DEFENSE SECURITY COOPERATION AGENCY
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05 January 2026

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR INTERNATIONAL AFFAIRS
DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR INTERNATIONAL PROGRAMS
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
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DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY
DIRECTOR, SECURITY COOPERATION ACCOUNTING DIRECTORATE, DEFENSE FINANCE AND ACCOUNTING SERVICE, INDIANAPOLIS OPERATIONS
DIRECTOR OF CYBERSECURITY DIRECTORATE AND DEPUTY NATIONAL MANAGER FOR NATIONAL SECURITY SYSTEMS, NATIONAL SECURITY AGENCY

SUBJECT: Defense Security Cooperation Agency Policy Memorandum 25-19, Foreign Military Sales Cost-Sharing with Multiple Partners [SAMM E-Change 731]

Reference: Office of the Under Secretary of Defense, 7000.14-R Department of Defense Financial Management Regulation Volume 15, Chapter 7 - Pricing

This memorandum provides policy guidance for the Implementing Agencies (IAs) to develop Foreign Military Sales (FMS) cost-sharing arrangements with multiple partners, ensuring equitable cost distribution throughout the sale of defense articles or services. This policy provides instruction for IAs to use cost methodologies that allocate costs at a pro rata share to each partner in a cost-sharing arrangement based on a consistent costing methodology. Refer to the reference for specific pricing requirements and additional information regarding specific defense articles or services.

This memorandum is effective immediately and is applicable to new FMS cost-sharing arrangements. The policy in the attachment is incorporated into the DSCA Security Assistance Management Manual (SAMM) at https://samm.dsca.mil.

If you have questions on this memorandum, please contact the Office of Business Operations, Financial Policy & Regional Execution Directorate, Financial Policy Division (OBO/FPRE/FP) at dsca.ncr.obo.list.fpre-fp@mail.mil. Please reference the DSCA policy number and memo subject. For general questions about the SAMM, please contact the Office of Strategy, Plans, and Policy, Execution Policy and Analysis Directorate (SPP/EPA) at dsca.ncr.spp.mbx.epa@mail.mil.

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Brian T. Watford
Acting Chief Operating Officer and
Chief Financial Officer

Attachment:

SAMM E-Change 731 – Foreign Military Sales Cost-Sharing with Multiple Partners

Attachment: Security Assistance Management Manual E-Change 731

Foreign Military Sales Cost-Sharing with Multiple Partners

1. Add Section C9.4.10. (and subsections):

C9.4.10. Foreign Military Sales Cost-Sharing with Partners. Cost-sharing arrangements enable multiple partners, to include the U.S. Government in some instances, to collectively fund the development and procurement of common defense articles or services through the Foreign Military Sales (FMS) process. These arrangements promote international collaboration, reduce individual financial burdens, and ensure equitable cost distribution among participating partners. Cost-sharing arrangements are used when more than one partner requests the same defense article or service, and the partners agree to fund a portion of the costs at a pro rata share.

C9.4.10.1. Each partner will use a signed and implemented Letter of Offer and Acceptance (LOA) to fund its portion of the costs. The cost-shared defense article or service will be a standalone line within an FMS case. The LOA will include the "Multi-Partner Cost-Sharing Arrangement" case note.

C9.4.10.2. Cost Methodology. The Implementing Agency (IA) will determine the initial shared costs in accordance with the Department of Defense (DoD) Financial Management Regulation (FMR) Volume 15 Chapter 7. To ensure full cost recovery complies with policies in the SAMM and DoD FMR, the case manager will collaborate with the budget financial manager to review the cost methodology and detailed breakdown of costs per partner.

C9.4.10.2.1. The cost allocation methodology will assign costs to each partner based on its pro rata share of the defense article or service being sold. The case manager will coordinate the cost allocation methodology and breakout of costs by partner with the budget financial manager to ensure costs comply with policies outlined in the SAMM and the DoD FMR.

C9.4.10.2.2. Increase in Costs. If total program costs increase beyond the estimated amount used to calculate each FMS partner's pro rata share, all cost-sharing LOAs must provide sufficient funds to incur its portion of the cost increase, as determined by the IA. The IA will notify partners of any changes to partner-specific costs and develop a timeline for amending LOAs to reflect the changes. Implemented LOAs that do not have sufficient funds must be increased through LOA amendments.

C9.4.10.2.3. Reduction in Costs. If there is a reduction in total program costs, the percentage reduction will be applied proportionally to the pro rata share of each partner's cost. The IA will issue refunds or adjust future payments, ensuring all partners receive equitable treatment.

C9.4.10.2.4. Changes in Number of Partner Nations. In the event a partner that is a contributor to a cost-sharing arrangement chooses to cancel its LOA, the partner is responsible for any costs incurred at the point of cancellation. The IA will reduce the LOA to the highest financial requirement and update the cost methodology to reallocate any remaining costs to the remaining partners based on its pro rata share. IAs will notify all remaining partners of the updated cost allocation and develop a timeline for amending LOAs to reflect the changes. Increases to the LOA will be accomplished through an LOA amendment. If additional partners join the cost-sharing arrangement after the initial costs have been allocated, or a partner chooses to rejoin the cost-sharing arrangement after leaving, the IA will make the necessary changes to the cost methodology to allocate costs to each partner based on its pro rata share of the cost-sharing arrangement. IAs should take into consideration the appropriateness of adding additional partners to a cost-sharing arrangement (e.g. length of time remaining for the development of the article or service, funding amount left to be collected, etc.).

2. Add Appendix 6 Note:

Multi-Partner Cost-Sharing Arrangement

Building Partner Capacity:	No
Foreign Military Sales:	Yes
Note Input Responsibility:	IA
Date Range of Use:	All
References:	See Section C9.4.10.
Note Usage Instructions for Documents:	
Mandatory for Foreign Military Sales (FMS) cases that include lines associated with a cost-sharing arrangement involving multiple partners. Mandatory for FMS case amendments and modifications that add line(s) that are included in a cost-sharing arrangement	
Note Text:	
"This Letter of Offer and Acceptance (LOA) includes line(s) [insert line number(s)] that are part of a cost-sharing arrangement with multiple partners. [Insert country name] is responsible for its pro rata share of the total costs as outlined in this LOA. If actual costs for the cost-shared defense articles or services exceed the initial estimate, or if a partner withdraws from the arrangement, [insert country name] will be responsible for covering additional costs associated with its pro rata share."	