use in making a release determination.

c. Royalty Fee Guidelines. When the purchasing country intends to use the TDP for production, a royalty fee will be assessed for each item produced. Procedures on royalty fee computations, LOA presentation, collection, and waiver considerations are included in paragraph H below.

d. Letter of Offer and Acceptance Provisions. The MILDEPs shall include the applicable notes listed in (1), (2), and (3) below in LOAs for sale of TDPs for study/production purposes:

(1) TDPs Provided for Study Purposes:

The technical data package offered herein is provided strictly for study purposes only. In offering this FMS case to (country), the U.S. Government makes no prior commitment or authorization for (country) to manufacture the defense equipment described therein. Separate U.S. Government approval is required for such manufacture. An LOA Amendment (DD form 1513-1) will be issued for the provisions of a certified production technical data package and the applicable charges for its use for manufacture.

(2) TDPs Provided for Indigenous Defense Production Purposes:

(a) The technical data package offered herein is provided for the manufacture of (quantity) (defense equipment) in (country) for indigenous purposes only. Such manufacture may be accomplished either by the Government of (country) in its own government-owned or government-operated facilities or in designated in-country private commercial facilities. The Government of (country) will pay to the U.S. Government a charge of (amount) for each unit produced for the right to manufacture this equipment in the above stated quantities.

(b) Any manufacture in excess of this quantity for indigenous defense purposes will require separate approval of the U.S. Government and the execution of an LOA Notice of Modification (DD Form 1513-2) which also provides for payment of additional charges.

(c) The information furnished under this LOA, and the product derived from the use of such information, shall not be disclosed or transferred to any third country, person, or organization without the prior written consent of the U.S. Government and, where required, the execution of an LOA Notice of Modification (DD Form 1513-2).

(d) The use of technical data which will be provided under this LOA will be limited to that required for the manufacture of the equipment specifically authorized herein and its operation and maintenance. Information which has been acquired by the U.S. Government without the unencumbered right to use and convey to others will not be furnished.

(e) It is understood that the furnishing of these technical data does not in any way constitute a license to make, use, sell, or transfer whatsoever any inventions, technical information, or know-how (hereinafter referred to as proprietary information) owned by third parties which may be described in the documentation.

(f) The U.S. Government incurs no liability for any procurement, manufacture, use, or sale by the Government of (country) which makes use of any of the aforementioned proprietary information, or for any results derived from the use of the technical data furnished. The Government of (country) agrees to indemnify the U.S. Government against any liability resulting from a claim asserted by the owner of any such proprietary rights in connection with such use by the Government of (country) of the documentation provided hereunder.

(g) The U.S. Government will use its best efforts to furnish technical data that are accurate, adequate for the authorized purpose, current, and complete; however, the U.S. Government does not guarantee the adequacy, accuracy, currency, or completeness of these data. Similarly, the U.S. Government does not guarantee the accuracy, adequacy, currency, or completeness of any U.S. industry documentation.

(h) The cost of the documentation provided hereunder does not include periodic updating (revisioning service), which may be requested under a separate LOA, if desired.

(i) Production Validation - The Government of (country) will permit U.S. Government personnel access to government and contractor facilities, records, and storage sites to review the implementation of the requirements of this LOA. Such access will be permitted when mutually convenient, but within a reasonable period of time after the request. Visits will be accomplished under established visit procedures.

(j) Flowback of (country) Technical Data to the U.S.:

1. Technical Data - (Country) will furnish or cause to be furnished the following technical data to the U.S. Government at no cost to the U.S. Government other than the cost of reproduction, preparation, and handling:

a. All technical data pertaining to changes, modifications, and improvements in the design of (defense equipment) made in the course of development, evaluation, production, operation, and maintenance of (defense equipment).

b. All technical data pertaining to manufacturing processes employed in the production of (defense equipment).

c. Technical data pertaining to changes proposed in the design of (defense equipment) but not adopted.

d. Notwithstanding a., b., and c. above, if (country) incorporates an existing commercial item without modification of either the item or the (defense equipment) and if: (i) the item is not based in whole or in part on U.S. technical data or on U.S. design; and (ii) the item is not in whole or in part funded or financed by (country) directly or indirectly; and (iii) there is no development contract or subcontract between (country) and the supplier, then (country) will only be required, to the extent that it has the right to do so without incurring liability to others, to provide the U.S. Government sufficient information for the U.S. Government to evaluate the item, to procure it, to incorporate it into the system, and to operate, maintain, repair, overhaul, and modify it.

2. Right to Use - (Country) will grant or cause to be granted to the U.S. Government a non-exclusive, irrevocable, royalty-free license to use and have used for U.S. defense purposes, including security assistance, the technical data defined in 1.a., b., and c. above and any inventions (whether or not patentable) made in the course of activities covered by this LOA. Additionally, (country) will use its best efforts to obtain licenses on fair and reasonable terms to the U.S. Government to use and have used the technical data defined in subparagraph 1.d. and patented inventions depicted in such technical data for U.S. defense purposes, including security assistance.

3. Contract Provisions - (Country) will include suitable provisions in all pertinent program contracts, including a requirement to include those same provisions in all subcontracts, to meet the requirements of this section.

(3) TDPs for Production Purposes which Authorize Third Country

Sale:

(a) The technical data package offered herein is provided for the manufacture of (quantity) (defense equipment) in (country) for indigenous purposes and (quantity) of (defense equipment) in (country) for subsequent transfer to (country name(s)). Such manufacture may be accomplished either by the Government of (country) in its own government-owned or government-operated facilities or in designated in-country private commercial facilities. The Government of (country) will pay to the U.S. Government a charge of (amount) for each unit produced for the right to manufacture this equipment in the above stated quantities.

(b) Any manufacture in excess of this quantity for indigenous defense purposes and as authorized in note (a) herein will require separate approval of the U.S. Government and the execution of an LOA Notice of Modification (DD Form 1513-2) which also provides for payment of additional charges.

(c) The information furnished under this LOA, and the product derived from the use of such information, shall not be disclosed or transferred to any third country, person, or organization other than the Government(s) of (country name/s) without the prior written consent of the U.S. Government and, where required, the execution of an LOA Notice of Modification (DD Form 1513-2).

(d) The use of technical data which will be provided under this LOA will be limited to that required for the manufacture of the equipment specifically authorized herein and its operation and maintenance. Information which has been acquired by the U.S. Government without the unencumbered right to use and convey to others will not be furnished.

(e) It is understood that the furnishing of these technical data does not in any way constitute a license to make, use, sell, or transfer whatsoever any inventions, technical information, or know-how (hereinafter referred to as proprietary information) owned by third parties which may be described in the documentation.

(f) The U.S. Government incurs no liability for any procurement, manufacture, use, or sale by the Government of (country) which makes use of any of the aforementioned proprietary information, or for any results derived from the use of the technical data furnished. The Government of (country) agrees to indemnify the U.S. Government against any liability resting from a claim asserted by the owner of such proprietary rights in connection with such use by the Government of (country) of the documentation provided hereunder.

(g) The U.S. Government will use its best efforts to furnish technical data that are accurate, adequate for the authorized purpose, current, and complete; however, the U.S. Government does not guarantee the adequacy, accuracy, currency, or completeness of these data. Similarly, the U.S. Government does not guarantee the accuracy, adequacy, currency, or completeness of any U.S. industry documentation.

(h) Production Validation - The Government of (country) will permit U.S. Government personnel access to government and contractor facilities, records, and storage sites to review the implementation of the requirements of this LOA. Such access will be permitted when mutually convenient, but within a reasonable period of time after the request. Visits will be accomplished under established visit procedures.

(i) The cost of the documentation provided hereunder does not include periodic updating (revisioning service), which may be requested under a separate LOA, if desired.

(j) Flowback of (country) Technical Data to the U.S.:

1. Technical Data - (Country) will furnish or cause to be furnished the following technical data to the U.S. Government at no cost to the U.S. Government other than the cost of reproduction, preparation, and handling:

a. All technical data pertaining to changes, modifications, and improvements in the design of (defense equipment) made in the course of development, evaluation, production, operation, and maintenance of (defense equipment).

b. All technical data pertaining to manufacturing processes employed in the production of (defense equipment).

c. Technical data pertaining to changes proposed in the design of (defense equipment) but not adopted.

d. Notwithstanding a., b., and c. above, if (country) incorporates an existing commercial item without modification of either the item or the (defense equipment) and if: (i) the item is not based in whole or in part on U.S. technical data or on U.S. design; and (ii) the item is not in whole or in part funded or financed by (country) directly or indirectly; and (iii) there is no development contract or subcontract between (country) and the supplier, then (country) will only be required, to the extent that it has the right to do so without incurring liability to others, to provide to the U.S. Government sufficient information for the U.S. Government to evaluate the item, to procure it, to incorporate it into the system, and to operate, maintain, repair, overhaul, and modify it.

2. Right to Use - (Country) will grant or cause to be granted to the U.S. Government a non-exclusive, irrevocable, royalty-free license to use and have used for U.S. defense purposes, including security assistance, the technical data defined in 1.a., b., and c., above and any inventions (whether or not patentable) made in the course of activities covered by this LOA. Additionally, (country) will use its best efforts to obtain licenses on fair and reasonable terms to the U.S. Government and have used the technical data defined in subparagraph 1.d. and patented inventions depicted in such technical data for U.S. defense purposes, including security assistance.

3. Contract Provisions - (Country) will include suitable provisions in all pertinent program contracts, including a requirement to include those same provisions in all subcontracts, to meet the requirements of this section.

4. Restrictive Markings on TDPs. In all cases, care will be taken to insure that the TDP bears clear identifying marks stating any restrictions which indicate whether manufacturing is authorized or not authorized, as well as security classifications, which may apply. The restrictive markings will

be applied to each piece of technical information provided, including drawings and aperture cards.

5. Reporting in the 1200 System. For reporting purposes, the line on the LOA for the applicable royalty fee (and nonrecurring recoupment charge) will be reported as code R9D in the 1200 system. Technical data packages will be recorded in the 1200 system under generic code M1F pseudo NSN 0208000000 TDP.

6. Revising Services. The sale of revising services, which provide for the updating of TDPs on a continual basis, may be offered only for TDPs for which transfer has been approved. These services for upgraded or improved items require separate transfer authorization.

H. ROYALTY FEE MANAGEMENT.

**

1. Guidelines.

a. General. Charges for the use of TDPs to be used to manufacture or produce items for non-U.S. Government use are referred to as royalty fees. (DOD 7290.3-M, Section 715 applies.) Royalty fees apply when there is a firm U.S. Government authorization to produce items for non-USG use. LOAs for TDPs, as a minimum, will:

(1) be constructed of two line items, that is, one for the TDP and a second line for the total royalty fee;

(2) include a planned production schedule, actual or estimated, as a supplemental condition against which estimated royalty fees will be assessed;

(3) contain a supplemental condition that authorizes U.S. representatives to validate the accuracy of production when required, and

(4) list and quantify production for approved third country production where such transfers have been authorized by the U.S. Government.

Production quantities authorization will normally require validation after no more than ten years.

b. Royalty Fee Computation.

(1) For MDE items, the approved MDE nonrecurring cost recoupment charge is assessed for each item produced. For non-MDE items, a percentage surcharge is applied on the basis of the item's current DOD inventory price. The percentage surcharges are as follows:

(a) Where the foreign applicant intends to produce the article for "in-country" consumption only, a royalty fee of 5% of the latest or current U.S. unit price for each complete unit produced in country.

(b) Where the DOD has specifically approved "in-country" production for third country sale, a royalty fee of 8% of the latest or current U.S. unit price for each complete unit produced in-country for third country sale.

(2) When the production quantity is approved in the LOA, the NRC charge or appropriate percentage of the current DOD inventory price in effect will be used as the royalty fee. Once established, the royalty fee will be effective for the production of the approved quantity and not subject to retroactive recalculation. For subsequent production quantities approved, the royalty fee will be recalculated based on the then most current DOD inventory price or NRC charge. The price basis will exclude all FMS surcharges or FMS-unique factors. The authorized production of U.S. defense items will normally not exceed a period of ten years.

(3) Based on cost effective considerations, a royalty fee will not be assessed when the total royalty fee value is less than \$100 and when an LOA would otherwise have to be modified to include the royalty fee line.

c. Reductions and Waivers. The royalty fee may be reduced or waived when the Director, DSAA, determines that special circumstances warrant a specific exception:

(1) The charge for "in-country" consumption may be waived when the foreign applicant is a current recipient of MAP or concessional FMS credit funds.

(2) If the item to be produced is obsolete and no longer being manufactured for U.S. MILDEPs and/or is not available in the MILDEP inventories, the royalty fee may be reduced or waived.

(3) Royalty fees may be reduced by the proportion of U.S. manufactured components purchased from the U.S. and incorporated in the end item being manufactured by the customer if it is demonstrated that a duplicate royalty fee would be assessed.

(4) Any reduction or waiver of royalty fees is required to be approved in writing by the DSAA and the Office of the ASD (Comptroller).

d. Billing of Royalty Fees. The royalty fee will be automatically billed according to the payment schedule that will be based on a production schedule. Revised payment and production schedules will be formalized by a DD Form 1513-2 Notification. If a production schedule is not available at the time of LOA preparation for an approved quantity, the purchaser will have 12 months to provide a schedule. A supplemental condition will be placed in the LOA to (1) require that the production schedule be provided within 12 months for the quantity of items authorized for production by the LOA and (2) advise the customer that if no production schedule is provided then a bill for either one year production or 1/10 of the total authorized production, at the U.S.G. option, will be presented for payment. Ten months after LOA acceptance SAAC will request that the MILDEP obtain a production schedule from the FMS purchasers. If no reply is received from the customers within 45 calendar days of the date of the request, the MILDEP will issue a DD Form 1513-2 and a bill for either one year production quantity or 1/10 of the total authorized production quantity will be presented by SAAC for payment. Should the production quantity authorization be more or less than the normal ten year validation, the amount to be billed will be adjusted accordingly.

2. Royalty Fee Collection. SAAC is the supporting activity or line manager for the royalty fee line. The TDP line will be delivery reported using normal FMS billing procedures. For the royalty fee line, SAAC will be the official accounting station. The royalty fee line will be delivery reported and accounted for by the SAAC. SAAC will maintain and liquidate obligations for the royalty fee line and deposit receipts according to DOD 7290.3-M. SAAC will record commitments, obligations, disbursements, and performance. Financial data will be available in the DIFS data base and the MILDEPs will have normal access as with any other FMS case. SAAC will also provide "FK" feedback as recorded in DIFS to the MILDEP.

3. Monitorship. The SAAC will request the MILDEP to confirm the actual production schedule on an annual basis after acceptance of FMS cases. DSAA will determine the requirement to spot check foreign production. If required, DSAA will select a sampling of country reported productions and request a Security Assistance Organization (SAO) or other U.S. Government representative to inspect the in-country production facility to verify that royalty payments are commensurate with actual production. The sampling will be selected by DSAA based on recommendations by the IAs and SAAC. The results of the inspection and any corrective action will be furnished to DSAA and a copy furnished to the applicable IA and SAAC. The SAAC will report anticipated and actual collections of royalty fees through the DSAA (Q) 1112 Report to the DSAA Comptroller (Financial Management Division).

4. Closure. The SAAC will furnish the MILDEP a statement that all financial obligations have been met.

5. TDPs Sold or Transferred Via other Sources.

a. Guidelines. SAAC will collect royalty fees associated with foreign production where TDPs were or are obtained by foreign governments through means other than FMS case and that are used for production purposes for the benefit of non-U.S. Government users. A documented country agreement to pay the royalty fee is required prior to collection. These procedures apply except when a waiver has been approved or in the unusual event that the U.S. contractor pays to the MILDEP directly.

b. Process. When the royalty fee requirement and the associated assessment is identified, SAAC will:

(1) Establish a pseudo FMS case designator for control purposes;

(2) Advise the foreign government, through the SAO, that a production schedule is required within 45 days to SAAC;

(3) Bill the foreign government according to the production schedule through the normal FMS billing process using a DD Form 645;

(4) Receive and review the annual production report required from the country;

(5) Verify through DSAA the accuracy of the production schedule on a sampling basis, and

(6) Report anticipated and actual collections to DSAA via the DSAA (Q) 1112 Report.

If a production schedule is not available, SAAC will provide pertinent data to the SAO and request the SAO to obtain production status and a schedule of future productions. SAAC will suspense the query and follow up for two three-month intervals. Further pursuit of the query should be requested of DSAA Operations.

FIGURE 14-II-1

**

DATA SHEET FOR TDP TRANSFERRED FOR OPERATION AND MAINTENANCE

1. Nomenclature of hardware, major end item or component part, as applicable: _____
2. Major assemblies or components in TDP having USG patent or other proprietary rights not releasable without prior approval: _____
3. Copy of all pertinent correspondence with the purchaser concerning the TDP is attached.
4. Statement as to whether the TDP requirement would be met by means of pertinent DOD instructions, maintenance manuals or other similar publications: _____
5. In-country inventory of major end items requiring maintenance support from the requested TDP: _____
6. Current status of DOD maintenance capability, e.g., is there an excess depot level capability at the DOD facility: _____
7. Security classification of the TDP: _____
8. DOD component recommendation on releasing the TDP: _____

FIGURE 14-II-1. Data Sheet for TDP Transferred for Operation and Maintenance.

FIGURE 14-II-2

**

DATA SHEET FOR TDP TRANSFERRED FOR STUDY OR PRODUCTION

1. Nomenclature of hardware, major end item or component, as applicable:

2. Quantity to be produced by, and production schedule of, the requesting government: _____

3. Intended use or end disposition of item to be produced, to include names of third country purchasers, if item is for third country sale: _____

4. Current status of U.S. production and stock on hand of item(s) involved:
 - a. U.S. production: _____
 - b. Stock on hand: _____
 - c. Excess or about to be excess: _____
5. U.S. and foreign production history for last five years:
 - a. U.S.: _____
 - b. Foreign: _____
6. Future U.S. production plans (define planned quantity in two categories, i.e., approved or proposed);
 - a. Approved: _____
 - b. Proposed: _____
7. Current U.S. source(s) of supply for item: _____

8. Current cost to U.S. Government of the item, and whether it is produced in-house or under government contract: _____

 FIGURE 14-II-2. Data Sheet for TDP Transferred for Study or Production.

9. Security classification of the TDP and of the item to be produced:
- a. TDP: _____
- b. Item: _____
10. Other countries authorized to produce the item: _____

11. Impact sale may have on U.S., FMS and/or other programs: _____

12. Whether intended recipients of production have previously obtained the item to be produced and quantities obtained, actual or estimated: _____

13. Major assemblies or components in TDP having patent or other proprietary rights not releasable without prior approval: _____

14. Copy of all pertinent correspondence with the purchaser concerning the TDP is attached.
15. Statement as to whether the TDP requirement would be met by means of pertinent DOD instructions, maintenance manuals or other similar publications: _____
16. DOD component recommendation releasing the TDP: _____

FIGURE 14-II-2. (Continued)

<p>SECTION III - DSAA 1000 MATERIEL AND TRAINING SYSTEM OVERVIEW, DATA SUBMISSION INSTRUCTIONS, AND REPORTS</p>

A. PURPOSE. This section provides a brief overview of the DSAA 1000 Management Information System which supports the Military Assistance Program (MAP) and the International Military Education and Training Program (IMETP). Also included in this Section are instructions for the preparation and submission of data into the 1000 System and descriptions and examples of reports available from the System.

B. SYSTEM DESCRIPTION.

1. General. The DSAA 1000 System contains MAP and IMETP data which are updated on a weekly basis. The results of these updates are provided to the training management activities within DSAA and the MILDEPs in the form of hardcopy reports and data transmissions.

2. Data Description. The System contains detailed Materiel (i.e., MAP, Excess Defense Articles, Redistribution of Defense Articles, and MASF) and training (i.e., MAP, MASF, and IMETP) information for 1963 and subsequent years.

C. DSAA 1000 SYSTEM REPORTS.

1. Report Descriptions.

a. MILDEP MAP and IMETP Orders. These documents are produced by MILDEP and reflect a detailed record of all funding actions accomplished during an update cycle. Sample reports are available at Figure 15-III-1 and 15-III-2. In addition to the detailed funding section, four tabs are included in these reports which provide the following summarized information:

(1) TAB A - A recap by Country of all funding actions occurring within an update cycle.

(2) TAB B - A recap by Budget Project of all funding actions occurring within an update cycle.

(3) TAB C - A recap by Program Year of all funding actions occurring within an update cycle.

(4) TAB D - A cumulative recap by Program Year of all funding actions which have occurred to date.

b. DSAA Detail Listing - Materiel. This document reflects detailed, Materiel program information (i.e., MAP, Excess Defense Articles, Redistribution of Defense Articles, and MASF). A sample report is available at Figure 15-III-3. This report can only be produced for Materiel information. Requests for detailed IMETP or FMS Training information must be submitted to the MILDEPs. In response to these requests, the MILDEPs will

produce a Standardized Training List (STL). Each MILDEP is currently providing this document to the field (e.g., SAOs) on a monthly basis.

c. Summarized Training Reports. Requests for summarized FMS Training information should be submitted to the MILDEPs. Requests for summarized IMETP information will be satisfied using one of the following pre-programmed reports: **

(1) Training Summary. This document reflects the number of IMETP students and dollars by year, Country, MILDEP, and Generic Code. A sample report is available at Figure 15-III-4. **

(2) Student Count. This document reflects the number of IMETP students for an eight-year period by Country, CONUS/Overseas Training, Program Originator, and Student Type. A sample report is available at Figure 15-III-5. **

D. DATA PREPARATION AND SUBMISSION. **

1. Submission of Data. MAP and IMET program and MASL data are created by the MILDEPs and submitted to DSAA for updating the 1000 System. This data is submitted in a punched card format via the AUTODIN network. **

2. Preparation of Data. **

a. Formats and instructions for the preparation of IMETP data for updating the 1000 System are provided in Chapter 10. **

b. Formats and instructions for the preparation of Materiel data for updating the 1000 System follow. **

(1) Program Additions (Card 3). Materiel add transactions for processing in the DSAA 1000 System should be prepared as follows: **

Card Column	Data Element	Instruction
1	Card Code-----	Enter "3."
2-5	Record Control Number-----	Enter Record Control Number. See Appendix D.
6	Method of Funding Code-----	Leave blank.
7	Action Code-----	Leave blank.
8-20	National Stock Number-----	Enter the group, class, NCB Code and item ident numbers as they appear in the MASL.
21	Generic Code-----	Enter, 1st position only, the generic code exactly as it appears in the MASL.
22	Commitment Code-----	Enter appropriate Commitment Code See Appendix D, Table D-2.
23-24	Reason Code-----	Enter appropriate Reason for Change Code. See Appendix D, Table D-11.

Card Column	Data Element	Instruction
25-29	Quantity-----	Dollar lines leave blank. Excess defense articles Actual Value Card leave quantity field blank. Major Item - Enter total quantity. Right justify (units position in Column 28, ten position in Column 28, etc.)
30	Program Originator Code-----	Enter Program Originator Code. See Appendix D.
31-32	Country/Activity Code-----	Enter Country/Activity Code. See Appendix D, Tables D-5 through D-7.
33	Customer Code-----	Dollar Lines - leave blank. Major Items - Enter Customer Within Country Code required for entry in Column 33 of MILSTRIP requisitions. Refer to Appendix D for explanation and MILDEP directive containing the codes.
34	Special Supply----- Procedure	Enter appropriate code. See Appendix D.
35	Type of Assistance Code-----	Enter Type of Assistance code. See Appendix D, Table D-11.
36-43	Unit Price-----	Obtain from the MILDEP. Must reflect Repair & Rehabilitation codes (as applicable) for Excess Defense Articles. Enter actual value of excess defense articles in EDA Actual Value Card.
44	Cost Code-----	Enter Cost Code. See Appendix D, Table D-4.
45-46	Program Year-----	Enter last two digits of fiscal year in which the item is programmed or to be programmed.
47-50	MAP Element Code-----	Enter MAP Element Code. See Appendix D, Table D-1.
51	Lead Time-----	Major Items - Obtain Lead Time Code from the MILDEP. Dollar Value Line Items Leave blank.
52	Spare Parts-----	Enter "N" for Concurrent Spare Parts (CSP). Enter "A" for initial Aerospace Ground Equipment (AGE). Enter "E" for Concurrent Equipment attachments in FSC 3810 and 3830 (item identification number 383ZATCHMNT).

Card Column	Data Element	Instruction
53	Condition Code/----- Commercial Item Code	Enter Condition Code for Excess Defense Articles. Appendix D, Table D-3. Enter numeric "1" for Commercial Items.
54	Communications/----- Ancillary Code	Enter Communications/Ancillary Code See Appendix D.
55	Implementing Agency Code-----	Leave blank. Implementing Agency Code to be assigned by DSAA.
56	Blank-----	Leave blank.
57	Status-----	Leave blank. Status Code to be entered by DSAA only.
58-59	Funding Priority-----	Enter funding priority code on all articles and services program lines in budget year program. See Appen- dix D.
60-61	Issue Priority-----	Enter Issue Priority. Issue Priority Codes are those prescribed in MILSTRIP regulations.
62-64	Required Delivery-----	Enter Required Delivery Date, as appropriate. See Issue Priority/Re- quired Delivery Date Code in Appendix D.
<u>NOTE:</u> Columns 60-64 may also be used to identify MILDEP MIMEX offer number or DPDS listing/flyer number for Excess Defense Articles. See Excess Offer Number Code in Appendix D.		
65	Source of Supply-----	Obtain applicable Source of Supply Code in Appendix D, Table D-9 from the MILDEP. Do not leave blank.
66-68	MILSTRIP Routing----- Identifier Code	Enter from MASL, except as follows: A change from the MASL entry may be necessary when a change in Source of Supply Code, as in the case of codes B, E, F, J, N, O, R, S, or T, is effected. Enter appropriate MRI Code in all cases as determined from the MASL or Appendix D. MASL Footnote Code K (See Footnote Code in Appendix D, Table D-6) requires a determination of the appropriate MILSTRIP RI code from Appendix D.
69	Change Originator Code-----	Enter appropriate Program Change Originator Code. See Appendix D.

Card Column	Data Element	Instruction
		Note that this code ("Program Originator" code) may be different from the Program Originator Code in Column 30.
70	System Identifier Code-----	Enter System Identifier Code, if appropriate. See Appendix D.
71	Fiscal Code-----	Leave blank. Data will be entered by DSAA.
72	CRA-----	Enter appropriate CRA code. See Appendix D.
73-80	Total Cost-----	Enter Total Cost (including cost for Source Codes B, F, J, S, and T) to the nearest dollar. Must include repair and rehabilitation costs, as appropriate, for Source of Supply E or R items. Where the unit price is zero, as for selected Source of Supply Code E and R items, leave blank. Do not enter acquisition unit price or actual value in these columns for Code E and R items. Enter actual value total in Source of Supply E (EDA) value card. Right justify. Enter dollar position in Column 80.

(2) Confirmation, Materiel and Services. Following program submission, confirmation of approval will be sent to program originators by AUTODIN.

(3) Delivery/Expenditure Materiel and Services (Card 8).

(a) Delivery and forecast cards will be transmitted to DSAA by the MILDEPs by Card 8 as portrayed below on a monthly basis. Cards will be transmitted not later than 15 days after the last calendar day of the previous month. Delivery cards will be submitted only for those lines in which a change in deliveries or delivery forecast date (initial entry, improvement, or slippage) has occurred during the previous month. Card Columns 66-68 will reflect the fiscal year quarter applicable to the shipment month, not the reporting month. All reports of completed deliveries will be based on constructive deliveries by the logistics system, not the completion of related financial transactions. Major items should be reported delivered at the total program value if the actual delivery price is unknown. Adjustments to program values, if required, will be accomplished at the time of final billing. Deliveries against dollar lines will be reported at a value equal to the obligational authority issued against the applicable requisitions.

(b) Instructions for preparing Card 8 are as follows:

Card Column	Date	Footnote	Instruction
1	Card Code	1	Always an 8.
2-5	Record Control Number	1	Enter Record Control Number. See Appendix D.
6-24 25-29	Quantity Delivered	2	Leave blank. Represents the total quantity delivered to date; not the incremental plus or minus change during the reporting period.
30			Leave blank.
31-32	Country Code	1	Enter Country/Activity Code. See Appendix D.
33-35			Leave blank.
36-43	Acquisition Value Delivered	2	Represents the total dollar value of excess materiel delivered at no MAP cost against dollar lines having Source of Supply Code K, L, E or R. For all major items, regardless of Source of Supply, and dollar lines with no excess deliveries this field will be blank.
44			Leave blank.
45-46	Program Year	1	Enter Program Year. See Appendix D.
47-57			Leave blank.

(4) Program Changes (Card P). Program changes will be submitted by Card P which contains the same data element fields as Card 3. Complete Card P as follows:

(a) Enter the following control data elements exactly as they would appear in the Card 3 received from DSAA. (NOTE: If any of these control data must be changed, a Card R and a new Card 3 must be submitted).

<u>Card Column</u>	<u>Data Element</u>
2-5	Record Control Number
31-32	Country/Activity Code
45-46	Program Year

(b) Enter the following data in the card columns indicated:

Card Column	Data Element	Instruction
1	Card Code-----	Enter "P".
23-24	Reason Code-----	Enter appropriate Reason for Change Code. See Appendix D, Table D-11.
69	Change Originator----- Code	Enter appropriate Change Originator Code. See Appendix D.

(3) Enter only the changed data elements (complete field in the remaining columns of Card P). Leave unchanged data elements blank.

(a) When any of the MASL data elements change i.e., National Stock Number (Columns 8-20), group (Columns 8-9), class (Columns 10-11), NCB Code (Columns 12-23), or generic code (1st position only, Column 21) the complete field (Columns 8-21) must be filled in. Enter changed and unchanged data in Columns 8-21. Leave Columns 8-21 blank if there is no change in MASL data elements.

(b) Changes in quantity (Columns 25-29) and/or total cost (Columns 73-80) will be the revised quantity and/or the revised total cost and not the amount of the change.

(c) Change in unit price (Columns 36-43) will be the revised price and not the amount of change. Enter an asterisk in the units position (Column 43) if the unit price is to be deleted,

(d) To blank out a data element, enter an asterisk in the units position. For example, enter an asterisk (*) in Column 59 to blank out a funding priority.

(e) Right justify in the quantity (Columns 25-29), unit price (Columns 36-43) and total cost (Columns 73-80) fields.

(5) Program Deletions (Card R). Program deletions will be submitted by Card R entered as follows:

Card Column	Data Element	Instruction
1	Card Code-----	Enter "R".
2-5	Record Control Number-----	Enter the RCN exactly as it appears in the Card 3 or 4 received from DSAA.
6-22	Blank-----	Leave blank.
23-24	Reason Code-----	Enter appropriate Reason for Change Code. See Appendix D, Table D-11.
25-30	Blank-----	Leave blank.
31-32	Country/Activity Code-----	Enter code exactly as it appears in the Card 3 or 4 received from DSAA.
33-44	Blank-----	Leave blank.

Card Column	Data Element	Instruction
45-46	Program Year-----	Enter program year exactly as it appears in Card 3 or 4 received from DSAA.
47-68	Blank-----	Leave blank.
69	Change Originator Code-----	Enter appropriate Change Originator Code. See Appendix D.
70-80	Blank-----	Leave blank.

FIGURE 15-III-1
MILITARY DEPARTMENT MAP ORDER

UNCLASSIFIED

Country Name: _____ (MATERIEL)

PROG DIR/MAP ORDER NO. 86A/CD/27

IMPLEMENTING AGENCY - ARMY

MA	RCN	FC	GRCL	ITEM-ID	GC	-----DESCRIPTION-----	C	P	CPT	UNIT	C	MAP	LSCCI	S	S	CSFC	MO-AJ							
							UIM	RE--QTR	O	CC	UCA	PRICE	SPY	ELEM	TPCAA	T	FP	IPRODS	MRI	OYCR----	COST	YR	NO	
	12345	67	8901	234567890	1		--2	2222222	3	33	33333334444	444	4445	5555555	55	6666666	666	677777777778						
							2	3456789	0	12	34567890123	456	7890	1234567	89	012345	678	901234567890						
AA06	4W		131000000B470	G1K	CTG	40MM HE M384 LNK	EAO	P3	5000	B	**	C	10	I86	3AA0	B	F	42	L	B33	A	10	50000-86	21
AA06	4W		131000000B470	G1K	CTG	40MM HE M384 LNK	EAO	P315000	B	**	C	10	I86	3AA0	B	F	42	L	B33	A	10	150000		
COUNTRY TOTAL							.001		.002		.003		.004	100000	MAP DOLLAR COST				100000					
							B		J		S		T	ASSETS APPLIED										
														FOREIGN CURRENCY										
														SERVICE FUNDING										
														GRAND TOTAL				100000						

FIGURE 15-III-1. Military Department MAP Order.

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Change No. 8, 31 March 1987

**

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FIGURE 15-III-2
MILITARY DEPARTMENT IMET ORDER

UNCLASSIFIED

Country Name: _____ (TRAINING)

IMPLEMENTING AGENCY - NAVY

IMET ORDER NO. 85N/SU/59

M A	RCN F C	ITEM ID	GC	COURSE TITLE	UI	S	P	T	UNIT	PRICE	PY	---TLA	S D	W	WCN	EXA	QOCP	---COST	IO-AJ	YR	NO	
		1111112	2--			2	22	2	2222	3	33	33	333334444	4	44	4445	555555	5	556666666	666	677777777778	--
2345	6	7	4567890	1		2	34	5	6789	0	12	34	567890123	4	56	7890	123456	7	89012345	678	901234567890	
EBO0	1	W	P171001	N1G NAVAL COMMAND COLLEGE	EA	D4	O	1	P **	51	1	9772	85	12298	F	0006	PCN N45A	22070	-86	50		
EBO0	1	W	P171001	N1G NAVAL COMMAND COLLEGE	EA	D4	O	1	P **	51	1	9772	85	13243	F	0006	PCN N45A	23015				
EA83	1	W	P141306	N1D AD-A1-SCH	EA	D4	E	1	P **	13	1	733	85	975	F	0096B	PCT N45C	1708	-86	50		
EA83	1	W	P141306	N1D AD-A1-SCH	EA	D4	E	1	P **	09	1	733	85	975	F	0096B	PCT N55C	1708				
EA86	1	W	P141273	N1D KC-130 SYS TRNG	EA	D4	E	1	P **	10	1	925	85	517	F	0096D	PCT N45C	1442	-86	50		
EA86	1	W	P141273	N1D KC-130 SYS TRNG	EA	D4	E	1	P **	10	1	925	85	545	F	0096D	PCT N45C	1470				
EA85	1	W	P141416	N1D HAMILTON STD 54H60 PROP IM	EA	D4	E	1	P **	01	1	155	85	75	F	0096E	PCT N45C	230	-86	50		
EA85	1	W	P141416	N1D HAMILTON STD 54H60 PROP IM	EA	D4	E	1	P **	01	1	155	85	89	F	0096E	PCT N45C	244				
EA88	1	W	P141306	N1D AD-A1-SCH	EA	D4	E	1	P **	13	1	733	85	975	F	0097B	PCT N45B	1708	-86	50		
EA88	1	W	P141306	N1D AD-A1-SCH	EA	D4	E	1	P **	06	1	733	85	975	F	0097B	PCT N55B	1708				
COUNTRY TOTAL				.001	987	.002		.003		.004		MAP DOLLAR COST				987						
				B		J		S		T	ASSETS APPLIED											
											FOREIGN CURRENCY											
											SERVICE FUNDING											
											GRAND TOTAL				987							

FIGURE 15-III-2. Military Department IMET Order.

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Change No. 8, 31 March 1987

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FIGURE 15-III-3
GRANT AID DETAIL LISTING - MATERIEL

UNCLASSIFIED
DSAA - GRANT AID
DETAIL LISTING

MAP FUNDED MATERIEL PROG

(PROGRAM SORT UC,CC,GC,FSN)

COMMAND NAME _____ COUNTRY NAME _____

MA	C	P	CPT	UNIT C	MAP	LSCCI	S	CSFC	MO						
RCN FC GRCL ITEM ID GC	-----DESCRIPTION-----	UIM RE	QTY	0 CC UOA	PRICE	SPY	ELEM	TPLNA	T FP	IPRODS	MRI	OYCR	COST	AJ	
12345 67 8901234567890 1		--2 22	22222 3	33 333	33334444 444 4445	55555555 55	6666666 666	6777 77777778	--						
		2 34	56789 0	12 345	67890123 456 7890	1234567 89	012345 678	9012 34567890							
NE74 2A 1510000000F5F	A1F AIRCRAFT FIGHTER F-5F	EA9 P3	1 0	** B I	5261000 180 2AF0		D F 12			K FA0	00		5261000	61	
MINOR.(AID	)(STATE	)(OSD	)(A.F.		5261000)(NAVY		)(ARMY			)(TOTAL			5261000)	
ML92 2A 1410010072507	B1J TOW GM SURFATTACK BGM71A-1	EA9 P3	1000	B ** F 2	5086 180 3A00		B F 16			K B33	00		5086000	05	
NN03 2A 142000TOWCOMP	B1J TOW COMP	XX0		B ** F 1		080 3A00	B F 22			K BY7	00		22636	11	
MINOR.(AID	)(STATE	)(OSD	)(A.F.				)(ARMY	5108636		)(TOTAL			5108636)	
NN35 2A 2350010414590	D2F HOW SP FT 8IN M110A2	EA0 P3	16	B ** A 1	613840 180 3A00		B F 22			K B33	00		9821440	11	
MINOR.(AID	)(STATE	)(OSD	)(A.F.				)(ARMY	9821440		)(TOTAL			9821440)	
NN38 2A 9J6200SUPTEQP	J6Z OTHER SUPPORT EQUIPMENT	XX0		D ** B 1		080 3LPO	D F 06			K FA0	00		95395	58	
MINOR.(AID	)(STATE	)(OSD	)(A.F.		95395)(NAVY		)(ARMY			)(TOTAL			95395)	
NN44 2A 9K62000THRPOL	K6Z OTH PETROL,OIL AND LUBRCTS	XX0		D ** B 1		080 3LPO	D F 10			K FA0	00		36652	60	
MINOR.(AID	)(STATE	)(OSD	)(A.F.		36652)(NAVY		)(ARMY			)(TOTAL			36652)	
NN31 2A 0206000000C1P	M1E CIP J85-21 ENGINES	XX0		D ** B 1		080 2AF0	D F 16			K FA0	00		750000	05	
MINOR.(AID	)(STATE	)(OSD	)(A.F.		750000)(NAVY		)(ARMY			)(TOTAL			750000)	
INTER.					6143047			14930076					21073123		

** Country Code will appear on the actual report.

FIGURE 15-III-3. Grant Aid Detail Listing - Materiel.

TRAINING SUMMARY BY IMPLEMENTING AGENCY AND GENERIC CODE
 FIGURE 15-III-4

UNCLASSIFIED

DSAA - MAP/IMET P

APPROVED IMET

A CC TRAINING SUMMARY BY IMPLEMENTING AGENCY AND GENERIC CODE PY 82

COUNTRY NAME _____ AREA NAME _____

GEN)(---DESCRIPTION---)	SPACES/MEMBERS/ TECHNICIANS				STUDENTS/TEAMS				COST				
	ARMY	NAVY	AF	TOTAL	ARMY	NAVY	AF	TOTAL	ARMY	NAVY	AF	OTHER	TOTAL
STUDENT TRAINING													
N1B OPERATIONS TNG	29	5	5	39	25	4	3	32	74801	9289	12060		96150
N1C COMM/ELECT TNG	10	18	17	45	10	7	17	34	26342	26760	80660		133752
N1D MAINTENANCE TNG	44	6	14	64	31	4	9	44	77357	7973	28028		113358
N1E LOGISTICS TNG	31	15	4	50	18	6	2	26	57542	21109	10260		88911
N1F ADMIN TNG	14	26	13	53	14	22	6	42	31054	71599	23830		126483
N1G PROF/SPEC TNG	99	17	21	137	65	13	15	93	343553	126712	103260		573525
SUB-TOTAL US	227	87	74	388	163	56	52	271	610649	263442	258098		1132189
N1T ADMIN TNG	1			1	1			1	790				790
SUB-TOTAL OS	1			1	1			1	790				790
TOTAL STUDENT TRAINING	228	87	74	389	164	56	52	272	611439	263442	258098		1132979
OTHER TNG SUPPORT													
N7E SERVICES									2485	3150	1400		7035
N7F OTHER										6357			6357
N7G SHIPMNT INST MATL									12662		9490		22152
TOTAL OTHER TNG SUPPORT									15147	9507	10890		35544
TOTAL COUNTRY									626586	272949	268988		1168523

FIGURE 15-III-4. Training Summary by Implementing Agency and Generic Code.

*

*

FIGURE 15-III-5
STUDENT COUNT BY TYPE AND PROGRAM YEAR

UNCLASSIFIED

DSAA - MAP/IMETP

STUDENT COUNT BY TYPE AND PROGRAM YEAR

FUNDED IMETP
UC CC
COUNTRY NAME _____

COMMAND NAME _____

STUDENT GROUP BY PO	CONUS									OVERSEAS								
	CUM									CUM								
	PY50-72	PY73	PY74	PY75	PY76	PY77	PY78	PY79	PY80	PY50-72	PY73	PY74	PY75	PY76	PY77	PY78	PY79	PY80
SENIOR OFFICER	15	1	4	7	5			2	2	315	17	2	2	2	3	1	5	
OFFICER	609	65	41	37	81	29	35	33	26	165	5							
ENLISTED	346	11	4	4	16	13	16	8	9	1681								
CIVILIAN			1															
STUDENT TOTAL-ARMY	970	77	50	48	102	42	51	43	37	2161	15	2	2	2	3	1	5	
SENIOR OFFICER	5			2	2					287	17	4	2					2
OFFICER	207	18	17	17	24	12	20	13	8	1215	71	36	13				18	21
ENLISTED	264	22	3	4	9	11	8	5	5	3739			1					
CIVILIAN			1	1	1	1	1										18	23
STUDENT TOTAL-AIR FORCE	476	40	20	24	36	24	29	18	13	5241	88	40	16					
SENIOR OFFICER	5	1	1	1	1					11	4	12	24	21				
OFFICER	18	3	3	2	4		2	3	2	212	1		124	47				
ENLISTED	23	1	3					3	2	223	5	12	148	68				
STUDENT TOTAL-MARINE CORPS	46	5	7	3	5		2	6	4									
SENIOR OFFICER	40	8	5	6	4	5	3	5	1	3								
OFFICER	253	20	12	13	24	18	11	7	14	182	36	3	18	78	5	4		
ENLISTED	613	24	18	14	14	11	17	4	6	266	26	20	35	59	18	16		
CIVILIAN	4									4271								
STUDENT TOTAL-NAVY	910	52	35	33	42	34	31	16	21	4722	62	23	53	137	23	20		
SENIOR OFFICER	65	10	10	16	12	5	3	7	3	3								
OFFICER	1087	106	73	69	133	59	68	56	50	795	67	21	46	101	8	5	5	2
ENLISTED	1246	58	28	22	39	35	41	20	22	1858	103	56	172	106	18	16	18	21
CIVILIAN	4		1	1	1	1	1			9691			1					
STUDENT TOTAL-ALL PO	2402	174	112	108	185	100	113	83	75	12347	170	77	219	207	26	21	23	23

FIGURE 15-III-5. Student Count by Type and Program Year.

TABLE 15-III-1

SORT AND SELECT OPTIONS
(DSAA 1000 SYSTEM)

**

A. SORT OPTIONS. The following sort options are available when ordering detail listings:

Unified Command, Country, Generic
 Unified Command, Country, Record Control Number
 Unified Command, Country, Program Originator, Generic Code
 Area, Country, Generic Code
 Generic Code, National Stock Number/Item Identification
 Implementing Agency, Generic Code, NSN/Item Identification
 MILSTRIP Routing Identifier, Generic Code, NSN

B. SELECT OPTIONS. The following select options are available when ordering item detail listings. Selects must be indicated for those options marked with an asterisk. When an option is not indicated in a field, the DSAA will include all records relevant to that data field. For example, if generic is not specified, records pertaining to all generic codes will be included in the report.

Area Code	Program Originator Code
Commitment Code	*Program Year
Continuing Resolution Authority Code	Selected Item Description Number
*Country Code	Selected Item Sequence Number Code
*Generic Code (1-3 positions)	Source of Supply Code
Implementing Agency Code	Spare Parts Code
MAP Element Code	Status Code
Method of Funding Code	Type of Assistance Code
MILSTRIP Routing Identifier Code	Unified Command Code

TABLE 15-III-1. Sort and Select Options (DSAA 1000 System).

**

TABLE 15-III-2

ABBREVIATED TITLES USED IN THE DSAA 1000 SYSTEM OUTPUT PRODUCTS

A. ABBREVIATED TITLES. The following abbreviated titles are used in output products prepared from the DSAA 1000 system data base:

<u>Abbreviation</u>	<u>Meaning</u>
A	Area Code
A	Action Code
C	
ACT	Activity
ACQ	Acquisition
ADMIN	Administration
ART	Articles
AUTH	Authority
C	Communications/Ancillary Code
A	
CC	Country/Activity Code
C	Card Code
C	
C	Ceiling Code
E	
CG	Congressional Group
CAT	Congressional Category
C	Condition/Commercial Consumables Code
L	
CL	Federal Supply Class
C or CL	Classification Code
L	
C	Commitment Code
M	

TABLE 15-III-2. Abbreviated Titles Used in the DSAA 1000 System Output Products.

<u>Abbreviation</u>	<u>Meaning</u>
C N	Communications/Ancillary Code
C or CO O	Change Originator Code
COST	IMET Total Cost in dollars
COURSE TITLE	Title of Training Course
CR or CRA	Continuing Resolution Authority Code
C S	Cost Code
CTL CODE	Control Code
C U	Customer within Country Code
CUM	Cumulative
CY	Current Year
DEF	Defense
DESCRIPTION	Description of the materiel item
DISTR	Distribution
DUR	Duration of training course
D W	DSAA Waiver
EXA	Execution Agency Code
F or FC C	Fiscal Code
FOR CURR	Foreign Currency

*
(deletion)*
(deletion)

 TABLE 15-III-2. (Continued)

<u>Abbreviation</u>	<u>Meaning</u>
FP	Funding Priority Code
FT or FTNT NT	Footnote Code
GEN or GC CODE	Generic Code
GP	Federal Supply Group
I or IA A	Implementing Agency Code * (deletion)
IMET	International Military Education and Training
INTER	Intermediate
INV	Investment * (deletion)
IO-AJ YR NO	IMET Order Year and Adjustment Number
IP	Issue Priority
ITEM ID	Item Identification Number
L T	Lead Time
MAP or ME ELEM	MAP Element Code
MDE	Major Defense Equipment Indicator Code
M F	Method of Funding Code
MO AJ	MAP Order Adjustment Number
MO-AJ YR NO	MAP Order Year and Adjustment Number
MRI	MILSTRIP Routing Identifier Code
MT-SV	Materiel and Services

 TABLE 15-III-2. (Continued)

<u>Abbreviation</u>	<u>Meaning</u>
MUP	Materiel * (deletion)
NCB	National Codification Bureau Code
NSN	National Stock Number
OPR	Operating Cost
OSP	Offshore Procurement
PC	Special Supply Procedure Code
P or PO O	Program Originator Code * (deletion)
PROG DIR	Program Directive
P or PY Y	Program Year
QTR	Quarter
QTY	Quantity
RCN	Record Control Number
RCS	Reports Control Symbol
RDD	Required Delivery Date
R or RE E	Reason for Change Code
R or RP P	Requirements Priority Code
R or RQ Q	Availability Reporting Quarter
RSC	Reports Sequence Control
RSVN	Reservation
S or SC C	Student Code

 TABLE 15-III-2. (Continued)

<u>Abbreviation</u>	<u>Meaning</u>
SERVICE-ID NUMBER	Military Service Course Identification Number
SIC	Selected Item Code
Q SISC	Selected Item Sequence Code and Quantity Control Code
SIDN	Selected Item Description Number
S P	Spare Parts Code
S T	Status Code
SUP or SUP OPS OPS	Supply Operations
SVC	Service
T A	Type of Assistance Code
TLA	Travel and Living Allowance
TNG	Training
UC	Unified Command
UI	Unit of Issue
UNDEL	Undelivered
UNIT PRICE	Training Course Cost
WEST HEM	Western Hemisphere
WCN	Worksheet Control Number

TABLE 15-III-2. (Continued)

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<p>SECTION IV - MILITARY ARTICLES AND SERVICES LIST (MASL) OVERVIEW, GUIDANCE, DATA SUBMISSION INSTRUCTIONS AND SYSTEM OUTPUT PRODUCTS</p>
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A. PURPOSE. This section provides guidance and instructions on the development, maintenance and utilization of the Military Articles and Services List which is used in the Military Assistance (MAP), International Military Education and Training (IMET), Foreign Military Sales (FMS), and Foreign Military Construction Sales (FMCS) programs.

B. GENERAL.

1. Purpose of the MASL. The MASL, which is maintained by the DSAA as part of the Agency's automated data base, is oriented toward the needs of the program originators. It contains information submitted to the DSAA by the supplying agencies on identification and availability of defense articles, defense services and training. In addition to being a key tool in the development of plans and programs in the areas listed above, the MASL provides a uniform level of line item detail in the automated security assistance programs of all agencies.

2. Types of MASL Data Maintained. The MASL master file is subdivided by type of data, as indicated below:

a. Materiel MASL. This portion of the MASL contains information on identification and availability of defense articles and defense services and is used by the Unified Commands, Security Assistance Organizations and MILDEPs in the development of plans and programs for the MAP, FMS and FMCS. The materiel MASL is segregated in the data base as follows:

(1) Active (Current) Materiel MASL. The records in the active materiel MASL can be identified by the assignment of MASL control code "K" and are comprised of items of defense articles and defense services which may be included in prior, current or future MAP, FMS or FMCS programs, subject to special conditions explained by the footnote codes. (See Appendix D.)

(2) Inactive Materiel MASL. The inactive MASL contains records which were once used in the Foreign Military Sales or Foreign Military Construction Sales programs, but are no longer available for programming. These records are assigned a footnote code of "YY", (See Paragraph C.1.e. of this section.)

b. Training MASL. The training portion of the MASL master file contains identification, availability, cost and duration information on all formal and informal training courses (including correspondence courses; technical, education or information publications; training aids; orientation and training exercises) conducted by or under the jurisdiction of the United States Government. It can be used by the Unified Commands, Security Assistance Organizations and MILDEPs in the development of plans and programs for IMET and FMS training. The training portion of the MASL master file is segregated into the following types of data:

E

EA	Expenditure Authority	
ECL	English Comprehension Level	
ECP	Engineering Change Proposal	
EDA	Excess Defense Articles	
EDD	Estimated Delivery Date	
EOQ	Economic Order Quantity	
EPG	European Participating Governments	
ESF	Economic Support Fund	
ETSS	Extended Training Service Specialist [formerly Engineering and Technical Service Specialist]	* *

F

FAA	Foreign Assistance Act of 1961, as amended	
FAD	Force Activity Designator	
FAMJT	Familiarization Job Training	
FAPSS	Foreign Affairs Planning and Scheduling System	
FAR	Federal Acquisition Regulation	
F/F	Freight Forwarder	
FFB	Federal Financing Bank	
FLO	Foreign Liaison Office (located within CONUS)	
FORDTIS	Foreign Disclosure & Technical Information Systems	
FMS	Foreign Military Sales	
FMSCR	Foreign Military Sales Credit	
FMSMP	Foreign Military Sales Management Plan	
FMSO I	Foreign Military Sales Order (stock level sales case)	
FMSO II	Foreign Military Sales Order (requisition/consumption sales case)	
FMT	Foreign Military Trainee	
FOB	Free On Board	
FSC	Federal Supply Classification	
FSL	Foreign Service Local (Embassy Employee)	
FSO	Foreign Service Officer (Department of State)	
FST	Field Service Team	
FTO	Foreign Training Officer (U.S.)	
FTS	Field Training Service	
FYDP	Five Year Defense Program	

G

GA	Grant Aid	
GAO	General Accounting Office	
GBL	Government Bill of Lading	
GFAE	Government Furnished Aeronautical Equipment	
GFE	Government Furnished Equipment	
GSA	General Services Administration	
GSE	Ground Support Equipment	

H

[None at this time.]

I

IA	Implementing Agency
ICP	Inventory Control Point
IDCA	International Development Cooperation Agency
IL	International Logistics
ILCO	International Logistics Control Office
ILP	International Logistics Program
ILS	International Logistics Support
IM	Item/Inventory Manager
IMET	International Military Education and Training
IP	Informational Program
ISA	International Security Affairs
ISP	International Security Policy
ISSL	Initial Spares Support List
ITAR	International Traffic in Arms Regulations
ITO	Invitational Travel Order

J

JCS	Joint Chiefs of Staff
JFM	Joint Forces Memorandum
JMP	Joint Manpower Program
JSAM	Joint Security Assistance Memorandum
JSPD	Joint Strategic Planning Document (Document replacing the JSOP)
JSPDSA	Joint Strategic Planning Document Supporting Analysis (Portion of the JSPD, which will be submitted by the field)
JSPS	Joint Strategic Planning System

K

[None at this time.]

L

LOA	Letter of Offer and Acceptance
LOI	Letter of Intent
LOR	Letter of Request
LTD	Language Training Detachment

92. Travel and Living Allowance (TLA) - 1000 System. This data element is used in the IMET detail training records to record the dollar amount that is programmed (budgeted) to pay the travel and living allowance expense for an individual line of training. See Chapter 10 for the cost computation procedures.

93. Travel and Living Allowance (TLA) Command - 1000 System. A single digit code used by the Army to indicate the command to receive the TLA funds.

94. Transaction Type - 1200 System. (See Card Code/Transaction Type above.)

95. Type of Assistance Code - 1000 System. The type of assistance code is used in the MILSTRIP system to distinguish between various types of U.S. military assistance transactions. In MAP and IMET the code is used to distinguish the various types of military assistance, as well as to identify certain military assistance requirements programmed under special financing. (e.g., Code "C" denotes that the item has been programmed under Section 506 of the Foreign Assistance Act). (For a complete list of codes along with an explanation of each code see Table D-11 of this appendix.)

*

96. Under DoD Preparation Receipt Date (DSAA Operations) - 1200 System. A six position numeric code expressed in a YYYYDD format, which reflects the date of receipt in the DSAA, Operations Directorate of a 36(b) sale or a potential 36(b) sale.

97. Under DoD Preparation Receipt Date (DSAA Comptroller) - 1200 System. A six position numeric code expressed in a YYYYDD format, which reflects the date of receipt from the Military Department/IA of an advance Congressional notification of a potential 36(b) sale.

98. Unified Command Code - All Systems. Unified Command codes are not contained in cards or card images but are assigned as supplemental data in master program records for use in selecting and sorting program data by Unified Command. This code identifies the Unified Command having responsibility for each recipient, except non-regional, and is the key for segregating ADP listings and feedback card data by Unified Command.

<u>Code</u>	<u>Meaning</u>
C -----	Central Command
E -----	European Command
L -----	Atlantic Command
P -----	Pacific Command
S -----	Southern Command
N -----	Non-Regional

99. Unit of Issue - All Systems. See Table D-15 of this appendix for a list of approved unit of issue codes that can be used in both the 1000 and 1200 systems. This code designates the unit of measurement to be used in programming defense articles, services and training and in shipping items of supply.

100. Unit Price - 1000 System. This data element is used in the detail training records to indicate the unit price per student (team member, etc.) as listed in the training MASL or as determined by the Military Department.

101. Worksheet Control Number (WCN) - 1000 System. A code which identifies an individual student or service (unique within MILDEP). The first four positions of the code represent the student or service and the last position identifies the student's sequence of training, if more than one applies. [See Chapter 10, paragraph L.4.c.(1) for additional guidance.]

102. 36(b) Indicator - 1200 System. A single digit alpha code used to identify a 36(b) case. The code "Y" indicates the record is a 36(b) case, and the code "N" indicates the record is a non-36(b) case.

Country	Code	Unified Command Cognizance	Area/Congres- sional Grouping
Oman	MU	CE	NESA
Pakistan	PK	CE	NESA
Panama	PN	SO	AR
Papua-New Guinea	PP	PA	EAP
Paraguay	PA	SO	AR
Peru	PE	SO	AR
Philippines	PI	PA	EAP
Pitcairn (UK)	PC	PA	EAP
Portugal	PT	EU	EUR
Qatar	QA	CE	NESA
Reunion (FR)	RE	EU	AFR
Romania	RO	EU	AFR
Rwanda	RW	EU	AFR
San Marino	SM	EU	EUR
Sao Tome and Principe	TP	EU	AFR
Saudi Arabia	SR	CE	NESA
Senegal	SK	EU	AFR
Seychelles	SE	PA	AFR
Sierra Leone	SL	EU	AFR
Singapore	SN	PA	EAP
Solomon Islands	BP	PA	EAP
Somalia	SO	CE	AFR
South Africa	UA	EU	AFR
Spain	SP	EU	EUR
Sri Lanka	CE	PA	NESA
St Christopher- Nevis	SC	AT	AR
St Helena (UK)	SH	EU	AFR
St Lucia	ST	AT	AR
St Pierre and Miquelon (FR)	SB	SO	AR
St Vincent & Grenadines	VC	AT	AR
Sudan	SU	CE	AFR
Suriname	NS	SO	AR
Swaziland	WZ	EU	AFR
Sweden	SW	EU	EUR
Switzerland	SZ	EU	EUR
Syria	SY	EU	NESA
Taiwan	TW	PA	EAP
Tanzania	TZ	EU	AFR
Thailand	TH	PA	EAP
Togo	TO	EU	AFR
Tonga	TN	PA	EAP
Trinidad-Tobago	TD	AT	AR
Tunisia	TU	EU	NESA

TABLE D-5. (Continued) [Page 4 of 7]

Country	Code	Unified Command Cognizance	Area/Congres- sional Grouping
Turkey	TK	EU	EUR
Turks and Caicos (UK)	TS	SO	AR
Tuvalu	TV	PA	EAP
Uganda	UG	EU	AFR
Union of Soviet Socialist Republics	UR	EU	EUR
United Arab Emirates	TC	CE	NESA
United Kingdom	UK	EU	EUR
Upper Volta	UV	EU	AFR
Uruguay	UY	SO	AR
Vanuata	NH	PA	EAP
Venezuela	VE	SO	AR
Vietnam	VS	PA	EAP
Western Somoa	WS	PA	EAP
Yemen (Aden)	YS	CE	NESA
Yemen (Sanaa)	YE	CE	NESA
Yugoslavia	YU	EU	FUR
Zaire	CX	EU	AFR
Zambia	ZA	EU	AFR
Zimbabwe	ZI	EU	AFR
Africa Region	R6	EU	AFR
American Republic Region	R5	SO	AR
Central Treaty Organization (CENTO)	T3	NR	NR
Department of Defense General Cost - MAP (GC-MAP)	00 22	NR NR	NR NR
East Asia/Pacific Region	R4	PA	EAP
European Participating Group F-16 Contract Administration Services (EPG F-16 CASEUR)	EP	NR	NR
European Region	R2	EU	EUR
International Civil Aviation Organization (ICAO HQ)	T7	NR	NR
International Civil Defense Organization (ICDO HQ)	T8	NR	NR
MAP ICP-U.S. Army Logistics Depot, Japan (USALDJ)	D4	PA	NR
MAP Owned Materiel (MAPOM)	M3	NR	NR

TABLE D-5. (Continued) [Page 5 of 7]

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. 117	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. 118	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

*

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TABLE E-1. (Continued)

E-10

Change No. 8, 31 March 1987

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/FMSCD
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.

E-15

Change No. 8, 31 March 1987

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 118, 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)

E-16

Change No. 8, 31 March 1987

DOD 5105.38-M

APPENDIX F

**

TRANSPORTATION COST LOOK-UP TABLE

A. **PURPOSE:** The purpose of this Appendix is to provide the procedures for development and use of the Transportation Cost Look-Up Table in Appendix G. The purpose of the table is to provide to applicable DOD components estimated actual transportation costs for items normally shipped in the Defense Transportation System (DTS) (e.g., sensitive/hazardous end items) when costs using standard transportation percentages are significantly different from actual charges.

B. **PROCEDURES:**

1. DSAA is responsible for recommending to OASD(C) those items which should be included in a transportation cost look-up table. Upon OASD(C) approval, DSAA shall disseminate the look-up table to the DOD Components by updating Appendix G annually. SAAC is responsible for application of the look-up table rates, when applicable to DD 1517 billings by the DOD components for specific items on the look-up table. DOD components are responsible for:

a. Making recommendations to DSAA relative to items and rates to be included in the look-up table.

b. Using approved rates in LOAs prepared for items cited on the look-up table.

c. Updating look-up table rates to assure estimated actual DOD costs are reflected.

d. Providing information to the SAAC relative to the applicable delivery term code for each DD 1517 billing processed to SAAC for items on the look-up table. If the priority changes and the actual delivery of materiel does not correspond with the Delivery Term Code (DTC) designated in the LOA, a Transportation Bill Code (TBC) indicating the actual method of shipment is to be entered on the DD Form 1517 (position 59).

2. Each DOD component will provide to DSAA yearly (no later than 30 June) the recommended rates for subsequent fiscal year which will be effective 1 October. The formats at Tables F-1 and F-2 will be utilized in forwarding such recommendations to DSAA. DOD components will include the cost elements prescribed in paragraph 80305 of DOD 7290.3-M. DSAA will evaluate data provided for recommended items and staff the addition of such items to the look-up table. DSAA will review and staff the revised rates and disseminate the revised table to SAAC and applicable DOD components by 31 August of each year by updating Appendix G. When a DOD component determines that an established transportation charge requires adjustment, the recommended revised rate will immediately be forwarded to DSAA. DOD components will utilize the rates on the look-up table in the development of all letters of offer when transportation costs are identified as below-the-line charges on the DD 1513. The rates have been developed and will be utilized as follows.

a. Code 6: Delivery to Overseas Port of Discharge to include CONUS Port Loading and Overseas transportation. For simplification and ease of management, DTC 6 will not be used for MAC shipments.

b. Code 8: Delivery to CONUS Port of Exit to include Port Loading.

c. Code 9: Delivery to the Overseas Port of Discharge to include CONUS inland, CONUS Port Loading, Overseas shipment (not SAMM flight), and Overseas Port Unloading. For simplification and ease of management, DTC 9 will normally be used for MAC shipments only.

Special transportation requirements, e.g., SAMM flights, will continue to be identified above the line on the DD 1513 and applicable actual charges billed to the customer.

C. TRANSPORTATION COST LOOK-UP TABLE: The latest DSAA approved transportation cost look-up table for selected items is located at Appendix G.

TABLE F-1
CONUS TRANSPORTATION COSTS

<u>NSN/ NOMEN</u> ¹	<u>Weight Item</u>	<u>M/Ton/Item</u>	<u>Standard Price</u>	<u>FMS Proc.</u> ² <u>Cost</u>	<u>Port of</u> ³ <u>Embark-</u> <u>ation</u>	<u>Est. Actual CONUS</u> ⁴ <u>Inland</u>	<u>Est. Port Costs</u>
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¹ Items are those which appear to qualify based on previous data; NSNs must be added. Additional major items should be added as appropriate.

² Based on most current FMS offers.

³ Data should be provided for East Coast, West Coast, and Gulf port, if applicable.

⁴ Special factors such as security costs must be identified separately.

TABLE F-1. CONUS Transportation Costs.

TABLE F-2
OVERSEAS TRANSPORTATION COSTS

<u>NSN/ NOMEN</u> ¹	<u>Weight Item</u>	<u>M/Ton/Item</u>	<u>Standard Price</u>	<u>FMS Proc.</u> ² <u>Cost</u>	<u>Est. Actual Overseas Shipment</u> ^{3,4} <u>(Surface)</u>	<u>Est. Actual Overseas Shipment</u> <u>(MAC)</u> ^{3,4}	<u>Est. Actual Overseas Port Loading</u>
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1 Items are those which appear to qualify based on previous data; NSNs must be added. Additional major items should be added as appropriate.

2 Based on most current FMS offers.

3 For each item two figures must be cited:

a. Shipments to Europe, Latin America, and Mediterranean Ports.

b. Shipments to Newfoundland, Labrador, Thule, Iceland, South America, Far East, African Ports (other than Mediterranean) and Near East.

4 Special factors such as security, demurrage, etc., must be identified separately.

TABLE F-2. Overseas Transportation Costs.

APPENDIX G

**

TRANSPORTATION COST LOOK-UP TABLE*

ARMY ANNEX

<u>NSN</u>	<u>ITEM</u>	<u>Code 6**</u>	<u>Code 8**</u>	<u>Code 9**</u>
<u>HAWK</u>				
1430-00-782-9816	HPI	\$11,839	\$4,941	\$43,541
1430-01-078-9643	HPI/PIP	11,839	4,941	43,541
1430-00-042-4910	BCC/PIP	8,468	3,678	29,636
1430-00-170-6261	BCC	8,468	3,678	29,636
1430-00-084-1130	IBCC	9,043	3,678	29,680
1430-00-078-8454	ROR	8,258	2,893	32,230
1430-00-880-3357	AN/TPQ-29	7,665	3,914	32,898
1430-01-042-4908	PAR/PIP	9,427	3,104	36,604
1430-01-178-8453	PAR	9,427	3,104	36,604
1430-01-042-4915	IPCP	12,112	4,640	46,447
1430-00-103-5270	ICC/PIP	12,112	4,640	46,447
1430-01-084-1131	IPCP	12,112	4,640	46,447
1430-01-042-4918	ICC/PIP	12,540	5,068	46,875
1430-00-178-8459	ICC	12,540	5,068	46,875
1430-01-042-4907	ICWAR/PIP	8,270	2,714	32,856
1430-00-135-0267	ICWAR	8,270	2,714	32,856
1410-00-234-3266	Missile	1,975	919	9,858
4935-01-083-3128	Shop Equip (No. 8)	7,009	3,526	30,990
4935-01-085-5618	Shop Equip (No. 9)	7,009	3,526	30,990
4935-01-085-5679	Shop Equip (T.A.G)	1,410	874	7,062
4935-00-133-9770	Shop Equip AN/TSM-112 w/SM 35 Beam	1,639	1,237	6,890
4935-00-782-1957	Shop Equip AN/TSM-105	7,007	3,526	30,990
4935-01-042-4909	Shop Equip AN/TSM-107 PIP	7,009	3,526	30,990
4935-00-880-4510	Shop Equip AN/TSM-107	7,009	3,526	30,990
4935-01-051-8691	Shop Equip AN/TSM-104	7,009	3,526	30,990
4935-01-067-3362	Shop Equip GM AN/TSM-120	1,852	1,316	7,504
4935-00-604-7460	IAFU OMC GRD	573	305	1,367
5821-00-102-8668	Transmitting Set	87	74	438
1430-00-069-4438	BIG/AN/GSA-130	485	271	2,185
1337-00-484-8551	Rocket Motor, M112	734	520	4,367

TOW

1410-01-007-2507	Missile	\$ 87	\$ 58	\$ 414
1410-01-007-2508	Missile	84	55	411

* Procedures for the development of the look-up table are outlined in Appendix F.

** If the priority changes and the actual delivery of materiel does not correspond with the Delivery Term Code (DTC) designated in the LOA, a Transportation Bill Code (TBC) indicating the actual method of shipment is to be entered on the DD Form 1517 (Position 59).

<u>NSN</u>	<u>ITEM</u>	<u>Code 6**</u>	<u>Code 8**</u>	<u>Code 9**</u>
<u>TOW</u> [Continued]				
1410-01-087-1521	Missile	\$ 87	\$ 58	\$ 414
1410-01-137-9976	Missile, Practice	84	55	411
1440-00-169-1764	LCHR	873	605	2,882
1440-01-104-9834	LCHR, Tubular, GM, TOW-2	873	605	2,882
1410-01-106-8514	I-TOW	87	58	2,335
4935-00-150-5905	CSS	2,491	1,285	10,566
4935-01-082-7023	ICSS	2,491	1,285	10,566
5855-01-893-9053	Night Sight, AN/TAS 4A	540	509	1,320
5855-01-152-8781	Night Sight, AN/UAS 12A	248	217	954
1410-01-135-2092	TOW 2 MSL	87	58	413
<u>MLRS</u>				
1055-01-092-0358	AVMRL (Less Carrier)	\$16,902	\$7,705	\$116,840
<u>STINGER</u>				
1427-01-024-9967	MSL Round	\$150	\$113	\$549
1425-01-024-9982	WPN Round	214	142	623
1427-01-219-7116	WPN Round, less Griplock	182	121	559
6920-01-024-6948	THT	196	165	698
1440-01-178-8618	Gripstock-Control Group	32	21	62
<u>REDEYE</u>				
1425-01-078-9259	M41-MSL-SY	\$179	\$145	\$508
1425-01-078-9258	M41-MSL-w/Metal Container	179	145	508
6920-00-809-0399	Guided MSL Training Set	206	183	604
<u>DRAGON</u>				
1427-00-163-8959	Missile	\$186	\$141	\$ 555
1430-00-078-8340	Tracker	508	497	1,083
1430-01-046-9594	Night Tracker	316	272	750
<u>PATRIOT</u>				
1430-01-087-6330	Radar Set	\$26,531	\$8,329	\$117,254
1410-01-087-6343	GM Intercept Aerial	3,742	1,630	15,474
1430-01-087-6338	AN/MGQ-104	14,613	6,949	50,057
1440-01-087-9844	M901	22,660	6,949	92,959
1430-01-087-6337	AN/MSQ-116	13,138	5,474	48,993
1430-01-131-5427	AN/MRC-137	12,634	4,970	90,980
1430-01-131-5373	Antenna Mast Group Trk	11,484	4,586	43,115
<u>CHAPARRAL</u>				
1410-01-150-2863	Missile, GM Intercept	\$ 279	\$ 118	\$ 1,162
1410-01-937-3859	Sys, Missile, GM Intercept	12,503	4,647	66,918

<u>NSN</u>	<u>ITEM</u>	<u>Code 6**</u>	<u>Code 8**</u>	<u>Code 9**</u>
<u>CHAPARRAL</u> [Continued]				
1410-01-104-9827	AN/TSM-96A	10,809	6,121	44,366
1410-01-216-3775	Missile, GM, Intercept Aerial	279	118	1,162

THERMAL IMAGERY

5855-01-037-7340	Night Sight, AN/TAS-6	\$214	\$205	\$718
5855-01-173-0808	Night Sight, AN/UAS-12B	219	233	825

NAVY ANNEX

<u>NSN</u>	<u>ITEM</u>	<u>Code 6**</u>	<u>Code 8**</u>	<u>Code 9**</u>
<u>HARPOON AURs</u>				
1410-01-038-6237	RGM-84D-2	\$1,230	\$ 810	\$5,270
1410-01-133-4129	AGM-84D-1	1,580	930	3,910
1410-01-039-2941	RGM-84D-3	4,610	3,260	9,470
1410-01-139-1741	RGM-84D-4	4,560	3,260	9,720
1410-01-139-1743	UGM-84D-1	2,600	1,300	7,760

SPARROW AUR

1410-00-149-3507	AIM-7M	\$400	\$260	\$1,692
1410-00-149-3508	RIM-7M	535	295	1,948

SIDEWINDER

1427-01-114-2054	Guidance & Control Section (GCS)	\$389	\$371	\$ 478
1420-01-101-8233	Target Dectector (AODT)	194	186	248
1337-01-145-1963	Rocket Motor (RM)	754	742	1,001
1336-01-017-4030	Safety Arming Device (S&A)	28	27	34
1336-01-044-7430	Warhead	374	371	426

MK 46 TORPEDO

1356-01-063-3274	Torpedo	\$5,345	\$5,165	\$7,140
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HARM

1410-01-168-8663	Tactical Missile	\$4,288	\$3,742	\$8,804
1410-01-166-9263	Training Missile	4,288	3,742	8,804
1420-01-162-3292	Guidance Section	1,076	1,014	1,518
1420-01-161-2090	Control Section	1,076	1,014	1,624
1337-01-162-3422	Warhead Section	1,076	1,014	1,624
1337-01-162-3421	Rocket Motor Section	1,183	1,043	2,631

AIR FORCE ANNEX

<u>NSN</u>	<u>ITEM</u>	<u>Code 6**</u>	<u>Code 8**</u>	<u>Code 9**</u>
<u>MAVERICK</u>				
1410-01-101-8490JE	AGM-65A	\$3,983	\$3,562	\$5,683
1410-01-089-2505JE	AGM-65B	3,983	3,562	5,683
1410-00-125-6760JE	AGM-65B	3,983	3,562	5,683
1410-00-238-1486JE	AGM-65A	3,983	3,562	5,683
1336-00-138-2910JE	AGM-65B	3,983	3,562	5,683
1336-00-883-5361	Warhead	1,248	1,207	1,642
1336-00-883-5360	Booster Warhead	1,201	1,197	1,213
1336-00-432-2862	Arming Device	1,206	1,198	1,205
1337-01-118-4657	Rocket Motor	1,278	1,213	1,691
<u>SIDEWINDER</u>				
1410-01-135-2771AB	AIM-9L	\$211	\$146	\$1,242
1410-01-137-5971AB	AIM-9E-2	211	146	1,242
1410-01-137-5972AB	AIM-9P-3	211	146	1,242
1410-01-162-9395AB	AIM-9M	211	146	1,242
<u>SPARROW</u>				
1410-01-101-8237BL	AIM-7E-3	\$385	\$265	\$2,547
1410-01-135-6176BL	AIM-7E	385	265	2,547

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