

Figure AP3.F10. FMF Grant Agreement - Exhibit A

Procedures for Obtaining DSCA Approval For Grant Financing of Purchase Agreements

1. General. The Defense Security Cooperation Agency (DSCA) is responsible for approving grant financing of all Purchase Agreements that the Grant Recipient wishes to finance with proceeds from the grant issued by the DSCA under the provisions of the Arms Export Control Act. The use of grant proceeds shall be approved for the financing of purchases by the Grant Recipient only of defense articles, defense services, and design and construction services of U.S. origin. In reviewing requests for financing of Purchase Agreements, DSCA is guided by objectives established by the U.S. Government for improvement of the Grant Recipient's defense capabilities, by generally accepted financing practices, and by United States laws, regulations and policies in effect at the time the financing is requested. The U.S. Government reserves the right to refuse to finance any purchase agreement and is not required to explain its reason(s) for such refusal.
2. Purchases from U.S. Military Departments
 - a. The U.S. Military Departments effect Foreign Military Sales ("FMS") by means of the Letter of Offer and Acceptance ("LOA"), Department of Defense Form 1513. Each LOA, also referred to as an FMS case, is identified by a three digit alphabetic code referred to as "case identifier." If a Grant Recipient desires to fund an FMS case from this grant, it must so inform the Military Department prior to the issuance of the LOA. In turn, the Military Department will reflect the desired grant financing on the LOA and submit it to the DSCA (Business Operations/Comptroller Directorate) for approval and countersignature.
 - b. When the Grant Recipient wishes to use grant funds to pay amounts due under an FMS case which has already been established as a "cash" or "dependable undertaking" case, the Grant Recipient must ask the pertinent Military Department to convert all or part of that case from cash to grant funding. The Military Department must also submit the amended case to the DSCA (Business Operations/Comptroller Directorate) for review and approval to support the requested change in funding.
 - c. For each case it approves for financing from the grant, the DSCA (Business Operations/Comptroller Directorate) will reserve funds from the uncommitted grant balance in an amount equal to the entire estimated cost of the FMS case requested for grant funding. The portion of the grant so reserved will then be available only for such payments. Payments, either for deliveries of materiel or progress payments, from advances requested by the Grant Recipient, will be made by the DSCA (Business Operations/Comptroller Directorate) against the amount reserved for that purpose.
3. Purchases from Commercial Firms
 - a. Grant funds under the Arms Export Control Act may be used to finance purchases from U.S. Commercial Suppliers, provided such financing has been approved by the DSCA. In order that the DSCA may advise a Grant Recipient whether it will approve such financing, the Grant Recipient must provide a copy of the contract or proforma purchase order to the DSCA (Business Operations/Comptroller Directorate) for its review, preferably before the Grant Recipient obligates itself to a purchase which it

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desires to be financed with grant funds. Before the DSCA can give its final approval of grant financing, the commercial supplier must submit to DSCA the "Contractor's Certification and Agreement with Defense Security Cooperation Agency" as illustrated in Exhibit B which is subject to change by the DSCA any time hereafter. The Grant Recipient should allow at least 90 days for DSCA's review of the contract for approval of grant financing. Each grant financing approval shall be separately communicated by DSCA in writing to the Grant Recipient by use of the "Grant Financing Approval" illustrated as an attachment to this exhibit.

- b. Grant financing shall be approved and made available only to finance the purchase of defense articles and services authorized for such financing by the DSCA in accordance with policies and procedures in effect at the time such financing is approved. Current DSCA policies pertinent to approval of grant financing for purchase agreements are included in the Security Assistance Management Manual.
- c. In addition to the approval mentioned above, DFAS Indianapolis, at the time it approves requests for advances (disbursements) of funds pursuant to Annex II, also will require from the Grant Recipient invoices properly executed by the commercial supplier, and bills-of-lading and statements, as may be applicable, substantially in the formats described in paragraph 4 of Exhibit B (DSCA Requirements for Documentation to Support Requests for Advances).
- d. For each commercial purchase agreement for which financing is approved, the DSCA (Business Operations/ Comptroller Directorate) will assign a case identifier and will provide to the Grant Recipient a Grant Financing Approval letter in the form of the Attachment to this Exhibit. This letter will provide the case identifier assigned to the case. For each case it approves for grant financing, the DSCA (Business Operations/ Comptroller Directorate) will reserve grant funds in the amount requested. The grant funds so reserved will then be available only for payments on that case, unless the Grant Recipient directs otherwise. Payments for deliveries, progress, or advance payments, will be processed by the DSCA (Business Operations/Comptroller Directorate) against the amount reserved for the approved purchase agreement.
- e. The DSCA (Business Operations/Comptroller Directorate) will also provide letters to the commercial firm informing it of conditions of grant financing and certifications required as prerequisites to the DSCA approving grant financing for the purchase agreement, and indicating the DSCA approval of financing of the purchase agreement.