

C11. CHAPTER 11

SPECIAL PROGRAMS AND SERVICES

C11.1. ACQUISITION AND CROSS-SERVICING AGREEMENTS (ACSAS)

ACSAs are Department of Defense (DoD) agreements negotiated on a bilateral basis with nations designated by the Secretary of Defense as ACSA-eligible. To be designated as ACSA-eligible, a country must either be a member of the North Atlantic Treaty Organization (NATO) or have a defense alliance with the United States (U.S.); permit stationing of U.S. troops; allow pre-positioning of U.S. assets; or host U.S. Forces' exercises. Support is generally provided on a reciprocal basis. Payments may be made in cash, replacement in kind or equal value exchange – countries pay the DoD rate (not the Foreign Military Sales (FMS) rate). Except for contingencies, humanitarian, and foreign disaster efforts, annual (fiscal year) ceilings apply. 10 U.S.C. 2341-2350 (reference (ce)) authorizes the use of ACSAs. DoD Directive 2010.9 (reference (cf)) contains the policy for these agreements. The Chairman of the Joint Chiefs of Staff has primary responsibility for these agreements

C11.1.1. Standard Provision of Logistics Support, Supplies, and Services Under an ACSA.

C11.1.1.1. What MAY Be Provided Under an ACSA? ACSAs permit the United States to provide logistics support, supplies, and services to include food, billeting, transportation (including airlift), petroleum, oils, lubricants, clothing, communication services, medical services, ammunition, base operations support (and construction incident to base operations support), storage services, use of facilities, training services, spare parts and component, repair and maintenance services, calibration services, and port services. Also permitted are the temporary use of general purpose vehicles and other non-lethal items of military equipment that are not designated as significant military equipment (SME) on the U.S. Munitions List in the International Traffic in Arms Regulations (ITAR) (reference (n)).

C11.1.1.2. What MAY NOT Be Provided Under an ACSA? ACSAs do not permit transfer of weapons systems; initial quantities of replacement and spare parts for major end items of equipment covered by tables of organization and equipment, tables of allowances and distribution, or equivalent documents; major end items of equipment; guided missiles; naval mines and torpedoes; nuclear ammunition and included items such as warheads, warhead sections, and projectiles; guidance kits for bombs or other ammunition; and chemical ammunition (other than riot control).

C11.1.2. Temporary Authority to Use ACSA to Lend Certain Military Equipment to Foreign Forces in Iraq and Afghanistan for Personnel Protection and Survivability or Participating in Combined Operations with the United States as part of a Peacekeeping Operation under the Charter of the United Nations or Another International Agreement. Notwithstanding paragraph C11.1.1 above, special authority was enacted in Section 1202 of the National Defense Authorization Act (NDAA) for Fiscal Year 2007 (P.L. 109-364) , as amended by Section 1252 of the FY 2008 NDAA, to permit the Secretary of Defense to treat “covered military equipment” (defined in Section 1202 as SME in USML categories I, II, III, VII, XI, and XIII) as logistics support, supplies, and services under ACSA agreements for the purposes of providing such equipment to military forces of a nation while participating in combined operations with the

United States in Iraq or Afghanistan, or in other approved combined operations, when the equipment is required for personnel protection or to aid in the personnel survivability of those forces. Use of this authority requires a determination by the Secretary of Defense, with concurrence of the Secretary of State that it is in the national security interest to provide the equipment. Equipment may not be provided for a period longer than one year. This authority expires on September 30, 2009.

C11.1.3. ACSA Process

C11.1.3.1. Eligibility. The Combatant Commander forwards a request to the Joint Staff, J4, to have a foreign country designated as ACSA-eligible. The request is staffed, forwarded to the Office of the Secretary of Defense (OSD), and sent to the Department of State (DoS) for coordination. When approved by all parties, there is a 30-day Congressional Notification period before negotiations begin. If Congress takes no action, the nation is eligible and the Combatant Commander is notified that negotiations may commence.

C11.1.3.2. Negotiations. A team from the Combatant Commander meets with the eligible nation to reach an agreement on the exact wording of the ACSA. The Department of Defense and DoS have developed an approved ACSA template.

C11.1.3.3. Conclusion. The negotiated ACSA is forwarded from the Combatant Commander to the Joint Staff, J4, for staffing. It is then coordinated with OSD and sent to the DoS requesting authority to conclude the agreement. If the language of the ACSA template is agreed to by the foreign nation, there is an expedited approval process. Once authority is granted, the Combatant Commander is notified that the ACSA may be signed.

C11.1.3.4. Execution. In order to execute the ACSA, an Implementing Arrangement must outline the billing procedures and identify points of contact. The ACSA template includes the Implementing Arrangement language, so there is no need to negotiate a separate arrangement. An Order or Support Request must be processed for each ACSA transaction to financially bind the acquiring nations.

C11.2. C-12 AIRCRAFT MANAGEMENT

The Defense Security Cooperation Agency (DSCA), Defense Intelligence Agency (DIA), and U.S. Air Force (USAF) Memorandum of Understanding (MOU), dated August 6, 1996, provides four C-12 aircraft to DSCA for use in implementing Security Assistance. In consultation with the appropriate Combatant Command, DSCA assigns the C-12s to overseas Security Cooperation Organizations (SCOs) on a priority basis. The Combatant Commands provide additional guidance to SCOs on C-12 program management.

C11.2.1. C-12 Aircraft Missions

C11.2.1.1. Security Assistance C-12 Aircraft Missions. The primary mission of the DSCA dedicated C-12 aircraft is to support SCO Security Assistance program management as outlined in Foreign Assistance Act (FAA), section 515 (reference (b)). Included in this category are local in-country training, evaluation, and maintenance flights. These missions are financed by Security Assistance Administrative funds.

C11.2.1.2. Non-Security Assistance C-12 Aircraft Missions. Other missions may be

flown only when they do not impair Security Assistance missions, when they are reimbursed, and only when in compliance with the laws and regulations governing the use of DoD transportation assets. Examples include: disaster relief, Combatant Command exercises, visitors who are on non-Security Assistance management business, flights flown in support of the U.S. Embassy, U.S. Defense Representative responsibilities, or flights flown in support of an FMS case which specifically includes a transportation line. C-12 flights that support Congressional or Congressional Staff Delegations (CODELs) are also included in this category. DSCA Form 78-001 (Figure C11.F1.) should be completed and submitted with a certified statement of actual flying time to DSCA (Business Operations Directorate) within 2 workdays after the airlift has been completed.

C11.2.2. C-12 Aircraft Policies. The policies in Table C11.T1. govern the use of the DSCA C-12 aircraft.

C11.2.3. Flight Approval Authority for DSCA C-12 Aircraft. The SCO Chief has approval authority for flights within his or her area of accreditation in support of Security Assistance management functions. The SCO Chief retains responsibility for the proper use of the C-12 regardless of the agency using or funding the use of the C-12. For DIA dedicated C-12 aircraft, jointly used by the SCO, the SCO Chief retains responsibility for proper C-12 uses for SCO missions. For other non-Security Assistance missions, established Combatant Command approval procedures are followed and fund cites obtained prior to flight.

Figure C11.F1. DSCA Form 78-001, Request for Revenue Traffic Airlift

DEFENSE SECURITY COOPERATION AGENCY
Washington, D.C. 20301

REQUEST FOR REVENUE TRAFFIC AIRLIFT

Date:
Request No:
From: _____
To: Chief SCO

Revenue traffic airlift services as described are requested for the following activity:

Purpose, date, estimated flying times, and route of non-Security Assistance flight mission:

Billing address:

Fund citation to be shown on billing:

CERTIFICATION BY REQUESTING OFFICIAL: Pursuant to requirements of DoD Regulation 4515.13-R (subparagraph C8.2.2.1.), I certify that commercial transportation is neither available, readily obtainable, nor satisfactorily capable of meeting the requirements. I certify that the requesting office will accept liability for the reimbursement billing for airlift service provided in response to this request.

Signature
[Name and Title of Requesting Official]

For use by Chief SCO:

Signature
[Name and Title of SCO Approving Official]

Table C11.T1. DSCA C-12 Aircraft Policies

DSCA C-12 Aircraft Policies	
1	When SCOs share or jointly use C-12 aircraft, Security Assistance missions take precedence over any other SCO requirements.
2	All C-12 missions flown out of the SCO area of accreditation require prior justification to, and approval by, the Combatant Command.
3	The C-12 aircraft shall be used only when such use is more economical than commercial aircraft or airline services are not available, readily obtainable, or for reasons which must be specified, incapable of satisfying the transportation requirements. The C-12 should not be used if travel requirements can be met with other safe, more cost effective modes of transportation e.g., rail, automobile, etc. The SCO Chief has the authority to make these decisions.
4	Passenger travel and reimbursement shall be in accordance with DoD 4515.13-R (reference (cg)) or by specific Combatant Command approval before flight, except in case of emergency.

C11.2.4. Passenger Approval and Eligibility for DSCA C-12 Aircraft. Passenger eligibility for all DoD aircraft is set out in DoD 4515.13-R (reference (cg)). Normal categories of military travel are permitted to include temporary duty and space-available travel of military members and dependents, provided that such travel does not interfere with the primary Security Assistance mission. Special categories of passengers may be eligible for C-12 travel if approved by the appropriate authority as set out in DoD 4515.13-R (reference (cg)). DSCA dedicated C-12 missions may not be scheduled solely for rest and recuperation purposes. The SCO Chief is responsible to determine if movement of travelers interferes with the Security Assistance mission and is therefore the final authority for passenger movement. This includes authorization of Security Assistance travel as well as determination that non-Security Assistance travel does not interfere with the Security Assistance mission. The SCO may also approve space-available travel. In addition, the SCO Chief has special authority as outlined in DoD 4515.13-R (reference (cg)), section C10.9., for specified American Embassy personnel, distinguished foreign nationals, key foreign military, and spouses of certain officials under certain conditions as indicated in Table C11.T2.

Table C11.T2. Passenger Eligibility for DSCA C-12 Aircraft

Passenger Type	Eligibility for DSCA C-12 Aircraft
Spouses of DoD personnel, other than authorized by DoD 4515.13-R, section C10.9., must have Invitational Travel Orders (ITOs).	Due to unique funding of DSCA C-12 operations, these procedures may differ from other DoD aircraft transportation requirements. The spouse travel must clearly be in the national interest and there must be an unquestionable official requirement in which the spouse is to participate.
Congressional Delegations (CODELs)	CODELs warrant special consideration. The Assistant Secretary of Defense for Legislative Affairs (ASD(LA)) has approval authority for non-sponsored, non-reimbursable flights in support of CODELs. In addition, sponsored, non-reimbursable CODEL flights outside of the United States must be submitted to the Secretary of Defense (DoD Directive 4515.12 (reference (ch))). In the process of determining the availability of DSCA dedicated C-12 aircraft to support a CODEL mission, the DSCA verifies to ASD/LA that the aircraft does not have a higher priority Security Assistance requirement. The DSCA requests the appropriate Combatant Command to obtain C-12 availability from the SCO. Once a decision has been made to use the DSCA dedicated C-12, the Military Department (MILDEP) (which has been assigned by ASD(LA) to support the CODEL) should immediately provide the SCO, the Combatant Command, and DSCA (Business Operations Directorate) with a fund cite to support the missions, as well as list of names of official members of the CODEL, identified by the Chairman of the Committee which is sponsoring the CODEL, to ensure that all concerned clearly understand who are the authorized passengers. Pursuant to 10 U.S.C. 2341-2350 (reference (ce), and the rules promulgated there under; such as DoD Directive 4515.12 (reference (ch)), official members of CODELs may be authorized passengers on DSCA dedicated C-12 aircraft. On short notice requests, SCOs should telephone DSCA (Business Operations Directorate) to resolve questions on CODEL travel. SCOs keep the Combatant Command and DSCA (Business Operations Directorate) informed.

C11.2.5. Reimbursement for C-12 Aircraft Flights. The reimbursement requirement for passenger travel is addressed in DoD 4515.13-R (reference (cg)). If the passenger is on official duty in support of SCO management functions, he or she is authorized travel and no reimbursement is required. Approval authority for space-available, non-reimbursable travel for

designated individuals is granted to SCO Chiefs by DoD 4515.13-R, section C10.9. (reference (cg)). Embassy requests for permission to transport non-DoD individuals (outside the authority of DoD 4515.13-R (reference (cg))) shall be in accordance with DoS Foreign Affairs Manual, Volume 6, Section 129.5 (reference (ci)), as amended, to ensure proper inter-agency coordination. All other passengers must fall under the purview of DoD 4515.13-R (reference (cg)) as non-reimbursable, or they must reimburse DSCA for their travel. While some CODEL missions may be considered by DSCA and SCOs to be Security Assistance missions, there is no authority for the use of Security Assistance administrative funds to support non-Security Assistance CODEL missions on DSCA dedicated C-12 aircraft. CODEL mission funding is the responsibility of the MILDEP tasked by ASD(LA) to support the CODEL. The cost for the CODEL mission is reported by the SCO via DSCA Form 78-001 (Figure C11.F1.) to DSCA (Business Operations Directorate) for reimbursement action. For reimbursable travel, there is no seat mile rate for DSCA dedicated C 12 aircraft. Flying hour rates shall be used. Questions may be directed to DSCA (Business Operations Directorate).

C11.2.6. DSCA C-12 Aircraft Program Management Responsibilities. Table C11.T3. shows the C-12 Aircraft program management responsibilities for the SCO, the Combatant Command, and DSCA (Business Operations Directorate).

Table C11.T3. DSCA C-12 Aircraft Program Management Responsibilities

DSCA C-12 Aircraft Program Management Responsibilities	
SCO	<p>Provide to the Combatant Command the flying hour programs for the yearly budget in accordance with criteria established by this manual and DSCA (Business Operations Directorate) annual budget call.</p> <p>Provide to the Combatant Command copies of all Memoranda of Understanding (MOUs) between the SCO and other organizations where a shared or joint use agreement is in effect.</p> <p>Submit monthly activity reports to the C-12 Program Manager in accordance with the Oklahoma Air Logistics Center (OC-ALC/LKO), Oklahoma City, Oklahoma, and DSCA C-12 Support Agreement T-607, Attachment 3, January 1991.</p> <p>Complete DSCA Form 78-001, "Request for Revenue Traffic Aircraft", and a memorandum certifying actual flying time, for each reimbursable flight and mail these forms to DSCA (Business Operations Directorate), 201 12th Street South, Suite 203, Arlington VA 22202, as soon as practical (not later than 10 working days after the date of the flight).</p> <p>Keep the appropriate Combatant Command and DSCA (Business Operations Directorate) informed on all CODEL missions, as appropriate.</p> <p>Provide to the Combatant Command information pertaining to changes in overall flying hour program requirements as soon as possible. Changes to flying hour programs, or movement of aircraft, can require a lead-time of six months to become effective.</p> <p>The SCO Chief ensures that the SCO complies with this section as well as guidance that may be provided by the Combatant Command. Questions regarding this section should be directed to DSCA (Business Operations Directorate) through the appropriate Combatant Command C-12 Point of Contact.</p>

DSCA C-12 Aircraft Program Management Responsibilities	
Combatant Command	<p>Review and forward recommended flying hour requirements.</p> <p>Administrative oversight of DSCA dedicated C-12 aircraft in their area of accreditation consistent with applicable guidelines and directives to ensure safe and efficient use of these resources.</p> <p>Keep the Director, DSCA informed of problems or issues resulting from reviews of SCO monthly reports, or other sources, to include corrective action(s) underway.</p> <p>Assist SCOs in obtaining fund cites for non-Security Assistance missions, as necessary, prior to the mission.</p> <p>Maintain copies of all MOUs between SCOs and other organizations for joint or shared use of DSCA dedicated C-12 aircraft.</p>
DSCA (Business Operations Directorate)	<p>Responsible for the DIA/DSCA/USAF C-12 MOU. Provides policy and program guidance on management of DSCA dedicated C-12 aircraft.</p> <p>Obtains funding and establishes approved flying hour budgets for SCOs; processes DSCA Form 78-001 submitted by SCOs; and administers reimbursement to the USAF for the total cost of the SCO flying hour program to include the maintenance contract costs, engine overhaul, and fuel.</p> <p>Establishes annual flying hour program reporting requirements, provides annual flying hour requirements to the C-12 Program Manager at Oklahoma City Air Logistics Center, and Internal Management Control (ICM) reporting on the C-12 aircraft to higher authority.</p>

C11.3. COUNTER-NARCOTICS ASSISTANCE-NATIONAL DEFENSE AUTHORIZATION ACTS, SECTIONS 1004 AND 1033

C11.3.1. Guidance for management of subject programs can be found in this Manual, Chapter 15, Building Partner Capacity (BPC) Programs.

C11.4. DRAWDOWNS

C11.4.1. Definition and Purpose. The FAA (reference (b)) authorizes the President to direct transfers of on-hand DoD-stock defense articles and services (as well as articles and services from the inventory and resources of any agency of the USG) and military education and training to foreign countries and international organizations in response to unforeseen military emergencies, humanitarian catastrophes, peacekeeping needs, or counternarcotics requirements. Except for transportation and related services where new contracts would cost less than providing such services with DoD assets, no new procurement is authorized and no new funds may be placed on existing contracts unless otherwise provided by law. Table C11.T5. summarizes the legal references of the different types of drawdowns.

Table C11.T5. Drawdown Legislation Summary

Legislation	Subject
FAA, Section 506(a)(1) [22 U.S.C. 2318(a)(1)] (reference (b))	DoD Drawdown for unforeseen emergencies: Authorizes the President to direct DoD drawdowns for unforeseen emergencies requiring immediate military assistance that cannot be addressed under the AECA or any other law. Only defense articles already on hand in DoD stocks, DoD services, and military education and training may be provided. Congress must be notified before the President signs the Presidential Determination (PD). The aggregate value of all drawdowns directed in any fiscal year under FAA, section 506(a)(1) (reference (b)) may not exceed \$100M.
FAA, Section 506(a)(2) [22 U.S.C. 2318(a)(2)] (reference (b))	International narcotics control, international disaster assistance, antiterrorism assistance, nonproliferation assistance, migration and refugee assistance, Prisoner of War/Missing in Action (POW/MIA) efforts in Cambodia, Laos and Vietnam: Inventory and resources of any USG agency may be provided. Congress must be notified before the President signs the PD for international disaster relief and POW/MIA efforts in Vietnam, Cambodia, and Laos. Congress must be notified 15 days before the President signs the PD for international narcotics control and efforts under the Migration and Refugee Assistance Act of 1962. The aggregate value of all drawdowns directed in any fiscal year under FAA, section 506(a)(2) (reference (b)) may not exceed \$200M of which: No more than \$75M may come from the Department of Defense. No more than \$75M may be used for international narcotics control. No more than \$15M may be used for POW/MIA drawdowns.
FAA, Section 552(c)(2) [22 U.S.C. 2348a(c)(2)] (reference (b))	Peacekeeping Operations: Authorizes drawdown if the President determines that an unforeseen emergency requires the immediate provision of commodities and services of any USG agency to countries and international organizations to support peacekeeping operations. Congress must be notified before the President signs the PD. The aggregate value of drawdowns directed under FAA, section 552(c)(2) (reference (b)) may not exceed \$25M per fiscal year. United Nations support may be limited to \$3 million per fiscal year per operation; Public Law 106-113, section 724 (22 U.S.C. 287b and 287c(2)) (reference (ck)).
FAA, Section 503 (reference (b))	General authority to furnish Military Assistance under the FAA.
FAA, Section 505 (reference (b))	Conditions of eligibility for Military Assistance under the FAA.
FAA, Section 652 [22 U.S.C. 2411] reference (b)	Congressional Notification required before the President can direct drawdowns or exercise other specified special authorities under the FAA.
Public Law No. 106-113 [22 U.S.C. 287b] [22 U.S.C. 287e(2)] (reference (ck))	Support to the United Nations.

Legislation	Subject
Special Legislative Authorities	Congress may create special legislation for specific programs or purposes. There is no annual limit on the amount of special authorities that Congress may authorize. Special authorities give the President the legislative authority to provide assistance, but it is a Presidential decision whether to use that authority. Legislation for special authorities may provide for broader drawdown assistance, including authorization to contract for articles, services, and education and training that are NOT on hand.
Cargo Preference Act of 1954 (reference (bd))	All drawdowns items transferred by ocean carriers must follow U.S. cargo preference requirements. Recipient countries must use U.S. flag vessels unless the Maritime Administration (MARAD) has issued a non-availability waiver. MARAD assists in monitoring these statutes. The MILDEPs must consider cargo preference requirements when considering transportations options for drawdowns. The responsible office at MARAD is: U.S. Department of Transportation Maritime Administration Office of Cargo Preference 400 Seventh St. SW Washington, DC 20590

C11.4.2. Who Is Eligible to Receive a Drawdown? Defense articles and/or services may be drawdown and transferred to a foreign country only if the President issues a PD in accordance with the FAA. FAA, section 503 (reference (b)) eligibility determination must be completed and the FAA, section 505 (reference (b)) assurances must be signed by the proposed recipient before the drawdown can be executed.

C11.4.3. Types of Drawdowns

C11.4.3.1. Emergency Drawdowns. Drawdowns are usually precipitated by an emergency in a foreign country or region. In emergency drawdowns, the Department of Defense, DoS, and the National Security Council (NSC) coordinate the USG response. This interagency process determines which existing statutory authority applies and identifies which articles and services should be provided. Potential contributing agencies (e.g. Department of Defense, Department of Treasury, Department of Justice, etc.) and the military services furnish valuation and availability (V&A) data to the DoS indicating the estimated value of the articles and services proposed for the drawdown. The V&A data and the scope of support form the basis for the PD that authorizes a specific maximum dollar value authority for the drawdown. Emergency drawdowns may begin execution within 24-48 hours, but more commonly within 1-2 weeks.

C11.4.3.2. Non-Emergency Drawdowns. Drawdowns may be authorized in non-emergency situations to support mid- to long-term foreign policy initiatives. Non-emergency drawdown procedures are similar to emergency drawdown procedures. In non-emergency situations, the PD provides the value of the drawdown that cannot exceed the existing or special legislative authority. The time-line to determine requirements is often 1 to 6 months before an Execute Order is issued. Delivery of articles and services may take an extended period of time. Non-emergency drawdowns end when the PD authority has been exhausted.

C11.4.4. Types of Articles, Services, and Training Provided Under Drawdowns

C11.4.4.1. Articles and Services. Equipment must be physically on hand (excess or non-excess). Except for transportation, no new contracts (including placing orders against existing contracts) are authorized without special legislative authority. Equipment, spares, and other items must already be in DoD stocks. DoD employees normally perform services under drawdowns, but contractors may also provide services on a case-by-case basis as approved by DSCA. Supplies or services under existing DoD contracts may be used for drawdown purposes if the use is within the scope and funds that have been previously obligated. Inventory Control Points (ICPs) must process requisitions with “Fill or Kill” advice codes (i.e., 2J, 31, 32 etc. as appropriate). Where possible, complete support packages are provided for major end items to include training for operation and maintenance of the major end item. Spare parts requisitions are processed on a “Fill or Kill” basis. Unless otherwise authorized, materiel must be provided in condition code “B,” or Full Mission Capable (FMC) condition, or -10/-20 standards or better. MILDEPs cannot place a hold, reserve, or fence equipment or spares prior to the release of DSCA’s Execute Order.

C11.4.4.2. Transportation. New commercial contracts for transportation and related services may be used if the cost is less than the cost to use USG assets. Normally, the MILDEP providing the equipment must fund the transportation of that equipment to its final destination. The MILDEP reimburses the U.S. Transportation Command (TRANSCOM) for air and/or sealift of the equipment. Existing contracts or resources may be used for airlift and sealift if their scope covers the proposed use (such as time-charter or multiple air mission agreements).

C11.4.4.3. Defense Working Capital Fund (DWCF) Items. DWCF items may be used to fulfill drawdown requirements. In accordance with USD(C) policy, the MILDEPs must reimburse the DWCF for all materiel and services provided. These costs must be charged and accounted for under the current year Operations and Maintenance (O&M) funds.

C11.4.4.4. Fuel. Fuel drawdowns are handled in the same way as DWCF materiel. The Defense Energy Support Center (DESC), under the Defense Logistics Agency (DLA) manages fuel contracts for all MILDEPs. As with any other commodity, MILDEPs can utilize O&M or Working Capital Funds (WCF) obligational authority to fund, via MIPR, fuel drawdowns supplied from DESC existing contracts. Use of this funding can impact both cash and obligational authority for normal MILDEP operations, therefore such issues should be carefully coordinated with the MILDEPs and reported to USD(C) for inclusion in subsequent MILDEP budget requests. As with any other type of drawdown commodity, new contracts are not permitted without special legislative authority. Therefore, the type of fuel available for drawdowns is limited to those available through DESC’s existing bulk fuels contracts at the time of drawdown. Special coordination is required for the transportation, delivery, storage and distribution of fuel. A signed Memorandum of Understanding (MOU) between the receiving nation and U.S. Embassy outlining the necessary details is preferable.

C11.4.5. Value of Drawdowns. Due to the often-abbreviated timelines available to develop V&A data for drawdowns, it is critical to ensure that projected values are as accurate as possible. Close coordination between DSCA and the MILDEPs during drawdown execution is critical to reconcile values as early as possible. Actual value of drawdowns is normally available 30-90 days after actual delivery of the equipment. The value of the drawdown does not include FMS surcharges. Value of articles, services, and training is determined using the following guidance:

C11.4.5.1. Value of Articles. The value of drawdown articles is calculated in accordance with DoD 7000.14-R (reference (o)), Volume 15, Chapter 7.

C11.4.5.2. Value of Training. The value of drawdown military education and training is based on the additional costs that are incurred by the USG in providing the training (i.e., Foreign Military Financing (FMF) Grant or incremental rate as specified in DoD 7000.14-R (reference (o)), Volume 15, Chapter 7).

C11.4.5.3. Value of Services. The value of services provided under drawdowns is based on actual costs to the USG for providing the service. Funded civilian pay and travel and per diem costs of military and civilian personnel performing an approved “tasked” support role that is exclusively devoted to the drawdown effort may be included when computing the value of drawdown services. Value does not include salaries of the members of the U.S. Armed Forces and unfunded civilian retirement and other benefits.

C11.4.6. Drawdown Process. Table C11.T6. summarizes the drawdown planning and development process. Additional information may be found in the DSCA Action Officer (AO) Handbook for Foreign Assistance Act (FAA) Drawdown of Defense Articles and Services at <http://www.dsca.mil/home/drawdowns.htm>.

Table C11.T6. Drawdown Process

Steps	Actions
1	Crisis occurs or policy situation develops
2	Interagency determines “Drawdown” is the preferred option
3	<p>Drawdown package is developed (DSCA has the DoD lead). Interagency Staffing (Department of Defense, the DoS, the NSC, etc.). Package considers requirements, costs, and execution plan. The DoS obtains FAA, section 505 (reference (b)) end-use agreements from proposed recipient country. The DoS considers human rights issues. The DoS develops a Congressional Notification package on the proposed drawdown.</p> <p>Internal DoD Processing The MILDEPs prepare V&A data based on interagency-proposed requirements. The MILDEPs review impact of the drawdown on operational readiness and O&M budgets. The DSCA coordinates readiness impacts with the Chairman of the Joint Chiefs of Staff. The DSCA refers questions regarding readiness impact to Secretary of Defense or the Deputy Secretary of Defense (if required). Impacts are balanced among MILDEPs as much as possible.</p>
4	Congressional Notification package is staffed and coordinated by the DoS.
5	Congress is formally notified – 15 day notification.
6	PD and memorandum of justification are prepared by the DoS and signed by the President after Congressional Notification is complete. During the interagency process to finalize a PD, the drawdown package is continually reviewed and updated. The interagency determines which articles/services should be provided depending on availability (either physically available or with acceptable operational readiness impact). The final PD should reflect what the Department of Defense can provide and becomes the base reference for execution of the drawdown.
7	The DSCA issues an Execute Order identifying the articles, services, and training to be provided under the drawdown. Before issuing the Execute Order, the DSCA must have:

Steps	Actions
	A signed PD, DoS obtained FAA, section 503 (reference (b)) eligibility, DoS obtained FAA, section 505 (reference (b)) assurances, DoS assurance that human rights issues do not preclude delivery.
8	The MILDEPs (or others as appropriate) receive the Execute Order and provide funding to the agency/organization responsible for executing the drawdown. The executing agency/organization provides the articles, services, and training to the recipient(s).
9	The DSCA/OSD/Chairman of the Joint Chiefs of Staff/Combatant Command monitor the execution and make adjustments (revised Execute Orders) as required.
10	The DSCA and the MILDEPs reconcile the drawdown to ensure all cost elements are reported. The Department of Defense cannot exceed the drawdown authority provided in the legislation and the PD.
11	The MILDEPs submit delivery data on drawdowns to DSCA for entry into DSCA 1000 System drawdown tracking database. Tracking data includes: Item/Service, Quantity, Unit Cost (drawdown value), Equipment (Total Quantity Cost), Services/Repair, Training (if applicable), Spare Parts, Support Equipment, Packing, Crating and Handling (PC&H), Transport, and Total Item/Service Cost (sum of all other categories for each items). Salaries for civilian services should be separately identified.
12	The DSCA provides formal reports to Congress on the articles, services, and training provided.

C11.4.7. Congressional Reporting for Drawdowns. U.S. laws require several reports to Congress on drawdowns. DSCA (Business Operations Directorate) prepares these reports.

C11.4.7.1. FAA, Section 506 Report. FAA, section 506 (reference (b)) requires the Department of Defense (DSCA) to report to Congress details on all the defense articles, defense services, and military education and training delivered to the recipient country or international organization upon delivery or completion of such articles, services, or education and training. The report must also include whether any savings were realized by utilizing commercial transportation services rather than acquiring those services from USG transport assets.

C11.4.7.2. FAA, Section 655 Report. FAA, section 655 (reference (b)) requires an annual military assistance report. The report covers defense articles, defense services, and military training and education furnished by grant under any authority of law (including drawdowns), except under title V of the National Security Act of 1947.

C11.4.7.3. Reporting for Drawdowns Under Special Authorities. For special drawdown authorities, there may be additional reporting requirements authorized by legislation in any fiscal year.

C11.5. EXCESS DEFENSE ARTICLES (EDA)

C11.5.1. Definition and Purpose. Excess Defense Articles (EDA) are DoD and United States Coast Guard (USCG)-owned defense articles no longer needed and declared excess by the U.S. Armed Forces. This excess equipment is offered at reduced or no cost to eligible foreign recipients on an "as is, where is" basis. The EDA program works best in assisting friends and allies to augment current inventories of like items with a support structure already in place. Table C11.T7. is a summary of the EDA program legal references.

Table C11.T7. EDA Legislation Summary

Legislation	Subject
AECA, Section 21 (reference (c))	Sales from stock, including the sale of defense articles that are excess to DoD stocks.
AECA, Section 25(a) (reference (c))	Requires an annual report to Congress listing weapons systems that are SME and numbers thereof, forecasted to be available for transfer as EDA during the next calendar year.
AECA, Section 47 (reference (c)) Security Assistance Act of 2000, Section 706 of Public Law 106-280	Pricing (value) of EDA.
Security Assistance Act of 2000, Section 707 of Public Law 106-280	EDA for Mongolia.
AECA, Section 4 (reference (c))and FAA, Section 502 (reference (b))	<p>Use of Defense Articles and Services. Defense articles and defense services are furnished solely for the following purposes:</p> <ul style="list-style-type: none"> - for internal security (including antiterrorism & nonproliferation) - for legitimate self-defense for preventing or hindering the proliferation of weapons of mass destruction and of the means of delivering such weapons - to permit participation in arrangements consistent with the Charter of the United Nations (UN) - to permit participation in collective measures requested by the UN to maintain/restore international peace and security - to assist foreign military forces in less developed friendly countries (or the voluntary efforts of personnel of the Armed Forces of the United States in such countries) to construct public works or engage in other activities helpful to the economic and social development of such friendly countries
FAA, Section 505 (reference (b))	Conditions of eligibility, transfers, use and security of grant EDA transfers.
FAA, Section 516 (reference (b))	Authority, limitations, terms of grant EDA transfers.
FAA, Section 516(b)(1)(e) (reference (b)) AECA, Section 21(k) (reference (c))	EDA transfers shall not adversely impact the U.S. national technology and industrial base nor reduce the opportunities of U.S. industry to sell new or used equipment to the proposed country. The Director, DSCA determines the impact to industry with input from the Department of Commerce (DoC).
FAA, Section 516(b)(2) (reference (b))	Grant transfers to Greece and Turkey (7:10 Ratio).
FAA, Section 516(c)(2) (reference (b))	Grant priority to NATO members, major non-NATO allies on the south and southeastern flank of NATO, and to the Philippines.

Legislation	Subject
FAA, Section 516(e) (reference (b))	EDA recipients are responsible for Packaging, Crating, Handling and Transportation (PCH&T) costs, as well as refurbishment work and follow-on support. These services may be purchased from the Department of Defense through the FMS program. DoD funds may be expended for the transportation of grant EDA if it is in the U.S. national interest, the transportation is on a Space Available basis, the total weight of the transfer does not exceed 50,000 lbs., and the recipient country receives less than \$10M in International Military Education and Training (IMET) or FMF in the fiscal year the transportation is provided. MILDEPs must request Space Available authorization with the EDA request. Requests must include the total weight, proposed method and route of Space Available, and timeframes or constraints. DSCA (Programs Directorate) seeks the required national interest determination (delegated to the Director, DSCA under Executive Order) and where appropriate approve Space Available transportation in the EDA transfer authorization message.
FAA, Section 516(f) (reference (b))	Congressional Notification
FAA, Section 516(g) (reference (b))	The aggregate current market value of grant EDA may not exceed \$425,000,000 in any fiscal year. This may exclude the value of naval vessel transfers depending on the authorization language. DSCA (Programs Directorate) assures the ceiling limit is not exceeded.
FAA, Section 516(h) (reference (b))	Requirement to provide an annual report to Congress identifying the EDA offers and actual delivery for the preceding year.
FAA, Section 516(i) (reference (b))	USCG considered within the Department of Defense for EDA
FAA, Section 620(q) (reference (b))	Limitation on assistance to countries in default on U.S. Loans in excess of six months. When this sanction is enacted, all grant EDA transactions for the affected country are put on hold until the sanction is lifted.
FAA, Section 620C (reference (b))	Eastern Mediterranean policy (re: Cyprus).
FAA, Section 644(g) (reference (b))	The statutory definition of EDA excludes construction equipment (tractors, scrapers, loaders, graders, bulldozers, dump trucks, generators and compressors); therefore these items CANNOT be transferred under the EDA program.
Federal Property and Administrative Services Act of 1949 (reference (cl))	Fire fighting equipment (pumpers, fuel and water tankers, crash trucks, utility vans, rescue trucks, ambulances, hook and ladder units, and other miscellaneous fire fighting equipment) can be transferred only if the President declares an emergency or if no other Federal Agency, State Government, person or entity eligible to receive the items submits a request for these items to the Defense Reutilization and Marketing Service (DRMS). DRMS performs the appropriate screening.
Foreign Operations, Export Financing and Related Program Appropriations Act (enacted annually)	Congressional Notifications for EDA sales. Limitation on assistance to countries in default on U.S. Loans in excess of 1 year. When this sanction is enacted, all grant EDA transactions for the affected country are cancelled.
Foreign Relations Authorizations Acts (enacted periodically)	Authorizes the use of funds appropriated to the Department of Defense to pay PCH&T for EDA transfers for certain countries

Legislation	Subject
NATO Participation Act of 1994, [Public Law No. 104-208], Section 606 and Section 609 (reference (cm))	Grant priority
10 U.S.C. 2581 (reference (cn))	Requirements for transfer of excess UH-1 Huey and AH-1 Cobra helicopters to foreign countries.
10 U.S.C. 7307 (reference (co))	Transfer of naval vessels less than 20 years old or more than 3,000 tons (light load displacement) requires enactment of authorizing legislation. The value of these transfers is not normally included in the EDA ceiling limit (dependent upon current authorization language). This legislation prescribes the criteria and congressional oversight provisions for these transfers.
Cargo Preference Act of 1954 (reference (bd))	<p>All grant EDA items transferred by ocean carriers must follow U.S. cargo preference requirements. Recipient countries must use U.S. flag vessels unless the MARAD has issued a non-availability waiver. MARAD assists in monitoring these statutes. The MILDEPs must consider cargo preference requirements when drafting LOAs. The responsible office at MARAD is:</p> <p style="padding-left: 40px;">U.S. Department of Transportation Maritime Administration Office of Cargo Preference 400 Seventh St. SW Washington, DC 20590</p>
Annual Special Legislation for PCH&T	Annual legislation may specify certain countries for which DoD funds for EDA PCH&T may be expended. Security Cooperation Officers (SCOs) and/or MILDEPs must request funding of such transfers. Requests should identify the proposed source of DoD funds and the estimated PCH&T cost. DSCA is required to notify Congress of the use of this authority and of the estimated funds to be spent for each transfer that meets congressional notification requirements under FAA, section 516(f) (reference (b)). Requests for such funding should accompany the EDA approval request. DSCA determines which transfers are funded based on budget constraints and priorities associated with the source of DoD funds. As these exceptions are authorized for a limited time period, they must be renewed.

C11.5.2. Who Can Obtain EDA?

C11.5.2.1. Eligibility for EDA Sales. All FMS eligible countries can purchase EDA. (See Chapter 4, Table C4.T2.)

C11.5.2.2. Eligibility for EDA Grants. To receive grant EDA, a country must be justified to Congress. Grant EDA eligibility is justified to Congress via the annual Congressional Budget Justification (CBJ) for Foreign Operations or by a separate DSCA letter to Congress for the fiscal year in which the transfer is proposed. The DSCA letter is used only in exceptional circumstances with DoS concurrence. Eligibility does not guarantee that all EDA offers are made on a grant basis - each EDA transfer is considered on a case-by-case basis.

C11.5.2.2.1. FAA, Section 505 Assurances for Grant EDA. Prior to receiving grant EDA items, foreign countries and international organizations must sign blanket end-use, security, and retransfer assurances. The text of these assurances is established by law and is not

negotiable. The DoS obtains these FAA, section 505 (reference (b)) assurances via diplomatic notes. EDA offers are not authorized until the assurances are received.

C11.5.2.2.2. Grant EDA Transfers to the Eastern Mediterranean – 7:10 Ratio. Grant EDA transfers to the Eastern Mediterranean (Greece and Turkey) must meet FAA, section 620C requirements for a just and lasting Cyprus settlement. Defense articles offered to either country cannot be transferred to Cyprus or used to further the severance or division of Cyprus. The ratio of grant EDA offered to Greece to grant EDA offered to Turkey over a 4-year period must be on a 7 (Greece) to 10 (Turkey) basis (FAA, section 516(b)(2) (reference (b))). At the end of the 4-year period the ratio must not be less than 7:10. DSCA monitors the ratio, which is calculated on the current value of actual EDA offers vice notifications.

C11.5.2.3. Country Priority for EDA. Priority is given to NATO countries on the southern and southeastern flank of NATO, to major non-NATO allies on such southern and southeastern flank, and to the Philippines (FAA, section 516(c)(2) (reference (b))). Countries currently eligible for priority delivery are Egypt, Greece, Israel, Jordan, Portugal, and Turkey. Next priority is to countries eligible for assistance authorized by the NATO Participation Act of 1994 (Section 609 of Public Law No. 104-208 (reference (cm))). As of January 1, 1997 these countries include Poland, Hungary, the Czech Republic, and Slovenia (Section 606 of Public Law 104-208 (reference (cm))).

C11.5.3. Congressional Notification Requirements. Proposed EDA grants or sales that contain SME or whose original acquisition value is \$7M or more require a 30-calendar day Congressional Notification (FAA, section 516(f) (reference (b)), Foreign Operations, Export Financing and Related Programs Appropriations Act). Notifications shall include:

C11.5.3.1. The purposes for which the article(s) is provided to the country, including whether the article(s) was previously provided to the country;

C11.5.3.2. The impact on the U.S. Forces military readiness;

C11.5.3.3. The impact on the national technology and industrial base and the impact on opportunities of this base to sell new or used equipment to the country;

C11.5.3.4. The current value and original acquisition value of the article(s); and

C11.5.3.5. As required, an estimate of PCH&T funds needed for transfers.

C11.5.4. EDA Pricing. EDA items are priced in accordance with DoD 7000.14-R (reference (o)), Volume 15, Chapter 7. EDA items are priced between 5 percent to 50 percent of the original acquisition value depending on age and condition. Section 706 of Public Law 106-280 (reference (cp)) (the Security Assistance Act of 2000) states that it is the sense of Congress that the President should make expanded use of the authority to sell EDA by using the flexibility to ascertain the market value of the EDA. USD(C) is responsible for approving pricing exceptions. Storage charges are not automatically applied to EDA transfers; however, reasonable charges can be assessed against items stored beyond 60 days past LOA acceptance. These charges must be stated in an LOA note. See Chapter 5, Table C5.T5. for the exact note wording.

C11.5.5. Joint Visual Inspection (JVI) of EDA. Transfer approval for EDA items is granted by DSCA upon either a determination by the Director, DSCA to transfer the EDA materiel, or

upon completion of the Congressional Notification, if required. Recipient countries are then encouraged to perform a JVI of the EDA materiel condition before accepting it. Under the EDA program, JVI of materiel cannot occur prior to transfer approval from DSCA unless DSCA (Programs and Strategy Directorates) has granted an exception. DSCA grants an exception to allow a JVI of EDA materiel to take place prior to transfer approval only if it is advantageous to U.S. interests and every effort is made on the part of the Implementing Agency to prevent false impressions. A blanket exception is granted when the EDA is owned by DRMS. To request a waiver to existing policy on the JVI of EDA materiel, Implementing Agencies shall use the sample letter and worksheet in Figure C11.F4.

Figure C11.F4. Letter and Worksheet for Exception to Joint Visual Inspection Policy

Command Letterhead	
From:	Director, [insert Command]
To:	Director, Defense Security Cooperation Agency Attn: Strategy Directorate
Subject: Request For Waiver To Perform Joint Visual Inspection (JVI) of Excess Defense Articles (EDA) Prior to Transfer Approval	
Enclosure: JVI Waiver Worksheet – [insert proposed item and country]	
<p>This memorandum requests that a waiver be granted by DSCA allowing a JVI to be performed on [insert item] in support of the proposed EDA transfer to [insert country]. Transfer approval has not yet been granted by DSCA for this proposed transfer. The enclosed is forwarded for your consideration.</p> <p>If a waiver is approved, [insert Command] will make every effort to prevent the false impression, on the part of the recipient country, that a transfer will take place once a JVI has been completed. [Insert Command] will ensure that the U.S. [insert MILDEP], to include any individual representing the U.S. [insert MILDEP], will not make commitments, expressed or implied, to furnish funds, goods or services in relation to this proposed EDA transfer to [insert country] until transfer approval has been granted.</p> <p>The point of contact for this action is [insert name, telephone number, and e-mail address].</p>	

JOINT VISUAL INSPECTION (JVI) WAIVER WORKSHEET	
Proposed Recipient: [insert country name and armed forces branch]	
Equipment/Materiel: [insert name and nomenclature]	
Excess Quantity: [insert quantity]	
Date EDA Request was submitted to DSCA: [insert month, date and year]	
Proposed Transfer Date of EDA: [insert month, date and year]	

Proposed Date of JVI: [insert month, date and year]

Detailed Justification for the JVI: (include special circumstances why this JVI must be performed prior to transfer approval being granted; why it is advantageous to U.S. interests to perform JVI early, adverse consequences to materiel or schedule if JVI is not performed early, etc.)

Cost of JVI: [insert dollar value] (It must be explained to the customer that if transfer approval is not granted, they will still be responsible for these costs.)

Case Designator for the JVI: (include Letter of Offer and Acceptance [LOA] designator and Amendment or Modification number if applicable):

Enclosure (1)

C11.5.6. Blanket Order Excess Defense Article (EDA) Transfers. Blanket order EDA cases and/or lines may be established only for non-SME consisting of spare parts and/or components, clothing, basic field equipment, and office equipment, supplies, furniture, or other non-SME items as approved by DSCA (Programs Directorate). Blanket order cases and/or lines for packing, crating, handling, and transportation (PCH&T) may also be written in conjunction with EDA transfers of similar, non-SME items when the purchaser requests these services. These LOAs must identify the end-item application. Items on blanket order EDA FMS cases/lines are transferred in accordance with the purposes of FAA, section 502 (reference (b)); AECA, section 4 (reference (c)), and the requirements of FAA, section 516 (reference (b)).

C11.5.7. Title Transfer of EDA Items. Title to EDA items transfers at the point of origin except for items located in Germany. EDA items in Germany transfer title at the nearest point of debarkation outside of Germany. When using Space Available transportation or paying for transportation with DoD funds, title transfer at the destination should be considered on a case-by-case basis.

C11.5.8. Offer Termination. An unforeseen urgent U.S. Forces' requirement for an excess item may arise after it is offered to a country. Withdrawal of the offer should occur only after U.S. requirements have been weighed against the potential damage to foreign policy goals. When items previously offered are no longer available, the MILDEPs must notify DSCA (Programs Directorate).

C11.5.9. Limitation on Assistance to Countries in Default. Per FAA, section 620(q) (reference (b)) and annual legislation in the Foreign Operations, Export Financing and Related Program Appropriations Act, no assistance to include grant transfers of EDA shall be furnished to any country that is in default in payment to the United States of principal or interest on any loan made to such country under either of these Acts. For countries that are in default of payment in excess of 6 calendar months, all grant EDA transactions for the affected country are put on hold until the sanction is lifted. For countries that are in default of payment in excess of 1 calendar year, all grant EDA transactions for the affected country are cancelled. Sales of EDA continue to be permitted under these sanctions.

C11.5.10. EDA Process. Table C11.T8. summarizes the EDA process.

Table C11.T8. EDA Process Flow

Step	Action
1 Determine Materiel Availability	Prior to the fiscal year end, the MILDEPs forward a list of available EDA assets (type and quantity, not to include secondary items) to DSCA and a list of assets that are forecasted to become EDA during the next calendar year in accordance with AECA, section 25(a) (reference (c)). DSCA submits this information to the DoS during the annual JAVITS reporting cycle.
2 MILDEP Issues Survey Message	<p>The MILDEPs use survey messages to evaluate country requirements. (This does not apply to SME when allocation has already been coordinated between the MILDEPs and DSCA.). Copies of survey messages SHOULD NOT be forwarded to SCO offices that are not included as an action or information addressee. Inappropriate release could provide a false impression of DoD intent to offer materiel to a country not approved by the Department of Defense, DoS, and DoC. The following conditions apply to the survey.</p> <p>Survey messages, for other than SME, are drafted by the MILDEPs and addressed to the SCOs for action, with DSCA, DoS, DoC, the Chairman of the Joint Chiefs of Staff (J-5) and the Combatant Commanders as information addressees. Surveys normally include item(s) description, condition, rough order of magnitude cost/value of end items, costs and lead-times for support items, supportability dates and other information as appropriate. Survey messages should allow, to the maximum extent feasible, a 45-day response time.</p> <p>Survey messages for SME are forwarded to DSCA for coordination and approval with the Chairman of the Joint Chiefs of Staff (J-5), the DoC, and the DoS before release to the SCOs for action. The issued survey message is sent only to the SCOs approved to receive copies by the coordination process with information copies to DSCA, the DoS, the DoC, the Chairman of the Joint Chiefs of Staff (J-5), and the Combatant Commanders.</p> <p>Survey messages may be initiated only by the owning MILDEPs/Agencies and the USCG. The DSCA must approve surveys conducted by other than the owning MILDEPs.</p>
3 Purchaser Requests for EDA	<p>A foreign country or international organization identifies a requirement for EDA by:</p> <p>Responding to a survey message. SCO responses to these surveys should include a transfer justification as well as an assessment of the proposed recipient's capabilities to fund follow-on operational, maintenance, and training requirements. The SCO responses are provided to the MILDEPs with a copy to the Combatant Commander, the Chairman of the Joint Chiefs of Staff, and the DSCA.</p> <p>Submitting a Letter of Request (LOR).</p> <p>Visiting the Defense Reutilization and Marketing Office (DRMO) or locating items via the DRMS web site.</p>
4 Responses to EDA Requests	<p>MILDEPs must respond to an EDA request within 20 days. Responses should state which items are available and which items are currently not available as EDA. They should also indicate, if known, the fiscal year when such items may become available. An information copy of this response is sent to DSCA (Programs Directorate). No offer may be made at this time unless the appropriate approvals/notifications are completed. The MILDEPs must screen all EDA for Missile Technology Control Regime (MTCR) (see Chapter 3). If the item is not available, the MILDEP shall keep the request on-hand until the items become available or the request is withdrawn.</p> <p>If enough assets are available, the MILDEP submits the required information within 30 days to DSCA for coordination, approval and notification (if required) prior to offer. Figure C11.F5 illustrates the standard memorandum and attachment that must be completed for each proposed EDA transfer. A detailed justification, based on country requirements, must be included in each memorandum. Additionally, the national stock number and the MASL of the item(s) proposed as EDA must be included in the information provided to DSCA to facilitate acceptance and delivery reporting by the MILDEPs at the end of each fiscal year. Go to Step #9.</p> <p>If enough assets are not available, go to Step #5.</p>
5 MILDEP	If requests exceed available assets, the MILDEP submits a proposed allocation plan to DSCA (Programs Directorate) within 30 days. The MILDEP should consider the Combatant

Step	Action
Requests EDA Allocation	Commander's regional EDA allocation priorities when developing their recommendations. Figure C11.F6. illustrates the standard format for requests for allocation plans.
6 DSCA Develops DoD Position	DSCA (Programs Directorate) works with OSD regional offices and the Chairman of the Joint Chiefs of Staff to develop a DoD position on which country(ies) should receive the asset(s). Concurrently, the DoS works with its offices to determine a DoS position on allocation of the assets. When possible, interested parties are notified 30 days in advance to prepare papers and justify their proposed allocation plans.
7 EDA Coordinating Committee (CORCOM) Convened	DSCA (Programs Directorate) and the DoS co-chair an EDA CORCOM meeting to develop a coordinated plan to allocate EDA assets to potential recipients when requirements exceed assets. The EDA CORCOM also consists of members from the Chairman of the Joint Chiefs of Staff (J-5) and the DoC. DSCA consolidates and represents the input of each of the regional offices within OSD. The EDA CORCOM considers the following criteria: Arms transfer criteria specified by the President's Conventional Arms Transfer Policy Security Cooperation Guidance Regional balancing as dictated in legislation or to achieve maximum benefit for the United States Potential impact on the ability of U.S. Industry to sell new or used equipment Matches of country requirements with items available Ability of the country to effectively use the items Item location and transportation requirements Ability of the country to afford refurbishment/support of items
8 Staffing Recommended Allocation Plan	If the EDA CORCOM finalizes an allocation plan, the Director, DSCA signs and sends the allocation plan to the relevant MILDEP for action. If the EDA CORCOM cannot finalize an allocation plan, a recommended allocation plan is staffed for approval within OSD Policy before submission to the DoS for final approval. This coordination process takes approximately 30 to 45 days. After DoS approval, the Director, DSCA signs and sends the allocation plan to the relevant MILDEP for action. The Congressional Notification/final approval steps are still required on individual transfers identified in the approved allocation plan.
9 Congressional Notification	If the proposed transfer does not meet Congressional Notification requirements, go to Step #10. If the proposed transfer requires Congressional Notification, DSCA assembles a Congressional Notification package. DSCA (Programs Directorate) coordinates the package with the Under Secretary of Defense for Policy (USD(P)) regional office, DSCA (Operations and Strategy Directorates, Office of the General Counsel, and Legislative and Public Affairs), the DoC and DoS Bureau of Political/Military Affairs/Regional Security and Arms Transfer Directorate (DoS (PM/RSAT)). The Congressional Notification period is 30 days. Go to Step #11.
10 EDA Determination	For transfers that do not require Congressional Notification, a DSCA Determination is required before items can be authorized for transfer. DSCA prepares this Determination and coordinates it with the USD(P) regional office, DSCA (Operations Directorate and the Office of the General Counsel), the DoC and the DoS (PM/RSAT).
11 Authorization to Offer EDA	For EDA sales or grant transfers, DSCA Programs sends a message to the MILDEP authorizing the offer and transfer of items to the proposed country. An information copy is sent to the SCO, DoS, the Combatant Commander, the Chairman of the Joint Chiefs of Staff (J-5), and Maritime Administration (MARAD). Each message contains a Record Control Number (RCN) associated with the grant transfer that is used for requisitions. MILDEPS should not submit LOAs for EDA grants, sales, or associated services to DSCA prior to their receipt of DSCA's authorization message.
12 LOA Preparation and Processing	The MILDEPs prepare an LOA for the grant EDA items, any EDA items being sold, and/or any supporting services or non-EDA articles associated with the transfer. For cases in which EDA is not the primary item being transferred, normal case writing rules apply. For cases in which EDA is the primary item being transferred, the following three steps apply: 1) Case nickname: "EDA Grant" or "EDA Sale."

Step	Action
	<p>2) Term of Sale: If the EDA transfer is a grant item, the term of sale should reflect “EDA Grant.” If there are non-EDA grant items on the LOA, the LOA must include a dollar breakout for each term of sale used.</p> <p>3) Case Description:</p> <p>a) For an EDA grant transfer the case description should include the statement “is for the EDA grant transfer of [quantity] of [material nomenclature] under Section 516 of the Foreign Assistance Act of 1961 as amended...”</p> <p>b) For an EDA sale, the case description should include the statement, “is for the EDA sale of [quantity] of [material nomenclature] under Section 21 of the Arms Export Control Act as amended...”</p> <p>The following additional rules apply for any line of any case in which EDA is being transferred by grant or sale:</p> <p>4) Line Item Description: For both EDA grants and sales, including amendments or modifications when an EDA grant or sales line item is added or changed, the line item description must include the EDA original acquisition value.</p> <p>5) Source Code: “E” for “Excess.”</p> <p>6) Type of Assistance Code:</p> <p>a) For an EDA grant transfer: “A – FAA Excess Defense Articles - non-reimbursable”</p> <p>b) For an EDA sale: “3 – Cash Sale from Stock-payment in advance” or appropriate code for corresponding Term of Sale.</p> <p>7) If the EDA transfer is a grant, offer release code and delivery term code may remain blank if special shipping instructions apply.</p> <p>8) If the EDA transfer is a grant, unit and total price should reflect \$0 value. EDA sales follow normal LOA writing rules for inclusion of unit and total price.</p> <p>9) Line item description note: Each line for an EDA grant or sale item must include a line item description note that includes the equipment being transferred, item nomenclature, quantity, original acquisition value, and current estimated value at the time of transfer, location, condition code and Record Control Number (RCN). If the EDA transfer is a grant, include the phrase “Grant Value is \$0” to correspond with the \$0 value in the line.</p> <p>10) Special EDA notes must be included as standalone notes on the LOA. See Chapter 5, Table C5.T5., for exact wording.</p>
13 DD Form 250 Preparation	The Implementing Agency is required to complete a DD 1348-1a, “Issue Release/Receipt Document;” DD 1149, “Requisition and Invoice/Shipping Document;” or other equivalent form, such as a DD 250 “Material Inspection and Receiving Report,” as official documentation of delivery.
14 Tracking EDA Offers and Deliveries	MILDEPs notify DSCA (Programs Directorate) when offers have been accepted/rejected and items have been delivered. Not later than 45 days following the end of the fiscal year, the MILDEPs provide DSCA a year-end report of accepted/delivered offers from each MILDEP. The MILDEPs provide this data in the format required by DSCA (Programs Directorate)

Figure C11.F5. Sample EDA Transfer Memorandum and Enclosure

Command Letterhead	
From:	Director, [insert Command]
To:	Director, Defense Security Cooperation Agency
Subject:	Recommendation To Transfer Excess Defense Articles [insert as grant or sale]
Encl:	Excess Defense Article (EDA) Worksheet – [Insert item being transferred]
<p>This memorandum provides information on the proposed transfer of excess [insert item description] to [insert country]. The enclosed is forwarded for your consideration.</p> <p>The Command knows of no U.S. industry initiative to market similar [insert item description] to [insert country].</p> <p>There will be no adverse impact upon U.S. military readiness as a result of this transfer. Further, the items are excess to Department of Defense requirements, including those of the National Guard and Reserve Components.</p> <p>The proposed transfer [does or does not] contain equipment that includes Missile Technology Control Regime (MTCR) controlled items. (If it does contain MTCR controlled items add the following: A list of possible MTCR controlled items was sent to DSCA on [insert date] and a copy is attached.) The equipment has been checked by a qualified reviewer and is MTCR compliant.</p> <p>Recommend that the U.S. Government offer [insert item description] to [insert country] as a [indicate whether it is for grant or sale].</p> <p>The point of contact for this action is [insert name, telephone number, and e-mail address].</p>	

EXCESS DEFENSE ARTICLE WORKSHEET	
Proposed Recipient: [insert country and armed forces branch]	
Applicable Section of FAA/AECA: [insert transfer authority]	
Equipment/Materiel:	Nomenclature:
National Stock Number:	MASL:
Excess Quantity:	Serial Number: (if applicable):
Detailed Justification for the Transfer (include equipment application, mission, capability, supportability, suitability, quantity of similar equipment previously transferred, and quantity of equipment based on force requirements):	
Other foreign requirements and why this requirement should be satisfied (if EDA Coordinating Committee has not reviewed these allocations):	
Unit Original Acquisition Value (in case of multiple spares, include method used to assess total value of lot(s)): [insert dollar figure]	
Materiel Condition and Current Unit Value (include method used to assess value in accordance with DoD 7000.14-R, Volume 15, Chapter 7, paragraph 070304).	
Materiel condition as defined by paragraph 070304 is	[insert Condition Code].
Unit current value is	[insert dollar figure].
Estimated Total Package Cost:	[insert dollar value]
(to include item(s) if a sale, refurbishment, training and PCH&T)	
Estimated Total Acquisition Value:	[insert dollar value]
Estimated Total Current Value:	[insert dollar value]
(Reference DoD 7000.14-R, "DoD Financial Management Regulation," Volume 15, Chapter 7, paragraph 070304)	

Figure C11.F6. Sample EDA Allocation Plan Request

Command Letterhead	
From:	Director, [insert Command]
To:	Director, Defense Security Cooperation Agency
Subject:	Recommendation For Allocation Of Excess Defense Articles
Enclosure:	Excess Defense Article (EDA) Allocation Worksheet – [insert item being transferred]
This memorandum provides information on the proposed allocation plan for excess [insert item description]. The enclosed is forwarded for your consideration.	
The Command knows of no U.S. industry initiative to market similar [insert item description] to [insert country names].	
There will be no adverse impact upon U.S. military readiness as a result of these transfers. Further, the items are excess to Department of Defense requirements, including those of the National Guard and Reserve Components.	
The proposed transfer [insert does or does not] contain equipment that includes Missile Technology Control Regime (MTCR) controlled items. (If it does contain MTCR controlled items add the following: A list of possible MTCR controlled items was sent to DSCA on [insert date] and a copy is attached.) The equipment has been checked by a qualified reviewer and is MTCR compliant.	
Recommend that you convene the EDA Coordinating Committee as soon as possible to establish an approved allocation plan.	
The point of contact for this action is [insert name, telephone number, and e-mail address].	

EXCESS DEFENSE ARTICLE ALLOCATION WORKSHEET	
Equipment/Materiel:	[insert nomenclature]
Excess Quantity:	[insert quantity]
Detailed Information on the EDA Item(s) (include equipment capabilities, supportability, and suitability; minimum number required for operations; and Rough Order of Magnitude Cost for refurbishment and support).	
Valid Letters of Request Received From:	[insert country and quantities]
Proposed Recipient(s):	[insert country and armed forces branch]
Proposed Method of Transfer:	[insert Grant or Sale per proposed recipient]
Detailed Justification for Each Proposed Transfer: [include equipment application/ mission, quantity of similar equipment previously transferred, and quantity of equipment needed based on force requirements]	

C11.5.11. EDA for Naval Vessels. Navy International Programs Office (IPO) is responsible for transfers of U.S. Navy vessels and for the administration of transfers of USCG vessels in accordance with the March 10, 2004 Memorandum of Agreement (MOA) between Navy IPO and the USCG. Ship Transfer Allocation Plans and accompanying legislation must be approved at the Chief of Naval Operations or Secretary of the Navy level before forwarding to USD(P) for

DSCA action. DSCA coordinates all EDA ship transfers with USD(P), the Chairman of the Joint Chiefs of Staff (J-5), the DoC, and the DoS. DSCA ensures compliance with statutory notification and authorizing legislation requirements.

C11.5.12. EDA of USCG Items. LOAs for the sale or services associated with excess USCG equipment are developed and written by Navy IPO in accordance with the March 10, 2004 MOA between the USCG and Navy IPO.

C11.5.13. Defense Reutilization and Marketing Service (DRMS) Transfers. Matches of country needs and MILDEP-held excesses are usually limited to significant end items. Other EDA, including most secondary items, are transferred to a DRMO when it becomes excess. DRMO-held EDA are listed on the DLA DRMS Web Page (<http://www.drms.dla.mil>), a computerized inventory searching service designed to provide information on all stock-numbered items in the DRMS inventory.

C11.6. FOREIGN ASSISTANCE ACT (FAA), SECTION 607 TRANSFERS

C11.6.1. FAA, Section 607 Sales Definition and Purpose. FAA, section 607 (reference (b)) provides the authority to sell defense commodities and services to friendly countries, international organizations, the American Red Cross, and voluntary nonprofit relief agencies approved by the Agency for International Development (AID). Most FAA, section 607 assistance is provided for the United Nations peacekeeping operations (PKO), which may also be supported under the AECA. FAA, section 607 sales require a DoS or AID determination that furnishing the proposed defense articles or services is consistent with and within the limitations of the FAA.

C11.6.2. Requests for FAA, Section 607 Sales. Agencies may request defense articles and services from DSCA by submitting an LOR. Prior to development of a Pseudo LOA, the Implementing Agency furnishes Pricing and Availability (P&A) data to DSCA (Operations Directorate) for coordination within OSD.

C11.6.3. FAA, Section 607 Pseudo LOA. The USG uses a Pseudo LOA to track the sale of defense articles and/or services (to include training, and design and construction services) under the authority of FAA, section 607 (reference (b)). The Pseudo LOA itemizes the defense articles and/or services included in the LOR. Unlike other Pseudo LOAs, Pseudo LOAs under FAA, section 607 (reference (b)) authority ARE signed by the country and/or organization receiving the articles and/or services.

C11.6.3.1. FAA, Section 607 Pseudo LOA Preparation Timeframe. Pseudo LOAs are categorized as “Group D” and will be processed according to the guidelines provided in Chapter 5, paragraph C5.4.2.

C11.6.3.2. FAA, Section 607 Pseudo LOA Preparation. The Implementing Agency develops an FAA, section 607 Pseudo LOA in DSAMS to allow execution of these programs through existing Security Assistance automation systems. Pseudo LOAs follow the same LOA preparation guidelines as FMS cases (see Chapter 5, paragraph C5.4.6.).

C11.6.3.3. FAA, Section 607 Pseudo LOA Format. LOA format guidance provided for FMS cases in Chapter 5, Figure C5.F5. applies to FAA, section 607 Pseudo LOAs except as identified in Figure C11.F7.

Figure C11.F7. Unique Instructions for Preparing FAA, Section 607 Pseudo LOAs

Unique Instructions for Preparing a Pseudo Letter of Offer and Acceptance for FAA, Section 607 Cases	
1.	Case Identifier. For FAA, section 607 Pseudo LOAs, the case identifier is composed of country code “S5” (FAA, section 607 Transactions – Reimbursable Support) or “S6” (FAA, section 607 Transactions – Payment in Advance), the Implementing Agency code of the DoD Component providing support, and a case designator assigned by DSCA (Strategy Directorate).
2.	Nickname Field. The country/organization receiving the support and the type of support (e.g., FAA, section 607) is identified in the “nickname” field on the Pseudo LOA.
3.	Purchaser’s Reference. The DoS Determination that covers the region or country being supported is entered in the “Based on” field.
4.	Terms of Sale. The Term of Sale for all FAA, section 607 Pseudo LOAs is “Cash with Acceptance.”

C11.6.3.4. Pricing of FAA, Section 607 Pseudo LOAs

C11.6.3.4.1. Pricing FAA, Section 607 Pseudo LOAs - Articles. The price of articles sold under this authority is the acquisition cost, adjusted as appropriate for condition and age; or the DWCF standard price.

C11.6.3.4.2. Pricing FAA, Section 607 Pseudo LOAs – Services and/or Training. The price of services and/or training sold under this authority is the amount of additional costs incurred by the Department of Defense to provide such services. For DoD airlift services, the rate is that specified for Joint Chiefs of Staff exercises in the Catalog of U.S. Government and Non-U.S. Government Airlift Rates published annually by TRANSCOM.

C11.6.3.4.3. Pricing FAA, Section 607 Pseudo LOAs – Surcharges and Accessorials. FMS surcharges and accessorial rates apply. DoD FMS resources support this effort and are reimbursed through the normal FMS surcharges and accessorial accounts. Any request to deviate from the application of these surcharges must be sent to DSCA (Business Operations Directorate) for approval.

C11.6.3.4.4. Pricing FAA, Section 607 Pseudo LOAs – Nonrecurring Cost (NC). NC does not apply to FAA, Section 607 pseudo LOAs.

C11.6.3.5. Additional FAA, Section 607 Pseudo LOA Information. Each FAA, section 607 Pseudo LOA must include a copy of the Determination authorizing the FAA sale as an attachment. The LOA Standard Terms and Conditions apply to FAA, section 607 Pseudo LOAs. Other notes that are mandatory for FMS cases (e.g., Offsets, Unauthorized Use of Defense Articles) also apply to FAA, section 607 Pseudo LOAs. Notes regarding inclusion of charges on the document (e.g., Administrative Surcharge and Contract Administration Services (CAS) notes) apply to these Pseudo LOAs. Unique notes should be included on each FAA, section 607 Pseudo LOA to ensure readers can understand the program. In addition to these notes, there are mandatory standard notes that must be included on each FAA, section 607 Pseudo LOA: Authority for Sale – FAA, section 607 and End Use – FAA, section 607. See Chapter 5, Table C5.T5. for exact wording of these notes.

C11.6.3.6. DSCA Coordination and Countersignature of FAA, Section 607 Pseudo LOAs. All FAA, section 607 Pseudo LOA documents require DSCA countersignature (see paragraph C5.4.14.). The Implementing Agency posts the country acceptance milestone in

DSAMS after purchaser signature.

C11.6.3.7. FAA, Section 607 Support to the United Nations. Rather than sign Pseudo LOAs, the United Nations incorporates the documents into United Nations Letters of Assist (UNLOAs). UNLOAs are considered by the United Nations to be firm fixed-price contracting documents. They are submitted, with a copy to DSCA, to the Implementing Agency for review of prices, delivery dates, and other data. After coordination with the Implementing Agency and appropriate OSD and DoS activities, DSCA provides approval to the Implementing Agency to provide the commodities or services. Multiple UNLOAs should not be executed on a single Pseudo LOA. However, multiple Pseudo LOAs may be prepared to support a single UNLOA.

C11.6.4. Management of FAA, Section 607 Funds. FAA sales may be cash in advance (the preferred method) or reimbursable. When advance funds are not available, DoD direct appropriations may be used and MIPRs are prepared. The amount on the MIPR should equal the above-the-line value reflected in the Pseudo LOA. FAA, section 607 (reference (b)) provides contract authority but does not increase obligation authority, as would a dependable undertaking. DFAS Indianapolis establishes a sub-account within the FMS Trust Fund for these transactions. If advance payments are deposited into this account, standard procedures, including direct citing of the FMS Trust Fund on the DoD contract, apply. If the recipient of the support does not provide funds in advance, the Implementing Agency may be required to use applicable direct appropriations to fund the support and seek reimbursement from the FMS Trust Fund upon receipt of payment from the purchaser. The Implementing Agency must advance funds to the FMS Trust Fund in order to use direct cite or self-reimbursement procedures. If reimbursement does not occur within 180 days after the close of the fiscal year in which items were delivered or services performed, funds received must be deposited as U.S. Treasury Miscellaneous Receipts.

C11.6.5. FAA, Section 607 Pseudo LOA Reporting. The DSCA 1200 system is not used to record FAA, section 607 Pseudo LOAs. DIFS distinguishes FAA, section 607 agreements from other FMS agreements using the Pseudo LOA case designator. The Implementing Agency does delivery reporting for these cases. Transportation costs for FAA, section 607 Pseudo LOAs are reported as actual costs on above-the-line delivery reports. All delivery reports must contain Delivery Term Code (DTC) "4" and Transportation Bill Code (TBC) "D." Government Bills of Lading do not direct cite the FMS Trust Fund Transportation Clearing Account.

C11.6.6. FAA, Section 607 Pseudo LOA Billing. For non-United Nations support, standard billing procedures are used for FAA, section 607 pseudo LOAs. For United Nations support, the following guidelines apply:

C11.6.6.1. FAA, Section 607 Billing – "S6" Pseudo LOAs. The Implementing Agency provides DFAS Indianapolis a monthly forecast using a payment schedule. DFAS Indianapolis prepares a special monthly bill on or about the 15th of each month. The bill shows the Pseudo LOA and the UNLOA designators and forecasted payment amount for the current month. It is based on delivery reports received from the Implementing Agency. Monthly delivery listings are also provided to the United Nations. DFAS Indianapolis coordinates the bill with DSCA and forwards it to the United Nations through the U.S. United Nations Mission.

C11.6.6.2. FAA, Section 607 Billing – "S5" Pseudo LOAs. DFAS Indianapolis prepares a special monthly bill on or about the 15th of each month. The bill shows the Pseudo LOA and the UNLOA designators and forecasted payment amount for the current month. It is based on

delivery reports received from the Implementing Agency. Monthly delivery listings are also provided to the United Nations. DFAS Indianapolis coordinates the bill with DSCA and forwards it to the United Nations through the U.S. United Nations Mission.

C11.7. FOREIGN ASSISTANCE ACT (FAA), SECTION 632 TRANSFERS

Guidance for management of subject programs can be found in this Manual, Chapter 15, Building Partner Capacity (BPC) Programs.

C11.8. GOVERNMENT FURNISHED EQUIPMENT AND MATERIEL (GFE/GFM) SALES

AECA, section 30 (reference (c)) authorizes the USG to sell defense articles and defense services to U.S. companies in connection with proposed direct commercial exports pursuant to the ITAR (reference (n)). The Implementing Agency executes the functions conferred by AECA, section 30 (reference (c)) and may delegate the authority to the commanding officer or head of a contracting activity of the Implementing Agency responsible for acquisition of the end item.

C11.8.1. Who May Purchase Under AECA, Section 30? AECA, section 30 (reference (c)) sales may be made to a company incorporated in the United States who has an approved license under the ITAR (reference (n)) if the contractor's license is for final assembly or manufacture of an end item or in the case of ammunition components, the contractor is using commercial practices that restrict actual delivery directly to a friendly foreign country or international organization. To be eligible, the U.S. company must intend to incorporate the item(s) or service(s) into end items (or concurrent or follow-on support) to be sold to a friendly foreign country or international organization.

C11.8.2. What May Be Purchased Under AECA, Section 30? AECA, section 30 (reference (c)) sales must meet the following criteria: any services provided must be performed in the United States; the end item being procured must be for the armed forces of a friendly country or international organization; the articles would be supplied to the prime contractor as GFE/GFM if the end item were being procured for the use of the U.S. Armed Forces; and the articles and services are available only from the USG sources or are not available to the prime contractor directly from the U.S. sources at such times as may be required to meet the prime contractor's delivery schedule. Services may include transportation, installation, testing, or certification that are directly associated with the sale. Services alone may not be provided.

C11.8.2.1. AECA, Section 30 Sales from Stock. Unless approved by USD(P) in coordination with the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)), sales are not authorized if they result in stocks dropping below the reorder point.

C11.8.2.2. AECA, Section 30 Sales from Procurement. When procurement or manufacture in Government-owned facilities is required, the Implementing Agency determines if a sale shall be concluded. In determining production priorities, the Implementing Agency considers existing requirements and schedules manufacture, allocation, and delivery on a first-in first-out basis guided by DoD 4140.1-R (reference (cq)) and related assignments of Force Activity Designators (FADs) by the Chairman of the Joint Chiefs of Staff. The Director, DSCA resolves questions of priority between two or more competing foreign requirements.

C11.8.3. AECA, Section 30 Sales Format. A unique sales agreement is used by the USG for the sale of defense articles and/or services to U.S. companies under the authority of AECA,

section 30 (reference (c)). The sales agreement includes the information outlined in Table C11.T9.

Table C11.T9. AECA, Section 30 Sales Agreement Requirements

Basic Descriptive Information	General Provisions and/or Notes Required
Company Identity	1) The USG retains the right to cancel in whole or in part or to suspend performance at any time under unusual or compelling circumstances if the national interest so requires.
Items/Quantity	2) The USG provides no warranty or guarantee, either expressed or implied, regarding the item being sold.
Estimated Availability	3) The USG shall provide best efforts to comply with the delivery lead time cited, but incurs no liability for failure to meet an indicated delivery schedule.
Source of Supply	4) The USG shall use its best efforts to deliver at the estimated price, but that the purchaser is obligated to reimburse the USG for the total cost if it is greater than that price.
Estimated Price	5) The item sold may be used only for incorporation into end items (or as concurrent or follow-on support in conjunction with a sale of the end item) for export under an approved export license and may not be used for other purposes.
End Item Application (if applicable)	6) The purchaser renounces all claims against the USG, its officers, agents, and employees arising out of or incident to this agreement, whether concerning injury to or death of personnel, damage to or destruction of property, or other matters, and shall indemnify and hold harmless the USG, its officers, agents, and employees against any such claims of third parties and any loss or damage to USG property.
End Item Purchaser (country or international organization)	7) The U.S. company agrees to provide protection of classified information and requires that the agreement with the foreign Government provides protection of U.S. classified information.
Number and date of the munitions export license or other DoS approval	8) The purchaser is responsible for any insurance desired and, when applicable, export customs clearance.
	9) The purchaser is required to reimburse the USG for all costs incurred by the USG if the purchaser cancels the purchase agreement before item delivery.
	10) Delivery is Free On Board (FOB) point of origin. The purchaser must arrange for continental U.S. (CONUS) transportation (except for sensitive or hazardous cargo that is normally shipped via the Defense Transportation System (DTS)).
	11) Payment terms.
	a) Sales of Articles from Stock. Total payment is required in advance for the full cost of any USG shipment.
	b) Sales of Articles or Services from Procurement, or Sales of Services from Resources on Hand. Payment is normally cash payable in full at the time the agreement is signed. Based on purchaser request, a payment schedule may be considered when full funding is not immediately required. When requested by the purchaser, the Implementing Agency, in coordination with the contracting officer,

Basic Descriptive Information	General Provisions and/or Notes Required
	may negotiate a payment schedule that complies with the Security Assistance Management Manual (SAMM). Funds must be available prior to USG entering into a contract, submitting a MIPR, or making other obligations. Payment is equal to the full cost of the obligations plus reasonable uncertainties, such as costs which could be incurred should it become necessary to prematurely terminate the Sales Agreement.

C11.8.3.1. Pricing of AECA, Section 30 Sales. Prices, accountability, and disposition of collections shall be in accordance with DoD 7000.14-R (reference (o)), Volume 15, Chapter 7. Administrative surcharges and accessorial charges are charged at the same rate as corresponding FMS charges. Sales shall be in cash, with payment upon signature of the sales agreement by the USG and U.S. company representatives. Payment in U.S. dollars shall precede procurement or production action or, in cases of stock sales, delivery. Funds obligated for a reimbursable procurement, internal production of articles, or provision of services may not exceed the cash received from an authorized purchaser. If there is an increase in the cost, the purchaser is required to make additional cash payments to fund the costs plus applicable surcharges. The cash received must be sufficient to fund the replacement cost of articles shipped from DoD stocks.

C11.8.3.2. Planning Data. To allow planning and marketing, Implementing Agencies are authorized to provide cost and delivery data to authorized potential purchasers in advance of execution of a sales agreement. Such data are identified as estimates that are not binding on the USG.

C11.8.4. Records and Reporting. A central Implementing Agency record is maintained showing the purchaser, item being sold, source (stock, DoD production, or procurement), cost estimate or (if delivered) billed price, end item (if applicable), ultimate recipient (country or international organization), and export license number and date or other DoS approval. Information from this record is provided to DSCA upon request.

C11.9. INTERNATIONAL AGREEMENTS

The Department of Defense may enter into agreements with friendly and allied countries on the basis of common goals to achieve mutual national security objectives. DoD Directive 5530.3 (reference (aa)) defines an international agreement as: “any agreement concluded with one or more foreign Governments (including their agencies, instrumentalities, or political subdivisions) or with an international organization, that is signed or agreed to by personnel of any DoD Component, or by representatives of the DoS or any other department or agency of the USG; signifies the intention of its parties to be bound in international law; and is denominated as an international agreement or as a MOU, MOA, memorandum of arrangements, exchange of notes, exchange of letters, technical arrangement, protocol, note verbale, aide memoire, agreed minute, contract, arrangement, statement of intent, letter of intent, statement of understanding, etc. Table C11.T10. is a summary of legal references that cover international agreements.

Table C11.T10. International Agreements Legislation Summary

Legislation	Subject
AECA, Section 27 (reference (c)) 10 U.S.C. 2341 - 2350b (reference (ce))	Provides the authority to enter into cooperative projects with friendly foreign countries
AECA, Section 36(a) (reference (c))	Congressional Reporting of all coproduction agreements
AECA, Section 42(b) (reference (c))	DoS to advise Congress of use of FMF to finance coproduction or licensed production in a foreign country
1 U.S.C. 112b, (Case Act) (reference (cr))	Transmissions to Congress
22 CFR 181 (reference (cs))	Coordination and Reporting of International Agreements
FAA, Section 517 (reference (b))	Designation of major non-NATO allies

C11.9.1. When is a DoD Directive 5530.3 Agreement Required? In some instances, it is in the U.S. interest to establish an international agreement before initiation of a commercial or USG Security Assistance program. DSCA is responsible for determining whether a DoD Directive 5530.3 agreement for Security Assistance is necessary. The following are examples of scenarios that may require a DoD Directive 5530.3 agreement:

C11.9.1.1. The program is complex, it involves licensed production, or it is considered sensitive (for example, classified data is released) by the USG or U.S. industry.

C11.9.1.2. Delineation of responsibilities and authorities of the parties is required.

C11.9.1.3. The country has requested, and provided rationale for, a separate agreement.

C11.9.1.4. The Congress has mandated an international agreement be used.

C11.9.2. International Agreement Format. DoD Directive 5530.3 agreements for Security Assistance include standard provisions, some of which reflect the requirements of law or regulation. These agreements may also include unique provisions reflecting the interests of the involved parties. Therefore, the final content of each agreement is determined during negotiations. A typical agreement for Security Assistance contains provisions on at least the topics included in Table C11.T11.

Table C11.T11. Sample Provisions Contained in DoD Directive 5530.3 Agreements

Sample Provisions Contained on DoD Directive 5530.3 Agreements	
1	The participants in the program and their obligations must be clearly stated.
2	Scope of agreement, including any items and quantities to be produced in the United States and authorized for production by the participating country.
3	Terms and, when required, their definition.
4	Export of items (see Chapter 3), including anticipated use of commercial or FMS transportation channels (see Chapter 7). Any DoD assistance in obtaining commercial export licenses or technical data belonging to U.S. companies may be defined.
5	Authorization for use of technical data, usage limits, and restrictions on its transfer to third parties.
6	Any use of USG facilities shall be incorporated.

Sample Provisions Contained on DoD Directive 5530.3 Agreements	
7	Flowback, including provisions relative to the return to the United States of any technical improvements to transferred equipment or manufacturing processes. The USG must have the right to use the improvements without payment of any fees.
8	Management, such as establishment of a joint project office to serve as the channel for exchange of information.
9	Configuration management, to ensure systems are produced to specifications (normally U.S. standard). The agreement provides for incorporation of engineering changes and modifications, and the procedures to manage the changes.
10	Existing security arrangements.
11	Customs, duties, and taxes. (This may show new or existing reciprocal arrangements.)
12	Audit access and production validation.
13	Third party transfer and end-use. This includes any production incorporating U.S. equipment or based on U.S. information obtained under the program from any source.
14	Reimbursement for applicable costs. The agreement should note that USG costs to support purchaser program management, FMS administrative fees, transportation, or other costs must be financed under FMS procedures.
15	LOA/DoD Directive 5530.3 agreement precedence. The agreement should note that if a conflict exists between the DoD Directive 5530.3 agreement and the LOA, the terms of the LOA takes precedence.
16	Logistics Support. This may include items such as USG responsibilities for support or any authorization for foreign production of spares, and any other pertinent requirements.
17	Supplemental Compensation. A participant cannot impose a requirement for compensation that is not in accordance with the agreement.
18	Administrative provisions such as procedures to amend or change the agreement, identification of the effective national language, procedures for resolution of conflicts, specific duration (such as 10 years) before the agreement expires or must be renewed, procedures for early termination by either party, provisions for certain elements of the MOU/MOA to remain in effect after termination (third party transfer, security, flowback, and limitations on any further weapon system production), and consideration of authorization to produce spare parts following termination.

C11.9.3. Types of DoD Directive 5530.3 Agreements

C11.9.3.1. DoD Directive 5530.3 Coproduction Agreements. Coproduction policy is provided in DoD Directive 2000.9 (reference (ct)). Per DoD Directive 5530.3 (reference (aa)), the Director, DSCA must provide written approval to enter into negotiations for coproduction programs involving Security Assistance. Requests for DSCA authority must include a description of the project as well as fiscal and legal memoranda. Discussions on coproduction programs may be initiated by the Implementing Agency or by authorized representatives of foreign Governments or international organizations. When partially or fully implemented through DoD Directive 5530.3 agreements, the Implementing Agency recommendation is forwarded to DSCA for authorization to proceed and includes the information shown in Table C11.T12.

Table C11.T12. Information Required for DSCA Authorization of Coproduction Agreements

Information Required for DSCA Authorization of Coproduction Agreements	
1	The program origin, nature, scope, and supporting rationale
2	Implications of proposed technology transfer, including the scope and limitations of any needed NDP-1 exceptions
3	Impact on U.S. industry prime and subcontractors, and the views of these producers
4	Impact on any other authorized foreign production of the same article
5	Impact on the U.S. production base for the article

C11.9.3.1.1. Classification of DoD Directive 5530.3 Coproduction Agreements. DoD Directive 5530.3 agreements for coproduction of major defense equipment (MDE) are classified “Confidential,” as a minimum, until the agreement is concluded. Programs implemented via LOAs are subject to normal LOA classification guidance. (See Chapter 5.)

C11.9.3.1.2. FMF-Financed Coproduction Program. AECA, section 42(b) (reference (c)) requires the DoS to advise Congress prior to use of Foreign Military Financing (FMF) to finance coproduction or licensed production in a foreign country. DSCA (Operations Directorate) memoranda to the DoS advises of the country, type of proposed transaction (FMS LOA or direct commercial sale), description of program, the extent of foreign production, and impact on employment and production within the United States. Normally approval is staffed concurrently with the related AECA, section 36(b) (reference (c)) notification. DSCA (Operations Directorate) shall not approve release of an FMS LOA or FMF funding until the DoS has advised Congress.

C11.9.3.1.3. Monitoring Coproduction Agreements. USG monitoring requirements are determined on a case-by-case basis. USG audits of production facilities may not be required when there is clear evidence of commercial arrangements that are satisfactory to the Department of Defense, such as when there is a direct agreement between a U.S. firm and the foreign Government or firm that provides access to facilities and records. The need for direct USG involvement in oversight may also be reduced when the U.S. firm has technical representatives in the foreign plant or the U.S. retains control over critical technology or components essential to the item being produced. Industry technical representatives are requested to provide information to the Implementing Agency on foreign production including items and quantities, third party transfers, and any non-compliance with provisions of the LOA or DoD Directive 5530.3 agreement. When USG monitoring is reduced based on industry arrangements, agreements are structured to provide for USG monitoring once industry technical representatives are no longer required. Whether or not USG monitoring and validation provisions exist, does not change the Implementing Agency requirement to maintain program oversight and to assure required reports are submitted. These factors must be considered in the initial DoD-industry program discussions relative to program monitoring and access requirements. LOAs or DoD Directive 5530.3 agreements are structured to assure there are acceptable monitoring provisions for each program and the Implementing Agency receives adequate data to prepare status reports. When USG responsibilities can be satisfied only with access by USG personnel, a note must be included in the LOA and the DoD Directive 5530.3 agreement. See Chapter 5, Table C5.T5. Coproduction Reporting and/or Validation for the exact note wording.

C11.9.3.2. Cooperative Projects Under AECA, Section 27. AECA, section 27 (reference (c)) permits partnership agreements in which the United States and one or more eligible countries equitably share the costs and the results of jointly managed research, development, testing, evaluation, or joint production (including follow-on support) projects, or of projects for concurrent production in the United States and another eligible country of a jointly developed defense article. In accordance with AECA, section 27(c), no USG military assistance and financing may be used by any non-USG participant to provide its share of the cost of any such project.

C11.9.3.2.1. NATO Cooperative Projects. A NATO cooperative project is a jointly managed arrangement, described in a written agreement among the parties, undertaken to further the Rationalization, Standardization, and Interoperability (RSI) objectives of the armed forces of NATO member countries. For NATO member country cooperative projects, AECA, section 36(b) (reference (c)) shall not apply to sales made under AECA, sections 21 and 22 (reference (c)) and to production and exports made pursuant to cooperative projects under AECA, section 27 (reference (c)). AECA, section 36(c) (reference (c)) shall not apply to the issuance of licenses or other approvals under AECA, section 38 (reference (c)) if such sales are made, such production and exports ensue, or such licenses or approvals are issued as part of a cooperative project.

C11.9.3.2.1.1. Non-NATO Cooperative Projects. A non-NATO cooperative project under AECA, section 27(j) (reference (c)) is authorized under the same general terms and conditions as agreements with NATO countries. The foreign parties in such projects are friendly foreign countries that are not members of NATO. The project provides for one or more of the participants to equitably share with the United States the full costs of the cooperative project and receive an equitable share of the results of the project to include research, development, testing, evaluation, or joint production (with follow-on support) of certain defense articles; concurrent production in the United States and in the country of another participant of a defense article jointly developed; and U.S. procurement of a defense article or service from another member country. For FMS that are made as a part of non-NATO cooperative projects and for licenses issued under the authority of AECA, section 38 (reference (c)) as part of such cooperative projects, the requirements of AECA, section 36(b) and (e) (reference (c)) apply.

C11.9.3.2.2. Waiver of Charges for Cooperative Projects. AECA, section 27(e)(1) (reference (c)) provides authorization to reduce or waive certain charges associated with cooperative projects. Waiver or reduction of appropriate charges must be approved by the Director, DSCA prior to conclusion of the cooperative project agreement, whether or not the agreement commits to the waivers. Security Assistance funds may not finance the cost of any AECA, section 27 (reference (c)) cooperative project. Proposals for AECA, section 27 (reference (c)) programs that rely in any manner on the FMS system are not offered to participants unless the Director, DSCA has made an exception in writing. Proposals submitted to DSCA shall include information on MOU terms regarding collection or waiver of surcharges or levies.

C11.9.3.2.2.1. Waiver of Nonrecurring Costs (NC) for Cooperative Projects. Participating countries in newly initiated cooperative projects for development with no use of items previously developed with USG funds, do NOT incur NC charges since each participant contributes its equitable share of the full cost of the project. DoD agreements for coproduction

and/or licensed production entered into after October 7, 1992 shall have no DoD NC charges included unless international agreements exist to the contrary.

C11.9.3.2.2.2. Waiver of FMS Administrative Charges for Cooperative Projects.

Normally, AECA, section 27 (reference (c)) programs are not implemented through the FMS system and administrative surcharges are not applicable. When the FMS system (an LOA) is used, the administrative surcharges are assessed. For sales pursuant to AECA, section 27(e)(1) (reference (c)), if the FMS administrative surcharges are reduced or waived, AECA, section 27(e)(2) (reference (c)) prohibits using administrative surcharge funds from other AECA sales to reimburse cost incurred by the USG for which the reduction or waiver was approved.

C11.9.3.2.3. Implementation of Cooperative Projects. Authority to negotiate and conclude cooperative agreements was delegated to USD(AT&L), with authority to re-delegate to the MILDEPs.

C11.9.4. Release of DoD Directive 5530.3 Security Cooperation Agreements. Since international agreements involve matters that must be resolved on a governmental basis as part of a broad program of cooperation, copies of DoD Directive 5530.3 agreements for Security Assistance are not released to third parties unless required by the Freedom of Information Act, other U.S. law, or as authorized by the parties to the agreement. They may be discussed with representatives of appropriate U.S. industry to the degree necessary to obtain Congressional reporting or other information. With the consent of the foreign party, these agreements may be released to specific U.S. firms for implementation.

C11.9.5. Monitoring of DoD Directive 5530.3 Security Cooperation Agreements. The Implementing Agency monitors the terms and conditions of DoD Directive 5530.3 agreements for Security Assistance (including those negotiated at OSD level and assigned to the Implementing Agency) to ensure compliance by all parties. This is accomplished with the assistance of other involved USG organizations as well as U.S. industry.

C11.9.6. Responsibilities for International Agreements for Security Assistance. Responsibilities for negotiating, managing, monitoring, etc. for international agreements for Security Assistance is summarized in Table C11.T13.

Table C11.T13. Responsibility Matrix for International Agreements for Security Assistance

Organization	Responsibility
Implementing Agency	<p>Commitments are not made until OSD-level approval is obtained. Export license approvals that could impact the Agreement shall not be provided prior to completion of negotiations.</p> <p>Agreements are drafted consistent with DoD policy and negotiation and conclusion authorities are obtained and provisions are included to assure USG and foreign rights and obligations are defined.</p> <p>Implementing Agency coordination is conducted and any required Congressional notification data is provided to DSCA.</p> <p>Copies of the concluded Agreement are provided to DSCA, the SCO, Defense Intelligence Agency (DIA), DoD General Counsel (original), State Department Legal Advisor/Treaty Affairs, and other involved organizations.</p> <p>Overall responsibility rests with the Implementing Agency program manager. For complex programs, monitoring and implementation of individual aspects of the Agreement is the responsibility of the cognizant functional area. Implementing arrangements shall identify</p>

Organization	Responsibility
	<p>individual responsibilities.</p> <p>Procedures are established to assure compliance with all elements of the Agreement.</p> <p>Production facilities are visited, consistent with the provisions of the Agreement. During the visits, U.S. personnel shall, as a minimum, review production records and validate production and retransfer reports. Findings are recorded in a trip report and distributed to involved agencies. Knowledgeable personnel may conduct the visits in conjunction with other regularly scheduled visits. The DSCA is provided an information copy of any correspondence issued or received relative to Agreement compliance.</p> <p>Maintain data and report to DSCA information regarding coproduction and licensed production programs.</p> <p>For coproduction programs involving FMS, the Implementing Agency ensures appropriate coordination with DSCA, furnishes technical and negotiating assistance, and performs managerial and reporting functions.</p>
DSCA	<p>Establish a point of contact within the regional directorates for specific Agreements (normally the country director).</p> <p>Receive, and staff within OSD, the DoC, and the DoS, draft Security Assistance Agreements and Implementing Agency requests for authority to negotiate and conclude the Agreements.</p> <p>Provide guidance on coproduction and other Security Assistance Agreements following any necessary staffing within OSD and with DoS.</p> <p>Staff and provide to Congress notifications required by legislation.</p> <p>Initiate appropriate action within DoD and with DoS when issues of Agreement non-compliance are identified.</p>
Security Cooperation Organizations (SCOs)	<p>Identify the individual to maintain contact with the Implementing Agency, be familiar with the Agreement, and be responsible for monitoring status in country. Provisions shall be made for continuity of the requirement after departure of the individual identified.</p> <p>Be responsive to requests for information from the program manager or DSCA.</p> <p>Provide information on problems, including possible non-compliance.</p> <p>Serve as the conduit for production status information from the country to the Implementing Agency.</p>
Department of Commerce	<p>Reviews proposed agreements to assess their commercial implications and possible effects on the international competitive position of U.S. Industry.</p>

C11.9.7. Quarterly Report of Security Assistance Coproduction Agreements. Each Implementing Agency maintains appropriate data and reports to DSCA (using Reports Control Symbol (RCS): DSCA 1226) information regarding coproduction and licensed production programs under its purview. Portions of the information are consolidated by DSCA and included in the quarterly AECA, section 36(a) (reference (c)) report through the DoS to Congress. Information for active and inactive coproduction programs, for which Agreements are concluded but are not closed, are reported. Programs for which Agreements are not concluded and closed programs are not reported. Negative reports are required.

C11.9.7.1. Report Schedule. Each report is titled “Quarterly Report of Security Assistance Coproduction Agreements” and is submitted according to the schedule shown in Table C11.T14.

Table C11.T14. Quarterly Report of Security Assistance Coproduction Agreements
Submission Dates

Fiscal Year Quarter	Period Covered	Submission Date
First Quarter	October 1 through December 31	January 31
Second Quarter	January 1 through March 31	April 30
Third Quarter	April 1 through June 30	July 31
Fourth Quarter	July 1 through September 30	October 31

C11.9.7.2. Report Content – Active Programs. Active program reports include the title of the agreement or name of the weapon system centered at the top, and the information shown in Table C11.T15.

Table C11.T15. Quarterly Report of Active Security Assistance Coproduction Agreements

Description of Data Required for Active Security Assistance Coproduction Agreements	
1	Country, international organization, or foreign firm if the agreement is bilateral and the partner heads up an approved production group or consortium, identify the other members.
2	Description of articles authorized for production.
3	Estimated value of articles authorized to be produced.
4	Estimated quantity of articles authorized to be produced.
5	Authorized third country sales and description of third party transfer restrictions. Specify item and quantity for each third country, date of U.S. authorization, and status of deliveries. Identify source of information.
6	Alternate measures to ensure compliance with third party transfer and production quantity restrictions (if applicable).
7	Date of LOA and, if applicable, DoD Directive 5530.3 Agreement.
8	Agreement expiration date. If the agreement has no expiration date, the projected termination date, not simply an event such as “completion of production”, should be furnished and identified as such.
Items 9 -- 13 begin on a separate page and are for internal use.	
9	Quantity produced during the reporting period, quantity produced to date.
10	Incidents of agreement noncompliance during the reporting period. If incidents have occurred, provide a full accounting and identify source of information. If none, so state.
11	Technology flowback and monetary return. Provide a summary of flowback requested or received during the reporting period and the status of its value. If none, state why and provide a statement of previously received or projected flowback, if appropriate. Include the total monetary return to the United States as a result of the agreement and actual expenditures in the United States to date.
12	Summary of actions. Provide narrative summary of significant events for the period, such as meetings or program reviews, monitoring actions, support provided, significant problems, and the outlook for the coming year.
13	Points of contact names, organizations, and telephones number of U.S. and foreign project officers who can provide additional information and interim updates.

C11.9.7.3. Report Content – Inactive Programs. Inactive program reports include the title of the program or name of the weapon system centered at the top, and the information shown in Table C11.T16.

Table C11.T16. Quarterly Report of Inactive Security Assistance Coproduction Agreements

Description of Data Required for Inactive Security Assistance Coproduction Agreements	
1	Country, international organization, or foreign firm. If the agreement is bilateral and the partner heads up an approved production group or consortium, identify the other members.
2	Date of LOA and, if applicable, DoD Directive 5530.3 Agreement.
3	Reason program is inactive, vice closed.
4	Estimated closure or termination date of the agreement.
5	Summary of action for the reporting period. Briefly explain agreement close-out actions, including monitoring actions that continue beyond agreement expiration. Provide narrative summary of significant events for the period, if applicable.
6	Points of contact. Include the names, organizations, and telephone numbers of U.S. and foreign project officers.

C11.10. LEASES OF DEFENSE ARTICLES UNDER THE ARMS EXPORT CONTROL ACT

C11.10.1. Definition and Purpose. Under AECA, chapter 6 (reference (c)), the President may lease DoD defense articles to eligible foreign countries or international organizations for a period not to exceed 5 years and a specified period of time required to complete major refurbishment work prior to delivery. The President has delegated this authority to the Department of Defense. There must be compelling foreign policy and national security reasons for providing such articles on a lease basis and the articles must not be needed for public use at the time. Leases may provide defense articles for testing purposes, assist countries in determining whether to procure the article, allow the USG to respond to an urgent foreign requirement, or provide for other purposes as approved by DSCA (Programs and Strategy Directorates). Table C11.T17. summarizes the lease program legal references.

Table C11.T17. Lease Legislation Summary

Legislation	Subject
AECA, Chapter 6 (reference (c))	Lease authority, limitations, and terms
AECA, Section 62 (reference (c))	Congressional Notification
AECA, Section 63(a) (reference (c))	Legislative Review
International Narcotics Control Act of 1990, Section 3(g) (Public Law No. 101-623) (reference (cw))	Leases of aircraft to Andean countries for counternarcotics purposes
10 U.S.C.7307 (reference (co))	Ship leases (unique requirements)

C11.10.2. Who Can Lease Defense Articles? Defense articles may be leased to a country or international organization if that country and/or organization is eligible for FMS purchases. See Chapter 4, Table C4.T2. for a list of eligible countries and/or organizations.

C11.10.3. What Can Be Leased? The President may lease defense articles from DoD stock to eligible foreign countries or international organizations if: there are compelling foreign policy and national security reasons for providing such articles on a lease basis rather than a sale; the articles are not needed for public use (for the time); and the effects of the lease on the national technology and industrial base are considered; particularly the extent, if any, to which the lease reduces the opportunity of the national technology and industrial base to sell new equipment to the lessee.

C11.10.3.1. Ship Leases. Ship leases are authorized under separate, specific legislation as required by 10 U.S.C. 7307 reference (co). AECA, Chapter 6 (reference (c)) requirements also apply to ship leases unless the separate legislation expressly provides otherwise.

C11.10.3.2. Counternarcotics Aircraft to Andean Countries. The International Narcotics Control Act of 1990 (Section 3(g) of Public Law No. 101-623 (reference (cw))) authorizes leases of aircraft to Andean countries for counternarcotics purposes.

C11.10.3.3. Prohibition on Leasing Under 10 U.S.C. 2667. DoD defense articles may not be leased to foreign countries or international organizations under the authority of 10 U.S.C. 2667 (reference (cv)).

C11.10.4. Lease Preparation and Format. All unclassified leases are prepared using DSAMS. Certain organizations are authorized to prepare leases. See Chapter 5, Table C5.T2. for a list of these organizations. These organizations, known as Implementing Agencies are responsible for preparing leases in accordance with this manual. Classified leases are prepared outside of DSAMS using the same format.

C11.10.4.1. Lease Duration. Leases may be written for a maximum of 5 years and a specified period of time required to complete major refurbishment work prior to delivery. Leases may include multiple items with different lease duration periods. The shortest lease period is 1 month and the longest lease period is 60 months. Leases shall provide that, at any time during the lease period, the USG may terminate the lease and require the immediate return of the defense article(s). Leases of less than 5 years may be extended via an Amendment but the total period under a specific lease may not exceed 5 years plus the time needed for refurbishment. Subject to receipt of any initial deposit required, the lease period begins on the date shown at the beginning of the lease, unless the period is otherwise specified within the terms and conditions. If the purchaser signs the lease after the proposed starting date, the lease must be amended to show the actual lease start date and any payment adjustments necessary on the Schedule A.

C11.10.4.2. Lease Format. The lease format including sample data and instruction for preparation are provided in Figures C11.F11. through C11.F15. (at the end of this section). Information that is not part of the basic format is bracketed for emphasis. This format may not be altered unless special circumstances require an exception authorized by DSCA (Programs and Strategy Directorate). Additional provisions may be added to a lease when appropriate and with concurrence of the Implementing Agency's legal office and DSCA. Classified leases are prepared outside of DSAMS using the same format.

C11.10.4.3. Lease Identification. The Implementing Agency, using the Defense Security Assistance Management System (DSAMS), assigns a unique designator to each lease. The lease designator is composed of the Country Code, the Implementing Agency code, and a 3-position code assigned by the Implementing Agency. The lease designator is included on each lease page, including schedules, appendices, and accompanying documents. FMS cases associated with leases must reference the lease designator(s).

C11.10.5. Lease Pricing

C11.10.5.1. Rental Payment. The lessee must agree to pay in U.S. dollars all costs

incurred by the USG in leasing articles, including reimbursement for depreciation (rent) of articles while leased. The rental payment is calculated in accordance with DoD 7000.14-R (reference (o)), Volume 15, Chapter 7. Rental payments do not include an administrative charge.

C11.10.5.2. Replacement of Lost and/or Damaged Items. The lessee must agree to pay the costs of restoration or replacement if the articles are lost, damaged, or destroyed while leased. In this case, the customer is charged the replacement cost (less any depreciation) if the United States intends to replace the articles or the actual article value (less any depreciation) if the United States does not intend to replace the articles. These charges are recouped under an FMS transaction via the LOA.

C11.10.5.3. Payment Schedules. Schedule A of each lease identifies the replacement costs of the item(s) being leased and the schedule for rental payment due to the USG. The payment schedule is established on a quarterly billing cycle, compatible with the FMS billing cycle. If the quarterly cycle does not provide for payment prior to the effective date of the lease, an initial deposit is required to assure that payment is received in advance of the month in which rental is incurred. Billings to the foreign lessee are based on this schedule of payments and are included on a separate DD Form 645 with the country's quarterly FMS billing statement. The Implementing Agency assures that payment schedules are updated for any extensions, delivery schedule changes, or other Amendments, that may result in a change to the lease value or schedule of payments. DFAS deposits receipts from lease rental payments in the Miscellaneous Receipts Account 3041 (FMS Recoveries, DoD Lease Costs) in accordance with the Treasury Financial Manual, Supplement to Volume 1.

C11.10.5.4. Use of FMF or Military Assistance Program (MAP) Merger Funds. FMF or MAP funds cannot be used for lease rental payments. FMF or MAP Merger funds may be used, when authorized by DSCA, for LOAs for services associated with a lease. FMF funds may be used for leases of aircraft to Andean countries for counternarcotics purposes under the International Narcotics Control Act of 1990. In such instances, the total lease cost (including any renewals) is an initial, one-time payment of an amount equivalent to the aircraft price as if it were sold on an LOA. Questions regarding proper sources of funding for leases should be directed to DSCA (Business Operations, Programs, and Strategy Directorates).

C11.10.5.5. Exceptions to the Payment of Depreciation Costs. The following types of leases may be considered for no-rent leasing. DSCA must authorize the exception prior to the Implementing Agency notifying a potential lessee that a lease under these terms is available.

C11.10.5.5.1. Leases for purposes of cooperative research or development, military exercises, or communications or electronics interface projects may be written at no-rent.

C11.10.5.5.2. The President may waive reimbursement of depreciation for any defense article(s) that has passed three-quarters of its normal service life if he or she determines that to do so is important to the national security interests of the United States. This waiver authority has been delegated to the Director, DSCA in accordance with the provisions of DoD Directive 5105.65 (reference (a)). When requesting this waiver, the Implementing Agency must include the following information: a certification letter that the items are beyond three-quarters (75 percent) of their service life, a spreadsheet showing how replacement costs were calculated, a spreadsheet showing what the depreciation charges would normally be; if applicable, a spreadsheet showing how partial depreciation charges were calculated, and a copy of any prior or

related waivers previously granted.

C11.10.5.5.3. Leases made in exchange with the lessee for a lease on substantially reciprocal terms of defense articles for the Department of Defense may be leased at no-rent. In these cases, the President submits a detailed notification for each lease to the Committee on Foreign Affairs (Committee on International Relations) and the Committee on Appropriations of the House of Representatives; and the Committee on Foreign Relations and the Committee on Appropriations of the Senate. This waiver authority is exercised only during the current fiscal year and only with respect to one country, unless Congress provides otherwise. (The preceding sentence does not constitute authorization of appropriations for payments by the United States for leased articles.)

C11.10.6. Congressional Notification Requirements. AECA, section 62 (reference (c)) requires written certification from the President to the Speaker of the House of Representatives, the Chairman of the Committee on Foreign Relations of the Senate, and the Chairman of the Committee on Armed Services of the Senate before entering into or renewing a lease agreement for a period of 1 year or longer. The certification must be transmitted not less than 15-calendar days before agreements with NATO, NATO member countries, Australia, Japan, the Republic of Korea, or New Zealand and not less than 30-calendar days before agreements with all other countries or organizations. The certification includes: the country or international organization to which the defense article is to be leased; the type, quantity, and value (in terms of replacement cost) of the defense article to be leased; the terms and duration of the lease; and the justification for the lease, including an explanation of why the defense article is being leased rather than sold. AECA, section 62(b) (reference (c)) authorizes waiver of the Congressional Notification for leases if the President states in his or her certification that an emergency exists that requires the lease be entered into immediately in the interest of U.S. national security. The certification must include a detailed justification with a description of the emergency circumstances and a discussion of the national security interests involved. This authority is reserved to the President for his or her exercise only. In the event of such an emergency, DSCA provides instructions to the Implementing Agency.

C11.10.7. Title of Leased Items. Title does not transfer for leased items.

C11.10.8. Lease Process. Table C11.T18. summarizes the lease process.

Table C11.T18. Lease Process

Step	Action
1 Purchaser Request for Leases	An eligible foreign country or international organization identifies a requirement and submits an LOR.
2 Responses to Lease Requests	The Implementing Agency determines if a lease is a viable option. The Implementing Agency determines if the items are needed for public use during the proposed lease period. DSCA (Operations Directorate) should be consulted at this time. With DSCA approval, the Implementing Agency responds to the country/organization stating whether or not the equipment is available and if a lease is an available option. No actual offer

Step	Action
	<p>may be made until the appropriate approvals/notifications are complete.</p> <p>If the Implementing Agency recommends application of an exception to a customer reimbursing depreciation costs, the Implementing Agency must provide justification and receive authorization from DSCA before advising the customer of the exception.</p>
<p>3 Implementing Agency Prepares Lease</p>	<p>The Implementing Agency prepares lease documents in DSAMS in accordance with Figures C11.F11. through C11.F15. The lease package consists of: the lease agreement with all terms/conditions and payment schedule (Schedule A), the determination of compelling foreign policy and national security interests and public use need, a forwarding memorandum, and, if required, Congressional Notification certification.</p>
<p>4 Implementing Agency Coordinates the Lease</p>	<p>The Implementing Agency coordinates the lease package within its Agency. The Implementing Agency must screen all lease items for MTCR (see Chapter 3). Once the Implementing Agency has reviewed/coordinated on the lease package, the “MILSGN” milestone is entered into DSAMS by the Implementing Agency. This milestone automatically sets the lease status to “Proposed.”</p>
<p>5 Implementing Agency Submits Lease Package to DSCA</p>	<p>For leases that are less than 1 year in duration, the Implementing Agency submits the lease determination and forwarding cover memorandum to DSCA (Programs Directorate) electronically for countersignature. Lease packages for countersignature must be submitted to: Lease Program Manager (PGM/BPC), Defense Security Cooperation Agency, 201 12th Street South, Suite 203, Arlington, VA 22202-5408</p> <p>For leases that are 1 year or longer in duration, the Implementing Agency submits the lease, determination, Congressional Notification certification, and forwarding cover memorandum to DSCA (Programs Directorate) electronically for countersignature. Lease packages for countersignature must be submitted to: Lease Program Manager (PGM/BPC), Defense Security Cooperation Agency, 201 12th Street South, Suite 203, Arlington, VA 22202-5408</p>
<p>6 DSCA Coordinates Lease Package</p>	<p>DSCA (Programs Directorate) coordinates the lease package within DSCA, OSD (Regional Offices) and with the DoS.</p> <p>If the lease is for less than 1 year in duration, Go to Step #8.</p>
<p>7 DSCA Prepares Congressional Notification</p>	<p>DSCA (Programs Directorate) prepares the AECA, section 62(a) report to Congress. All documents are coordinated with OSD (Regional Offices), DoS, and DSCA before the Director, DSCA signs the notifications. For leases that require Congressional Notification, an advance copy of the unsigned lease may be provided to the customer.</p>
<p>8 DSCA Signs the Lease Determination and Countersigns the Lease</p>	<p>Upon completion of coordination and the Congressional Notification period (if required), DSCA (Programs Directorate) submits the lease determination to the Director, DSCA for signature. After signature, DSCA enters the “DCSGN” milestone in DSAMS. This milestone automatically sets the lease status to “Offered” and posts “DSCA Approved” and the date of the DCSGN milestone in the countersignature block. DSCA provides a copy of the signed Determination to the Implementing Agency.</p>
<p>9 Implementing Agency Sends Lease to Country</p>	<p>Upon receipt of the “DCSGN” milestone, the Implementing Agency signs the lease document and sends it to the country for review/signature.</p>
<p>10 Customer Acceptance</p>	<p>The customer signs the lease and sends any required Initial Deposit to DFAS Indianapolis. If the purchaser signs the lease after the proposed starting date, the lease must be amended to show the actual lease start date and any payment adjustments necessary on the Schedule A.</p>
<p>11 Lease Implementation</p>	<p>The Implementing Agency assures that the initial deposit (if required) has been received by DFAS. After receipt of the deposit the lease is implemented. DFAS receives DSAMS Management Flags when a lease moves to “Offered” status and “Implemented” status.</p>
<p>12</p>	<p>The Implementing Agency or DSCA may require a certificate of delivery (Figure C11.F16.)</p>

Step	Action
Lease Execution	<p>when a leased item(s) is provided to the lessee. The Implementing Agency is responsible for tracking and monitoring the lease to ensure conditions of the lease agreement are followed. These responsibilities include (but are not limited to):</p> <ul style="list-style-type: none"> ▪ Maintain a record of all items including associated tools, ground support equipment and other materiel to be recovered at the end of the lease ▪ Ensure monitoring of the defense articles during the period of the lease ▪ Advise DSCA of non-compliance by the lessee ▪ Ensure that the appropriate rental payment schedule is maintained ▪ Ensure that all related costs are recovered under FMS procedures ▪ Report the status of each lease on a quarterly basis ▪ Ensure that prior to lease expiration the lease is either being prepared properly for closure, extended via Amendment, or if it has reached the 60-month limit, renewed in the form of a new lease ▪ Ensure that the leased materiel is returned by the lessee ▪ Ensure proper disposition of the defense article(s) upon expiration or termination of the lease and restoration to its original condition, in accordance with the terms of the lease <p>DFAS Indianapolis is responsible for collecting rental fees and delivery reporting.</p>
13 Lease Closure	<p>The Implementing Agency will enter the delivery and equipment return dates in DSAMS. When all required data has been entered, DSAMS automatically notifies DFAS Indianapolis that the lease is ready for closure. DFAS Indianapolis will reconcile the financial information and close the lease in DIFS, which will then automatically close the lease in DSAMS.</p>

C11.10.9. Lease Renewal. Leases may be renewed. The same procedures as those outlined in paragraph C11.10.8. for new leases apply.

C11.10.10. Lease Terminations. Any proposals to terminate a lease before its expiration date must be coordinated with DSCA.

C11.10.11. Lease Amendments. Lease Amendments (Figure C11.F18.) may be used to extend or change existing leases. Such changes may include variations or updates to payment schedules, Schedule A items, or periods of performance; however, a Lease Amendment may not be used to add new or additional items to the Schedule A with an effective date different from the effective date of the lease. An increase in scope in this way requires a new lease. Each Amendment includes the original lease designator and undergoes the same staffing process as the original lease. As with original leases, a cover memorandum is included when the draft lease Amendment is electronically provided to DSCA for coordination and countersignature. If a lease for less than 1 year is amended so that the total period of the original lease and the Amendment(s) equals or exceeds 1 year, the Amendment must be notified to the Congress before it can be offered.

C11.10.12. Lease Reporting Requirements. Each Implementing Agency is responsible for updating the status of each lease under its cognizance via DSAMS. The update is made by posting the “Action Taken on Lease” (comment code ACT) in the “Lease Text/Comments” field of the “Lease” tab of the “Lease Detail.” Additionally, the Implementing Agency must verify the accuracy of payments and notify DFAS of any financial issues when updating their leases in DSAMS. The Implementing Agency electronically notifies DSCA (Programs Directorate) that their leases have been updated not later than 30 days after the end of each quarter. DSCA then generates a report for each Implementing Agency in DSAMS.

C11.10.13. LOAs for Services Associated With a Lease. LOAs are not used for the lease of defense articles. However, an LOA can be used for costs incurred by the USG incident to the lease including but not limited to: restoration and/or replacement as a result of damage, loss or destruction; packing, crating, handling, and transportation (PCH&T); and the sale of associated articles and services, including refurbishment of the defense article(s) required prior to, during, or after the lease period. These costs are not to be included in the lease and the lease shall not remain open (valid) past the associated LOA expiration date. The associated LOA designator is included in General Provision 12 and Schedule A of the lease. Also, a note on the LOA (Chapter 5, Table C5.T5.) identifies the associated lease designator.

Figure C11.F11. Lease Forwarding Memorandum

<p>MEMORANDUM FOR: DIRECTOR, DEFENSE SECURITY COOPERATION AGENCY (ATTN: PROGRAMS DIRECTORATE)</p> <p>SUBJECT: Lease to [insert Country or International Organization] Under the Authority of the AECA, Chapter 6; [insert Lease Designator]</p> <p>Attached is a draft lease agreement (Attachment 1) for your approval and countersignature; and a Determination (Attachment 2) for your signature. These enclosures provide for the lease of [insert article(s)] to the [insert country or international organization].</p> <p>The [insert DoD Component] considers these defense articles are not needed for public use for the duration of the lease.</p> <p>This lease contains support equipment that includes MTCR controlled items: Yes ___ No ___</p> <p>If yes, a list of possible MTCR controlled items has been sent to DSCA (Programs Directorate/Weapons Division) on [insert date] and a copy is attached. The equipment has been checked by a qualified reviewer and is MTCR compliant: Yes ___ No ___</p> <p>Lease rather than sale of the identified defense article(s) is required for the following reason(s):</p> <ol style="list-style-type: none">1.2.3. <p>Recommend you approve the draft lease agreement and sign the Determination.</p> <p>Attachments As stated</p>

Figure C11.F12. Sample Lease

Lines and data are included for illustration purposes only.

**LEASE OF MAVERICK SUPPORT EQUIPMENT
BETWEEN
THE UNITED STATES GOVERNMENT
AND
THE GOVERNMENT OF BANDARIA
BN-Q-ZAA**

This LEASE, made as of 01 Oct 2003, between the United States Government (hereinafter called the "Lessor Government") represented by its DSCA and the Government of Bandaria, (hereinafter called the "Lessee Government") represented by its LTC Morgan, Embassy of Bandaria.

WITNESSETH

WHEREAS, The Lessor Government has determined that the twenty four month lease of AGM-65-G Missile Navigational System Test Set and, if applicable, all associated nonexpendable support equipment as listed in Schedule A of this lease (including but not limited to tools, ground support equipment, test equipment, and publications) (hereinafter referred to as the "Defense Articles") are not for the time needed for public use, and

WHEREAS, The Lessor Government has determined that there are compelling foreign policy and national security reasons for providing such Defense Articles on a lease basis rather than on a sales basis under the Arms Export Control Act, and

WHEREAS, The Lessor Government has considered the effects of the lease of the articles on the technology and industry base, particularly the extent, if any, to which the lease reduces the opportunity of entities in the national technology and industrial base to sell new equipment, and

WHEREAS, This lease is made under the authority of Chapter 6 of the Arms Export Control Act,

NOW THEREFORE, The parties do mutually agree as follows:

1. In consideration of a rental charge as indicated in Schedule A, and the maintenance and other obligations assumed by the Lessee Government, the Lessor Government hereby leases to the Lessee Government and the Lessee Government hereby leases from the Lessor Government the Defense Articles for the period of twenty four (24) months commencing on the date first above written (unless otherwise agreed under terms of this lease) and under the terms and conditions set forth in the General Provisions hereto annexed.

2. The Lessor Government shall deliver the Defense Articles to the Lessee Government at such time and place as may be mutually agreed upon. Such delivery may be evidenced by a certificate of delivery.

IN WITNESS WHEREOF, Each of the parties has executed this lease as of the day and year first above written, unless otherwise agreed under terms of this lease.

Figure C11.F12. Sample Lease (continued)

<p>THE GOVERNMENT OF BANDARIA</p> <p>BY: _____</p> <p>_____</p> <p>(Typed Name)</p> <p>_____</p> <p>(Title)</p> <p>_____</p> <p>(Date)</p>	<p>THE UNITED STATES GOVERNMENT</p> <p>BY: _____</p> <p>_____</p> <p>(Typed Name)</p> <p>_____</p> <p>(Title)</p> <p>_____</p> <p>(Date)</p> <p>COUNTERSIGNATURE</p> <p>BY: _____</p> <p>_____</p> <p>(Typed Name)</p> <p>_____</p> <p>(Title)</p> <p>_____</p> <p>(Date)</p>
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Figure C11.F12. Sample Lease (continued)

GENERAL PROVISIONS

1. Operations and Use.

a. Except as may be otherwise authorized by the Lessor Government and except for the purposes of transfer from and return to the Lessor Government, the Lessee Government shall keep the Defense Article in its own possession, custody, and control. The Lessee Government shall not transfer title to or possession of the Defense Articles to anyone not an officer, employee, or agent of the Lessee Government and shall not permit any encumbrance or other third party interest in the defense articles.

b. The Lessee Government shall, except as may be otherwise mutually agreed in writing, use the items leased hereunder only:

(1) For the purposes specified in the Mutual Defense Assistance Agreement, if any, between the Lessor Government and the Lessee Government;

(2) For the purposes specified in any bilateral or regional defense treaty to which the Lessor Government and Lessee Government are both parties, if subparagraph (1) of this paragraph is inapplicable.

(3) For internal security, individual self-defense, and/or civic action, if subparagraphs (1) and (2) of this paragraph are inapplicable.

c. To the extent that any Defense Articles may be classified by the Lessor Government for security purposes, the Lessee Government shall maintain a similar classification and employ all measures necessary to preserve such security, equivalent to those employed by the Lessor Government, throughout the period during which the Lessor Government may maintain such classification. The Lessor Government will use its best efforts to notify the Lessee Government if the classification is changed.

2. Initial Condition. The Defense Articles are leased to the Lessee Government on an "as is, where is" basis without warranty or representation concerning the condition or state of repair of the Defense Articles or any part thereof or concerning other matters and without any agreement by the Lessor Government to alter, improve, adapt, or repair the Defense Articles or any part thereof

3. Conditioning and Transfer Cost. The Lessee Government shall bear the cost of rendering the Defense Articles operable and transferable and of transferring the Defense Articles from the United States or other point of origin and back to the place of redelivery. In the event the Defense Articles are transported by vessel, only U.S. flag vessels may be used, unless waived by the Lessor Government.

4. Inspection and Inventory. Immediately prior to the delivery of the Defense Articles to the Lessee Government, an inspection of the physical condition of the Defense Articles and an inventory of all related items may be made by the Lessor Government and the Lessee Government. A report of the findings shall be made which shall be conclusive evidence as to the physical condition of said Defense Articles and as to such items as of the time of delivery. A similar inspection, inventory, and a report may be made by the Lessor Government upon the termination or expiration of this Lease. The findings of that report shall be conclusive evidence as to the physical condition of the Defense Articles and as to such items as of the date of termination or expiration of this Lease. At the election of the Lessor Government, the Lessee Government at its own cost shall either promptly correct any deficiency or rebuild, replace, or repair any loss of or damage to the Defense Articles or compensate the Lessor Government for the restoration or replacement value (less any depreciation in the value as determined by the Lessor Government) of such correction, rebuilding, replacement, or repair. At the Lessor Government's choice, the Lessee Government at its own cost will remove any alterations or additions to the Defense Articles or pay the Lessor Government the cost of such removal, as determined by the Lessor Government. In the absence of removal by the Lessee Government, title to any such alterations or additions shall vest in the Lessor Government.

Figure C11.F12. Sample Lease (continued)

5. Maintenance. The Lessee Government shall maintain the Defense Articles in good order, repair, and operable condition and except as provided in paragraph four, shall upon expiration or termination of this Lease return the Defense Articles in operable condition and in as good condition as when received, normal wear and tear excepted.

6. Risk or Loss. All risk or loss of or damage to the Defense Articles during the term of this Lease and until their return to the place of redelivery shall be borne by the Lessee Government.

7. Indemnification. The Lessee Government renounces all claims against the Lessor Government, its officers, agents, and employees arising out of or incidental to transfer, possession, maintenance, use, or operation of the Defense Articles or facilities and will indemnify and hold harmless the Lessor Government, its officers, agents, and employees or any such claims of third parties and will pay for any loss or damage to Lessor Government property.

8. Alterations. The Lessee Government shall not make any alterations or additions to the Defense Articles without prior consent of the Lessor Government. All such alterations or additions shall become the property of the Lessor Government except items paid for by the Lessee Government, which can be readily removed without injury to the Defense Articles and are removed by the Lessee Government prior to redelivery of the Defense Articles. As a condition of its approval of any alteration or addition, the Lessor Government may require the Lessee Government to restore the Defense Articles to their prior condition.

9. Termination. This Lease may be terminated without cost to the Lessor Government:

- a. By mutual agreement of the parties;
- b. By the Lessee Government on 30-days written notice; or
- c. By the Lessor Government at any time.

The Lessee Government shall immediately return the leased Defense Articles at the direction of the Lessor Government. Termination will be subject to the Lessee Government's residual responsibilities hereunder (such as, duty to return leased Defense Articles promptly, to pay costs required hereunder, and to indemnify and hold harmless the Lessor Government).

10. Place of Redelivery. Upon expiration or termination of this lease, the Defense Articles shall be returned to the Lessor Government at Kryst-Mallett Air Force Station, Harris, Pennsylvania, or as mutually agreed.

11. Title. Title to the Defense Articles shall remain in the Lessor Government. The Lessee Government may, however, place the Defense Articles under its Flag, or display its national insignia when appropriate.

12. Reimbursement for Support. The Lessee Government will pay the Lessor Government for any services, packing, crating, handling, transportation, spare parts, materiel, or other support furnished for the Defense Articles by the Lessor Government pursuant to a Letter of Offer and Acceptance under the Arms Export Control Act. (FMS Case BN-Q-BMB applies).

13. Covenant Against Contingent Fees. The Lessee Government warrants that no person or selling agency has been employed or retained to solicit or secure this Lease upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee.

14. Officials Not to Benefit. No members of or Delegate to Congress of the United States, or Resident Commissioner of the United States shall be admitted to any share or part of this Lease or to any benefit that may arise there from.

15. Proprietary Rights. The Lessee Government will ensure, by all means available to it, protection of proprietary rights in any Defense Article and any plans, specifications, or information furnished, whether patented or not.

Figure C11.F12. Sample Lease (continued)

16. Reports. (Note: Any testing of articles and/or services provided under this lease must be specifically authorized by the lease. Lessee testing is subject to limitations stated in the lease. Authority to test does not excuse the Lessee from compliance with all terms and conditions of the lease.) When the Lessee Government performs tests and evaluations on the leased Defense Articles and prepares a final report of the resulting data to be released to a third party, the Lessee Government will allow the Lessor Government to observe the test and evaluation and to review the report. The Lessee Government will obtain Lessor Government approval of any release to a third party.

17. Cost of Lessor Government. The Lessee Government agrees to pay in United States dollars all costs incurred by the Lessor Government in leasing the Defense Articles covered by this Lease including, without limitation, reimbursement for depreciation of such Defense Articles while leased. The Lessee Government also agrees to pay the costs of restoration or replacement, less any depreciation in the value during the term of the lease, to the Lessor Government under the Lessor Government's foreign military sales procedures. The rental charge shown in Schedule A is based on costs identified at the time of signature of this Lease and does not relieve the Lessee Government from liability for other costs in accordance with the provisions of this Lease.

18. Distribution. Copies of the accepted Lease will be distributed by the Lessee Government as follows:

- a. Original DSCA (Operations Directorate)
- b. Copy DSCA (Strategy Directorate)
- c. Copy DSCA (Business Operations Directorate)
- c. Copy DFAS Indianapolis
- d. Copy SCO Bandaria

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Figure C11.F12. Sample Lease (continued)

Lines and data are included for illustration purposes only.

**SCHEDULE A
TO LEASE AGREEMENT BETWEEN
THE UNITED STATES GOVERNMENT, DSCA (LESSOR)
AND THE GOVERNMENT OF BANDARIA (LESSEE)**

I. This Lease Agreement authorizes the use of U.S. Government property identified herein:

Item Nbr	Description	Qty	Line Duration	Replacement Costs		Rental Charge (Including Depreciation) Per Month
				Unit Value	Total	
001	AGM-65-G Missile Navigational System Test Set 1234-01-567-9810	1	24	\$1,500,000.00	\$1,500,000.00	\$9,469.70
Total Value					\$1,500,000.00	\$9,469.70

II. Rental Payment

<u>Payment Period</u>	<u>Date Due</u>	<u>Amount Due</u>
Initial Payment	Due upon signature	\$56,820
3rd Qtr FY 2004	15 Mar 2004	\$28,410
4th Qtr FY 2004	15 Jun 2004	\$28,410
1st Qtr FY 2005	15 Sep 2004	\$28,410
2nd Qtr FY 2005	15 Dec 2004	\$28,410
3rd Qtr FY 2005	15 Mar 2005	\$28,410
4th Qtr FY 2005	15 Jun 2005	\$28,403
Total Rental		\$227,273

Signed Copy Distribution:

- Upon acceptance, the Lessee Government should return one signed copy of this lease to Defense Finance and Accounting Service - Indianapolis ATTN: Security Assistance Accounting, DFAS-JAX/IN 8899 E. 56th Street Indianapolis, IN 46249-0230. Simultaneously, wire transfer of the initial deposit or amount due with acceptance of this lease document (if required) should be made to ABA# 021030004, U.S. Treasury NYC, Agency Location Code: 00003801, Beneficiary: DFAS-JAX/IN Agency, showing "Payment from Bandaria for BN-Q-ZAA", or check for the initial deposit, made payable to the US Treasury, mailed to DFAS, 3801 Center Collections DFAS-JAX/IN, P.O. Box 269490, Indianapolis, IN 46226-9490, showing "Payment from Bandaria for BN-Q-ZAA". Wire transfer is preferred.
- One signed copy should be returned to the Defense Security Cooperation Agency, ATTN: DBO/CFM. 201 12th Street, Suite 303, Arlington, VA 22202-4306.

III. Related FMS Case Designator: BN-Q-BMB

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Figure C11.F13. Lease Determination

DETERMINATION	
Regarding the Lease of [insert Defense Articles]	
To the Government of Bandaria	
Pursuant to Chapter 6 of the Arms Export Control Act	
[Lease Designator]	
I hereby determine that [insert defense article] (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 [insert Country or International Organization] on a lease basis rather than on a sales basis under the Arms Export Control Act.	
_____ Date	_____ Director Defense Security Cooperation Agency
Concur: _____ DoS (PM)	

Figure C11.F14. Congressional Notification Information Memorandum

<p>MEMORANDUM FOR: PRINCIPAL DIRECTOR, PROGRAMS DIRECTORATE, DSCA SUBJECT: Certification to Congress of a Lease Under the Authority of the AECA, Chapter 6; Lease [insert Lease Designator]</p> <p>The following information is provided in connection with the reporting requirement of the AECA, section 62(a).</p> <ol style="list-style-type: none"> a. Country or International Organization: [insert proposed Lessee] b. Implementing Agency: [insert proposed Lessor] c. Total Value Replacement Costs (must be same as Schedule A of the Lease Agreement): d. Type and Quantity of Equipment (segregate the MDE, indicating value): e. Security Classification of the Lease: (if the lease is classified, attach justification. Mark each paragraph with the appropriate security classification level in accordance with classification guidelines and identify the classifying authority and declassification date.) f. Security Classification of Equipment to be Leased: g. This lease contains support equipment that includes MTCR controlled items. Yes ___ No ___ If yes, a list of possible MTCR controlled items was sent to DSCA on [insert date] and a copy is attached. The equipment has been checked by a qualified reviewer and is MTCR compliant. Yes ___ No ___ h. Duration of Lease: i. Summary of Lease Terms (to include any special conditions): j. Total Rental Value (must be same as Schedule A of the Lease Agreement): k. Activity of the DoD Component Responsible for Administering Lease: l. Estimated Date Lease and Determination will be provided to DSCA: m. Justification (to include reason(s) why defense article(s) is/are being leased rather than sold under FMS): (1) (2) n. Action Officer's name, office, and complete telephone number.

Figure C11.F15. AECA, Section 62(a) Report to Congress

Transmittal No. [insert number] -- [insert year]	
Notice of Proposed Lease Pursuant to Section 62(a) of the Arms Export Control Act	
(i)	- Prospective Lessee:
(ii)	Description of Articles Provided: [insert type and quantity] Total Estimated Value: [insert replacement cost] Terms and Duration of Lease: [insert period of Lease/Total Rental/Special Conditions]
(iii)	Justification: [insert explanation/reasons why defense article is being leased rather than sold]

Figure C11.F16. Certificate of Delivery

Certificate of Delivery		
Pursuant to the provisions of the Lease Agreement executed [insert date] between our respective Governments, the undersigned as the authorized representative of the		
<u>Government of [insert purchaser]</u>		
accepts the below described [insert defense articles] together with its on board equipment from		
_____ [insert authorized representative] _____		
authorized representative of the United States [insert DoD Component]		
Item	Nomenclature	Quantity

Date		
_____	_____	_____
U.S. Representative	Government of _____ [insert purchaser]	_____
	Representative	
Recommended distribution:	Original to:	MILDEP JAG
	Copies to:	DSCA
		MILDEP SA Activity
		SCO
		DFAS Indianapolis

Figure C11.F17. Sample Lease Amendment

<div style="border: 1px solid black; padding: 2px; display: inline-block;">Lines and data are included for illustration purposes only.</div>	
<p>AMENDMENT NUMBER 1 TO LEASE OF MAVERICK SUPPORT EQUIPMENT BETWEEN THE UNITED STATES GOVERNMENT AND THE GOVERNMENT OF BANDARIA BN-Q-ZAA</p>	
<p>WHEREAS, the United States Government and the Government of Bandaria signed a lease agreement dated 16 May 2004 for twenty four (24) months for the lease of AGM-65-G Missile Navigational System Test Set.</p>	
<p>WHEREAS, extends the lease period from twenty four months to thirty six months.</p>	
<p>NOW THEREFORE, The parties do mutually agree as follows:</p>	
<p>1. Other provisions, terms, and conditions of the original lease remain unchanged</p>	
<p>IN WITNESS WHEREOF, Each of the parties has executed this lease as of the day and year first above written, unless otherwise agreed under terms of this lease.</p>	
<p style="text-align: center;">THE GOVERNMENT OF BANDARIA</p> <p>BY: _____</p> <p>_____</p> <p style="text-align: center;">(Typed Name)</p> <p>_____</p> <p style="text-align: center;">(Title)</p> <p>_____</p> <p style="text-align: center;">(Date)</p>	<p style="text-align: center;">THE UNITED STATES GOVERNMENT</p> <p>BY: _____</p> <p>_____</p> <p style="text-align: center;">(Typed Name)</p> <p>_____</p> <p style="text-align: center;">(Title)</p> <p>_____</p> <p style="text-align: center;">(Date)</p> <p style="text-align: center;">COUNTERSIGNATURE</p> <p>BY: _____</p> <p>_____</p> <p style="text-align: center;">(Typed Name)</p> <p>_____</p> <p style="text-align: center;">(Title)</p> <p>_____</p> <p style="text-align: center;">(Date)</p>
<p>BN-Q-ZAA A1 Page 1 of 2 pages</p>	

Figure C11.F17. Sample Lease Amendment (continued)

Lines and data are included for illustration purposes only.

**SCHEDULE A
TO LEASE AGREEMENT BETWEEN
THE UNITED STATES GOVERNMENT, DSCA (LESSOR)
AND THE GOVERNMENT OF BANDARIA (LESSEE)**

I. This Lease Agreement authorizes the use of U.S. Government property identified herein:

Item Nbr	Description	Qty	Line Duration	Replacement Costs		Rental Charge (Including Depreciation) Per Month
				Unit Value	Total	
001	AGM-65-G Missile Navigational System Test Set 1234-01-567-9810	1	36	\$1,500,000.00	\$1,500,000.00	\$8,680.56
Total Value				\$1,500,000.00	\$1,500,000.00	\$8,680.56/month

II. Rental Payment

Payment Period	Date Due	Amount Due
Lease Payments to Date		\$56,820
Amount Received from Purchaser	\$56,820	
Initial Payment	<i>Due upon signature</i>	\$52,640
4th Qtr FY 2004	15 Jun 2004	\$22,560
1st Qtr FY 2005	15 Sep 2004	\$22,560
2nd Qtr FY 2005	15 Dec 2004	\$22,560
3rd Qtr FY 2005	15 Mar 2005	\$22,560
4th Qtr FY 2005	15 Jun 2005	\$22,560
1st Qtr FY 2006	15 Sep 2005	\$22,560
2nd Qtr FY 2006	15 Dec 2005	\$22,560
3rd Qtr FY 2006	15 Mar 2006	\$22,560
4th Qtr FY 2006	15 Jun 2006	\$22,560
Total Rental		\$312,501

Signed Copy Distribution:

1. Upon acceptance, the Lessee Government should return one signed copy of this lease to Defense Finance and Accounting Service - Indianapolis ATTN: Security Assistance Accounting, DFAS-JAX/IN 8899 E. 56th Street Indianapolis, IN 46249-0230. Simultaneously, wire transfer of the initial deposit or amount due with acceptance of this lease document (if required) should be made to ABA# 021030004, U.S. Treasury NYC, Agency Location Code: 00003801, Beneficiary: DFAS-JAX/IN Agency, showing "Payment from Bandaria for BN-Q-ZAA", or check for the initial deposit, made payable to the US Treasury, mailed to DFAS, 3801 Center Collections DFAS-JAX/IN, P.O. Box 269490, Indianapolis, IN 46226-9490, showing "Payment from Bandaria for BN-Q-ZAA. Wire transfer is preferred.

2. One signed copy should be returned to the Defense Security Cooperation Agency, ATTN: DBO/CFM. 201 12th Street, Suite 303, Arlington, VA 22202-4306.

III. Related FMS Case Designator: BN-Q-BMB

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C11.11. LOANS OF DEFENSE ARTICLES

Under AECA, section 65 (reference (c)), the Department of Defense may lend materiel, supplies, and equipment to NATO and major non-NATO allies for research and development purposes. Loans that support cooperative research, development, test, and evaluation (RDT&E) programs, strengthen the security of the United States and its allies by promoting standardization, interchangeability, and interoperability of allied defense equipment. Table C11.T19. summarizes the loan program legal references.

Table C11.T19. Loan Legislation Summary

Legislation	Subject
AECA, Section 65 (reference (c))	Authority, limitations, and terms of loans
FAA, Part II, Chapter 2, Section 503 (reference (b))	General authority for the President to furnish military assistance Authority to make loans under FAA, section 503 does not exist at this time. See FAA, Section 503 for information on the general authority, terms and conditions for making loans under this section.

C11.11.1. Who May Receive Loans? Under AECA, section 65 (reference (c)), the Secretary of Defense may loan materiel, supplies, or equipment to NATO or major non-NATO allies only to carry out cooperative RDT&E programs.

C11.11.2. What May Be Loaned? The materiel, supplies, or equipment loaned may be expended or consumed without reimbursement if the Secretary of Defense determines that the success of the effort depends on expenditure or consumption and approves of it. Secretary of Defense may not loan strategic and critical materiel if, at the time the loan is to be made, the quantity of the materiel in the National Defense Stockpile is less than the quantity of such materiel to be stockpiled, as determined by the President under 50 U.S.C. 98b (reference (cw)) (section 3 of the Strategic and Critical Materials Stock Piling Act).

C11.11.3. Loan Agreements Conditions. AECA, section 65 (reference (c)) loans must comply with the Deputy Secretary of Defense memo of November 27, 1990, which delegates the authority to make, accept, and administer such loans (or gifts) to the DoD Components (MILDEPs and/or Defense Agencies) in coordination with the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)). Each loan or gift transaction under this section shall be recorded in a written agreement between the Secretary of Defense and the country. Table C11.T20. summarizes conditions governing these agreements.

Table C11.T20. Loan Agreement Conditions

Loan Agreement Conditions	
1	The Assistant Secretary/Deputy Agency Director level or higher must sign the written agreement.
2	Mutual benefits of the loan (or gift) must be shown in supporting documentation.
3	Each Implementing Agency shall maintain a single repository for agreements and documents and provide a signed copy of each agreement to USD(AT&L).
4	Implementing Agencies are responsible for any funding required for loans.
5	Implementing Agencies must provide appropriate legal, fiscal, and industrial base factors analysis and security plans for each agreement, as specified in DoD Directive 5530.3.

Loan Agreement Conditions	
6	Implementing Agencies must provide 15 days advance notification to the Office of the Secretary of Defense (OSD), through USD(AT&L), before the loan agreement is executed. Advance notification must include the appropriate legal, fiscal, and industrial base factors analysis and security plans.
7	Implementing Agencies must obtain appropriate security and technology transfer clearances for each loan (if offices responsible for those clearance so require).
8	Transfers of materiel, supplies, and equipment under this authority are based on the principle of reciprocity, although item-for-item exchanges are not expected or required.
9	The existence of this authority in no way affects the ability to use AECA, section 61 (reference (c)) leases for cooperative research and development purposes.
10	AECA, section 65 (reference (c)) does not provide authority for the exchange of information beyond basic operational and simple maintenance for test purposes. Accordingly, any exchange of additional information related to an AECA, section 65 loan or gift may only take place pursuant to an approved test and evaluation or Data Exchange Agreement, Information Exchange Project, a cooperative research and development agreement, or coproduction agreement approved in accordance with DoD Directive 5530.3 (reference (aa)).
11	If required, USD(AT&L) (after coordination with USD(P) and DoD General Counsel) consults with the DoC for an assessment of U.S. industrial base impact and U.S. industry's international trade position.
12	The loan agreement shall not require either party to provide materiel, supplies, or equipment that would impair its own priorities, requirements, or commitments, or would otherwise be inconsistent with its national laws or regulations or other international agreements.
13	The loan agreement describes how the type and quantity of materiel, supplies, or equipment meets the objectives of the cooperative RDT&E program.
14	The loan agreement sets out the intellectual property rights applicable to the transfer and use of materiel, supplies, and equipment and the results of the research, development, test, and evaluation conducted with the materiel, supplies, and equipment.
15	<p>Loan agreements shall include the following terms/conditions:</p> <p>The materiel, supplies, and equipment shall remain the property of the providing party.</p> <p>Classified information or materiel shall be protected in accordance with applicable security agreements in force.</p> <p>The receiving party shall use the items only to meet the RDT&E objectives specified in the agreement.</p> <p>The receiving party shall maintain materiel, supplies, and equipment in good order, repair, and operable condition and return the items in operable condition and in as good condition as when received, normal wear and tear excepted, unless the providing party agrees that the loaned materiel, supplies, or equipment may be expended or otherwise consumed in connection with the RDT&E programs without reimbursement to the providing party.</p> <p>The receiving party shall not transfer materiel, supplies, equipment, or information to a third party without the prior consent of the providing party.</p> <p>Subject to the limitations of national disclosure policies, the receiving party shall submit (without charge) a report of its use of the materiel, supplies, and equipment to the providing party.</p> <p>Each party agrees not to assert a claim against the other for injury, loss, or damage resulting from the use of the materiel, supplies, or equipment loaned by the other party.</p>

C11.11.4. Loan Agreement Process. Table C11.T21. summarizes the Loan Agreement process.

Table C11.T21. Loan Agreement Process

Step	Action
1 Request for Loan	NATO or a major non-NATO ally requests or makes a loan (or gift) of materiel, supplies, or equipment for RDT&E purposes from/to a DoD Component.
2 Implementing Agency Prepares Agreement	The DoD Component develops the agreement and supporting documentation in accordance with the legal and policy provisions.
3 Advance Notification	The DoD Component provides 15 days advance notification to OSD, through USD(AT&L) before loan execution.
4 Loan Agreement Coordination	USD(AT&L) coordinates each loan with USD(P) and DoD General Counsel. If required, USD(AT&L) consults with the DoC for the U.S. industrial base impact assessment and the international trade position of U.S. industry. Such consultation is conducted by USD(AT&L) after coordination with USD(P), USD(C), DoD General Counsel, DSCA and the other MILDEPs/Defense Agencies (as required).
5 Signature of the Loan Agreement	Upon OSD notification completion and barring non-concurrence, the Assistant Secretary/Deputy Agency Director level (or higher) signs the loan agreement. The receiving party signs the loan agreement and the Implementing Agency distributes copies to USD(AT&L) and the loan repository.
6 Loan Agreement Execution	The loan is executed and monitored by the Implementing Agency.

C11.12. MILITARY ASSISTANCE PROGRAM (MAP)

C11.12.1. Definition and Purpose. Prior to FY 1982, defense articles and services provided to allied Governments or international organizations by grant aid were administered through MAP. MAP procedures are different from those used for sales of defense articles and services. Since FY 1982, grant funds are part of the Foreign Military Financing (FMF) program and are not provided under MAP. There are still open FMS cases that use “MAP” or “MAP Merger” funds. The policy and/or procedures in this section apply to those cases. Table C11.T22. lists the legal references for MAP.

Table C11.T22. Military Assistance Program (MAP) Legislation Summary

Legislation	Subject
AECA, Section 42(c) (reference (c))	Restricts off shore procurement under FMS cases funded with merged MAP funds.
FAA, Section 503(a)(3) (reference (b))	Authorizes the transfer of MAP funds to the FMS Trust Fund for merger with country trust fund deposits. Requires funds may be used only for payment on obligations of the recipient country for purchases from the USG under AECA, sections 21 and 22 (reference (c)).

FAA, Section 505(a) (reference (b))	Places restrictions on recipients use. Executive Order No. 12163 delegates some responsibilities.
FAA, Section 505(f) (reference (b))	Requires net proceeds of sales received by a country in disposing of articles provided under this program to be paid to the USG. Authority to grant waivers of return of net proceeds for articles delivered prior to 1985 has been delegated to the Secretary of State.
FAA Section 620(q) (reference (b))	Sanctions
Brooke Amendment	Limitations on assistance to countries in default

C11.12.2. What CAN Be Purchased Using MAP Funds? MAP funds are to be used solely for purchases from the USG made under the AECA (reference (c)). The funds are used to: finance portions of Letters of Offer and Acceptance (LOAs) that specify MAP funding; liquidate arrearages of 90 days or more on purchaser DD Form 645 FMS Billing Statements (only at the specific direction of Defense Security Cooperation Agency (DSCA) (Business Operations Directorate)); or pay for amounts due on DD Form 645 FMS Billing Statements (only at the specific direction of DSCA (Business Operations Directorate)).

C11.12.3. What CANNOT Be Purchased Using MAP Funds? MAP funds may not be used for funding direct commercial purchases, or financing interest or repayments of principal or guaranty fees with respect to Federal Financing Bank (FFB) loans.

C11.12.4. MAP Financing. MAP funds must be obligated within the period of availability prescribed in the annual appropriations act or the Continuing Resolution Authority.

C11.12.5. MAP Pricing. Chapter 9 provides detailed guidance on pricing LOAs. FAA, section 503(a) (reference (c)) was amended to eliminate the cost of military pay and entitlements if the case is totally financed by MAP. Effective October 1, 1985, services provided under AECA, sections 21, 22, or 29 (reference (c)) are priced to exclude military pay and entitlements (including retired pay accrual) for those cases citing MAP funds as the exclusive method of funding on the LOA. This pricing applies when services are performed regardless of the date of the LOA. Any subsequent Amendment or Modification to reduce the MAP method of funding below 100 percent of the case value must be re-priced to add military pay and entitlements to the entire case. This guidance 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 by FAA, section 506(a) (reference (b)). FAA, section 506 (reference (b)) special authority implementing procedures are provided in the Drawdown section of this chapter (section C11.4).

C11.12.6. Title Transfer of MAP Items. Title transfer for items transferred under the FAA is the same as for items transferred under the AECA (reference (c)). See LOA Standard Terms and Conditions (Chapter 5, Figure C5.F3.). Reversionary title rights do not accrue to the United States on any defense article sold under FMS procedures even when merger funds have been used to finance the purchase in whole or in part. Accordingly, recipient countries are not required (as they may be under FY 1981 and prior year MAP as well as FAA, section 516 (reference (b)) (or its predecessor sections)) to return the article to the United States when the article is no longer needed.

C11.12.7. Third Party Transfers of MAP Items. The same restrictions on transfers to a third

party apply as apply for defense articles and services sold under FMS. See Chapter 8 for more information.

C11.12.8. Sanctions on MAP Recipients. See Chapter 6 for information on the impact of suspensions and sanctions on MAP recipients.

C11.12.9. Use and Disposal of MAP Materiel. This section applies to materiel furnished under: the FAA of 1961, as amended, (reference (b)) (including materiel furnished under MAP orders prior to FY 1982); FAA, section 506(a) (reference (b)) emergency drawdown authority and similar grant DoD drawdown authorities; and FAA, sections 516, 517, 518, or 519 (reference (b)). It does not apply to materiel purchased as a result of transfer of MAP funds to the FMS trust fund.

C11.12.9.1. End Use of MAP-Provided Articles and/or Services. MAP recipients must use articles and/or services provided under this program only for the purposes for which they were furnished as identified in FAA, section 502 (reference (b)); agree to return the materiel to the USG without charge when no longer needed for the purposes for which furnished; and agree not to transfer such materiel to anyone not an officer, employee, or agent of the recipient's Government. DSCA, the Combatant Command, or the SCO do NOT have the authority to consent on behalf of the President to waive these requirements. The authority to approve retransfer, change the end-use, or otherwise dispose of MAP items has been delegated to the DoS. Controlled use of components (cannibalization) is an authorized use for these items.

C11.12.9.2. Definition of Disposal. Disposal constitutes a change in end-use altering disposition so the foreign holder is no longer responsible for the item. This can occur through demilitarization or, for items not requiring demilitarization, through fair wear and tear or other destruction and qualified technical inspection that verifies the item is unserviceable and non-repairable. It can also include transfer, with military capabilities retained, to other authorized recipients.

C11.12.9.3. Proceeds from Disposal of MAP Items. FAA, section 505(f) (reference (b)) requires net proceeds from MAP disposal to be paid to the USG. In the case of items that were delivered prior to 1985, the President may waive the requirement that such net proceeds be paid to the USG if he or she determines that to do so is in the national interest of the United States. This waiver authority has been delegated to the Secretary of State. FAA, section 505(f) (reference (b)) applies to disposals of MAP origin defense articles by countries that were the recipients of grant aid materiel after July 1, 1974. An agreement under FAA, section 505(f) that constitutes a condition of eligibility for recipients of grant defense articles programmed in FY 1975 and subsequently, was concluded with those countries. A FAA, section 505(f) agreement is not legally required for countries where no grant defense articles were programmed after June 30, 1974. U.S. policy requires (unless contrary to an agreement in force on June 30, 1974) a recipient country commitment to return to USG the net proceeds of sale whenever country disposal of MAP property is requested. In accordance with FAA, section 605(d) (reference (b)), these funds shall be credited to the respective appropriation, fund or account used to procure such defense articles or to the appropriation, fund, or account currently available for the same general purposes. Any net proceeds from disposal shall be reimbursed in U.S. dollars except where Government-to-Government arrangements, with the DoS representing the USG, specify otherwise. See Chapter 8, Table C8.T6., for an explanation of the calculation of net proceeds.

C11.12.10. MAP Accountability and Disposal Process. Chapters 5 and 6 provide information on LOAs and deliveries of articles and/or services to purchasers. Those procedures also apply to MAP articles and/or services. Table C11.T23. summarizes the unique MAP accountability and disposal processes that occur after MAP items have been delivered.

Table C11.T23. MAP Accountability and Disposal Processes

Step	Action
1 Establish Accountability Processes In- Country	Each SCO works with the country to ensure that a process exists for accountability, including technical inspection and disposal, of U.S.-origin defense articles. The SCO ensures these processes specifically identify aircraft, ships, radars, armored vehicles, general purpose vehicles, artillery, mortars, and missiles, including non-consumable and/or reparable components of those items, that were acquired under the FAA of 1961, as amended.
2 End-Use Monitoring	SCOs monitor the presence and use of U.S.-origin equipment as a matter of routine while performing other duties. Any suspected unauthorized end-use must be reported to DSCA (Operations and Programs Directorates) and the DoS with an information copy to the Combatant Command.
3 Excess Determinations	SCOs should encourage the country to declare MAP materiel excess when it is no longer needed and before items deteriorate. Items that are redistributed to defense forces within the country are not excess under this section.
4 Determine Condition of Excess Items	When MAP materiel is excess, the SCO determines its condition based on total or sample inspection, as appropriate, by qualified U.S. personnel. When this is not feasible, classification by foreign Government authorities may be accepted. Disposal condition codes in DoD 4160.21-M (reference (cx)) shall be used.
5 Preparation of Screening Reports	<p>SCOs report excess MAP items to the managing Implementing Agency (with an information copy to the Combatant Command and DSCA (Programs Directorate)). Items must meet the following criteria to be included on the report:</p> <ul style="list-style-type: none"> Have a line item acquisition value of \$50,000 or more. In disposal Condition Codes 1 and 2 (unused-good and fair), 4 and 5 (used-good and fair), and 7 and 8 (repairs required-good and fair). Are not obsolete. Unless it is believed that markets exist in other countries, “obsolete” may be assumed if items are no longer in DoD inventories and are at least 30 years old or, if this cannot be determined, have been in-country for at least 20 years. <p>These screening reports should show:</p> <ul style="list-style-type: none"> Item origin (e.g., “Transferred to country under MAP, January 1981”) Item description NSN or part number Quantity Condition Acquisition and current value (estimated if not available) SCO recommendations for disposition <p>Items not meeting the screening criteria above and those not redistributed as a result of MILDEP/defense agency screening should be disposed of through Department of Defense or DoS.</p>
6 Implementing Agency Review of Screening	Implementing Agencies review SCO-prepared screening results and advise whether the items should be re-distributed or disposed of. Implementing Agencies provide any additional guidance required for reporting or redistributing excess MAP, including non-standard, items under their cognizance.

Step	Action
<p style="text-align: center;">7</p> <p style="text-align: center;">Disposal Determination</p>	<p>MAP-provided items may be disposed of or retransferred through a DRMO, under the AECA (reference (c)) (via an FMS LOA) or the Federal Property and Administrative Services Act of 1949. MAP-provided equipment is not eligible for redistribution as EDA. Disposal, via sale, of undemilitarized Category I USML items may be made subject to proper demilitarization or through an LOA.</p> <p>If item disposal is through non-DoD channels or transfer to third parties, go to Step #8.</p> <p>If item disposal is through a DRMO or DoD channels (e.g., AECA FMS procedures), go to Step #10.</p>
<p style="text-align: center;">8</p> <p style="text-align: center;">Request DoS Approval for Disposal or Third Party Transfer</p>	<p>Chapter 8, section C8.7. provides guidance on Third Party Transfer requirements. MAP recipients request Third Party Transfers from the DoS. The request shall include the following information:</p> <p>The foreign designation or description of the item, including the name, class, identification number, or other pertinent descriptive information if a vessel.</p> <p>Former U.S. designation of equipment, including the name, class, identification number, or other pertinent descriptive information if a vessel.</p> <p>Date of acquisition by the United States and original acquisition cost.</p> <p>Date and means of acquisition of equipment by the host nation and value of equipment at that time. This should be based on records if possible. If records are unavailable, best estimates should be provided and described as such.</p> <p>Item condition, using disposal condition codes as the guide; e.g., “Code S (scrap)-has no value except basic materiel content (destroyed in crash)” or “Code 5 (used, fair)-usable without repairs but somewhat worn or deteriorated and may soon require repairs.”</p> <p>Current estimated value, normally based on expected disposal method; e.g., scrap value or third party sale with capability retained.</p> <p>Proposed means of disposal (e.g., sale as scrap; sale or donation, following demilitarization if applicable, to third party; sale to third country).</p> <p>If the items were granted, whether retention of funds by the host nation is requested and whether the request is supported by the SCO.</p>
<p style="text-align: center;">9</p> <p style="text-align: center;">DoS Review/ Approval of Transfer Requests</p>	<p>The DoS reviews all Third Party Transfer requests and determines whether they will be approved. The DoS also determines whether a waiver can be granted to allow net proceeds to be retained by the recipient country.</p> <p>If the DoS approves the Third Party Transfer request and items are being transferred to another country or other third party, go to Step #11.</p> <p>If the DoS does not approve the Third Party Transfer request, recipient country must find other means to dispose of the items.</p>

Step	Action
10 Disposal through DRMS or Other DoD Channels	<p>When items are disposed of through DoD channels, DoS clearance is not required. This applies to items turned over to DRMOs for disposal or to in-country DRMO-supervised disposal. DRMO does NOT have authority to authorize countries to dispose of articles themselves. Speed and assurance that proper disposal procedures are followed are principal reasons to emphasize disposal through a DRMO. This includes instances where the holding country disposes of items based on arrangements with DRMS, DRMS regional offices, DRMOs, or representatives of those entities such as disposal assistance teams, in conformity with DoD disposal standards and under AECA (reference (c)) or DoDD 2030.8 (reference (cy)).</p> <p>Condition Code S (scrap) consumable items not requiring demilitarization or other special controls are no longer defense articles and may be disposed of through DoD facilities without further U.S. approval.</p> <p>LOAs selling MAP items through DRMS (i.e., not returned to U.S. inventory) must include the unique notes. See Chapter 5, Table C5.T5. for exact note wording. Any LOA sale of MAP-provided items shows Source of Supply Code "E." PCH&T and/or rehabilitation costs may be included on the LOA as appropriate.</p> <p>DoD may use items not taken to fill Security Assistance requirements.</p> <p>Go to Step #12.</p>
11 Disposal to a Third Party	<p>Upon approval by the DoS, the MAP recipient may transfer the items to the third party in accordance with instructions provided by the USG.</p> <p>Go to Step #12</p>
12 Net Proceeds Returned to USG	<p>Net proceeds resulting from the item disposal must be returned to the USG unless a waiver has been granted by the DoS. See Chapter 8, Table C8.T6. for an explanation of the calculation of net proceeds.</p>
13 Update MAP Records	<p>SCOs in countries receiving or redistributing MAP property advise the appropriate MILDEP or agency when transfer of articles has been completed, ensure that due-ins for items received are cancelled, and submit appropriate program change data to DSCA.</p>

C11.13. SECURITY ASSISTANCE TEAMS

C11.13.1. Definition and Purpose. A Security Assistance Team (SAT) consists of U.S. Military, DoD civilian or contractor personnel deployed to a foreign country on temporary duty (TDY) or permanent change of station (PCS) status under security cooperation programs. SATs provide advice, training, technical assistance, or support.

C11.13.2. Types of Security Assistance Teams

C11.13.2.1. Extended Training Service Specialist (ETSS). ETSSs are DoD military and civilian personnel normally deployed in a PCS status who are technically qualified to provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems. ETSSs are attached to the SCO for operational control and administrative and logistical support. They do not perform SCO staff duties. They are not used for follow-on retraining or advisory roles, except in rare instances when the recipient country cannot provide qualified personnel from its own resources or hire qualified personnel from non-indigenous sources and the SCO recommends it is in the interest of the United States. ETSS provided as English language instructors, supervisors, or advisors on detached duty status from Defense Language Institute English Language Center (DLIELC) are also attached to the SCO. The English language technical service provided by DLIELC is referred to as a Language Training Detachment (LTD). ETSSs may be provided for periods up to 1 year under

International Military Education and Training (IMET); only DSCA (Operations, Programs, and Strategy Directorates) can approve longer periods. ETSSs are programmed under budget generic code N30 on the basis of person-month requirements. The program cost includes Overseas Allowance (military or civilian).

C11.13.2.2. Contract Field Services (CFS). CFS are civilian personnel under contract from private industry who perform the same functions as ETSSs. CFS personnel are used only when the Implementing Agency determines that services by DoD personnel are not practical. Only DSCA (Programs Directorate) can approve use of CFS personnel under IMET. CFS requirements are programmed on the basis of person-month requirements. Estimated contract cost covers the total training service costs, including salary, transportation, and baggage, etc. Budget generic code N30 funds CFS personnel.

C11.13.2.3. Technical Assistance Field Team (TAFT). TAFTs are DoD personnel deployed in a PCS status for the purpose of providing in-country technical or maintenance support to foreign personnel on specific equipment, technology, weapons, and supporting systems when Mobile Training Teams (MTTs) and ETSSs are not appropriate for the purpose. TAFTs are not Security Assistance training and are not provided under IMET.

C11.13.2.4. Technical Assistance Team (TAT). TATs are DoD or contractor personnel deployed in a TDY status to place into operation, maintain, or repair equipment provided under FAA or AECA (references (b) and (c)) programs. TATs are Security Assistance services, but are not Security Assistance training and are not provided under IMET, except in the case of the installation of English language laboratories.

C11.13.2.5. Mobile Training Team (MTT) and/or Mobile Education Teams (METs). MTTs are DoD or contract personnel on temporary duty for the purpose of training foreign personnel in the operation, maintenance, or support of weapon systems and support equipment or for specific training requirements that are beyond in-country U.S. resources. MTTs may be authorized for CONUS or overseas deployment when it is more practical to bring the training capability to country personnel. This includes in-country training surveys to determine specific country training needs; quantity requirements that are beyond the country capability to assess, and that are associated with equipment deliveries; and assistance leading to self-sufficiency. MTTs should be considered when: training must be accomplished quickly in response to a threat or adverse condition affecting the security of the country; training is of relatively short duration, must reach a large number of trainees, and entails extensive use of interpreters or language-qualified team members; or training can be conducted only on equipment or in facilities located in the foreign country. MTTs are not intended to provide technical assistance. MTTs are funded under budget generic code N20. METs provide training developed primarily in response to the Expanded-IMET program in a seminar and/or educational forum. By definition MET training is unclassified.

C11.13.2.5.1. IMET-Funded MTTs. A fundamental IMET objective is to reach foreign military personnel who are likely to be influential in their services and/or countries. By attending professional level CONUS training, the students are exposed to the American people, their way of life, institutions, beliefs, and aspirations. This must be considered when proposing an MTT versus CONUS training. MTTs may not be used solely for their cost benefits. Every attempt should be made to provide MTTs through FMS rather than IMET. MTT requests under

IMET must demonstrate that an MTT is the best approach and IMET is the only available funding option. Subsistence expenses, or per diem allowance in lieu thereof, obligated in one fiscal year for IMET MTTs cannot be extended into the succeeding fiscal year. Therefore, personnel on MTT duty must terminate temporary duty and return to home station prior to September 30th unless action has been taken to reprogram the team in the new fiscal year, subject to the 179 day restriction discussed below, receipt of Continuing Resolution Authority (CRA) or other budget authority in the new fiscal year, and DSCA approval. Transportation costs for round trip team travel are chargeable to the fiscal year of the start of the TDY.

C11.13.2.5.2. MTT and/or MET Duration. MTTs and/or METs are authorized on a temporary duty basis for up to 179 days. Requirements for assistance in excess of 179 days are met by CONUS training of country personnel leading to an in-country capability or programming of U.S. ETSSs.

C11.13.2.5.3. Coordination of MTTs and METs. MTTs and METs require special coordination and preparation with country personnel prior to team arrival. The country and SCO must establish the team mission; availability of training equipment by type; student availability, capability, and English Comprehension Level (ECL); training facilities; transportation; communications; medical care; and team living arrangements.

C11.13.2.5.4. Programming MTTs and METs. MTT and MET programming must include duration in weeks; number of team members; costs for overseas travel (round trip); in-country travel; travel and living allowances; CONUS travel; baggage; and DoD civilian salaries. Per diem allowance costs during temporary duty travel outside CONUS is computed according to Joint Federal Travel Regulations (JFTR) (reference (as)) rates for U.S. military personnel, and rates shown in the “Standard Regulations, Government Civilians, Foreign Areas” (published by the DoS) for USG civilians. MTT CONUS travel costs are programmed at an estimated rate to include commercial air transportation, baggage, and per diem. Only the Implementing Agency can approve excess baggage. Costs of team members traveling from overseas locations are computed using commercial air (tourist rate) transportation, per diem, and excess baggage. Additional travel costs should be based on the JFTR and Joint Travel Regulations (JTR) (reference (at)) and other applicable directives and regulations. When more than one MILDEP is involved, a joint MTT is programmed using the MASL line of the MILDEP providing the most team members. If each MILDEP provides an equal number of team members, the MTT is programmed using the MASL line of the MILDEP counterpart to the requesting foreign country service. All team member costs, including pre-deployment orientation or training costs, are programmed as “unit costs” of the country program. No entries are made in the TLA data field. Training aids (including PCH&T) are programmed separately under budget generic code N2, description: MTT-TRNG AIDS (MASL Item-ID 309000-CONUS, 319000-O and/or S). This program line shows the next sequential suffix of the WCN. Only training aids that cannot be requisitioned under FMS are included under this procedure and must be approved by DSCA (Operations and Programs Directorates).

C11.13.2.6. Quality Assurance Team (QAT). QATs are DoD technical personnel deployed in a TDY status to perform technical inspection, servicing, and inventory of FMS and MAP equipment at recipient country's port of debarkation.

C11.13.2.7. Weapons System Logistics Officers (WSLO). WSLOs are DoD personnel

normally employed in a PCS status who are technically qualified to provide advice and address logistics management issues on a specific weapon system.

C11.13.3. Prohibited Security Assistance Team Activities. SATs shall not engage in or provide assistance or advice to foreign forces in a combat situation. Additionally, SATs are prohibited from performing operational duties of any kind except as may be required in the conduct of on-the-job training in the operation and maintenance of equipment, weapons, or supporting systems. SATs shall not perform SCO functions or be used to augment the SCO, except where specifically authorized by the host country in the LOA.

C11.13.4. Security Assistance Team Command Relationships. The Chief of the U.S. Diplomatic Mission exercises general supervision over the in-country operations and activities of SATs through the SCO chief. The regional Combatant Commander provides necessary technical assistance and administrative support to SCOs to facilitate the efficient and effective oversight of SAT activities, including quality of life for personnel. The level of support provided to team members under an FMS case shall not exceed that authorized for other in-country DoD personnel of equivalent grade who are funded by U.S. appropriations or FMS. Oversight of SATs by regional Combatant Commander through SCOs shall not usurp MILDEP authority in issues of case management, contract administration, or the technical execution of the SAT mission as described in the individual terms of reference (i.e., Letter of Offer and Acceptance).

C11.13.4.1. Security Cooperation Organization (SCO) Chief. The SCO chief exercises operational oversight and administrative support over in-country SATs and is responsible for coordinating the team's activities to ensure compatibility with other DoD elements in or directly related to the U.S. diplomatic mission. The SCO chief ensures compliance with directives and keeps the Combatant Commander informed of SAT activities and progress.

C11.13.4.2. Security Cooperation Team Chief. The SAT team chief is the senior team member and assigns duties and responsibilities to team personnel. The SAT team chief is under the administrative and operational control of the SCO while in-country and is an integral part of the SCO in support of the overall Security Assistance mission. The team chief is responsible to the Implementing Agency for the accomplishment of the SAT technical and/or training mission. SAT team chief responsibilities include, but are not limited to, the duties shown in Table C11.T24.

Table C11.T24. Security Assistance Team Chief Functions

Security Assistance Team Chief Functions (not inclusive)	
1	Assign duties to team members to ensure the team mission is accomplished within the prescribed time frame.
2	Submit request and justification of all TDYs required in support of team mission to SCO for review. Requests for out-of country TDYs must be approved by the SCO.
3	Coordinate annual request for Security Assistance team funding with SCO prior to submission to MILDEP line manager.
4	Submit requests and/or justification for Quality of Life (QOL) and/or Mission Sustainment (MS) items, and items required to execute the team mission, to the SCO prior to purchase.

5	Establish and maintain supply and/or equipment accountability records for all QOL, MS and mission essential property in accordance with MILDEP directives and procedures. Provide SCO with a copy of property records listing all non-expendable, durable equipment valued at \$50.00 or more.
6	Provide SCO with access to team property for the purpose of conducting a physical inventory (at least annually and/or prior to team chief departure from country).
7	Identify problems that may impact team personnel and/or mission to the SCO and Implementing Agency line and/or team manager.
8	Send copies of receipts and vouchers to line manager organization and hold copies on open action files until cleared through accounting and finance channels.

C11.13.4.3. Security Cooperation Organization. The SCO has responsibility for oversight of SAT personnel and activities and identifies problems to the Implementing Agency Case Manager for resolution. The SCO ensures fair and equitable treatment in the level and quality of support provided to all DoD personnel in-country. SCO support of Implementing Agency line and/or team manager includes, but is not limited to, the duties shown in Table C11.T25.

Table C11.T25. SCO Functions in Support of Security Assistance Teams

SCO Functions in Support of Security Assistance Teams (not inclusive)	
1	Review residential leases to ensure quarters are appropriate for rank and dependent status of team members and comply with DoD and DoS standards. The SCO ensures each lease request is submitted to the Embassy Interagency Housing Board for approval prior to signature by the appropriate contracting officer. If higher headquarters approval is required, ensure Embassy Interagency Housing Board reviews request before forwarding lease to the Implementing Agency case manager.
2	Establish procedures to review all team TDYs and approve requests for out-of-country travel.
3	Review SAT team chief's request for annual funding prior to submission to the Implementing Agency line and/or team manager.
4	Review SAT request for purchase of Quality of Life (QOL) and/or Mission Sustainment (MS) items and items required to execute the team training and/or technical assistance mission. The SCO provides Implementing Agency, SAT management agency, and the Combatant Commander with an itemized listing of recommended QOL and MS articles to be included in the LOA. SCOs ensure the requested items are authorized in the LOA under which the team operates and that vendor discussions and actual purchases are made through a USG contracting office.
5	Ensure team chief establishes supply and/or equipment accountability records that provide a complete audit trail from item acquisition to disposal. All non-expendable, durable property costing \$50.00 or more is recorded on a property record.
6	Periodically review team property and inventory records for accuracy. Ensure continuous in-country accountability is maintained by conducting a physical inventory prior to team and/or team chief departure from country. As a minimum, physical inventories for PCS teams are conducted annually.
7	Perform periodic reviews of team petty cash funds to ensure funds are adequately protected and cash management is in accordance with Embassy budget and fiscal office procedures.
8	Assist SAT chief to establish procedures with the Embassy for payroll support of any foreign service employees hired to support the SAT.
9	Assist Implementing Agency line manager to identify country and/or case unique management and

SCO Functions in Support of Security Assistance Teams (not inclusive)	
	administrative duties in the implementing program directive.

C11.13.5. Military Justice Jurisdiction. The Combatant Commander has general courts-martial convening authority over all military personnel under his or her command. However, since disciplinary action is normally administered by a commander of the same Service as the offender, the Combatant Commander normally requests the component commander of the member's Service, or that commander's designee, to take courts-martial jurisdiction over PCS team personnel. The Combatant Commander reserves the right to exercise military justice jurisdiction in those cases impacting the mission, or affecting external relations. Uniform Code of Military Justice (UCMJ) jurisdiction over TDY team members is concurrent with their parent organization commander and the Combatant Commander. Article 15 jurisdiction for all personnel (both TDY and PCS) shall be exercised in accordance with Service directives.

C11.13.6. Quality of Life (QOL) and Mission Sustainment (MS) Items. QOL items are any articles or services that, in the judgment of the SCO Chief and Combatant Commander, have a positive effect on the living and and/or or working environment of the deployed SAT. MS items are those articles and services that are essential for the successful accomplishment of the team's mission. Factors to be considered in determining specific QOL and/or MS item requirements should include availability of suitable entertainment, climate and/or geography, security, local language, and recreational facilities. The SCO chief is the ultimate authority in-country for approving expenditures for these items within published guidance and LOA limitations. QOL and/or MS items are procured for team rather than individual use.

C11.13.6.1. Examples of QOL Items. Examples of QOL items include, but are not limited to: magazines (non-security assistance), athletic equipment (e.g., bats, gloves, balls, etc.), fishing equipment, camping equipment, scuba gear, equipment repair, etc. Not included are charges for consumables, memberships, lessons, etc. Additionally, personal entertainment equipment, such as TVs and/or VCRs and/or DVD players and/or stereos, should only be provided for use in dayroom-type situations when justified by unusual circumstances or when individual team members cannot reasonably be expected to bring or acquire their own (e.g., extreme isolation or harsh environmental conditions, and limitations on baggage and/or personal belongings that SAT members may bring). High cost QOL items over \$500 must be approved by the Combatant Commander and justified in the budget submission. Due to storage and repair problems, it may be more economical to rent and/or lease authorized high-cost equipment on an occasional basis to reduce the costs involved.

C11.13.6.2. Examples of MS Items. Examples of MS items include, but are not limited to: housing, dependent education, medical support (MEDEVAC), security guards, drivers, physical conditioning equipment (e.g., aerobic equipment, weight lifting equipment, etc.), transformers, environmental and morale leave.

C11.13.6.3. Funding for QOL and/or MS Items. QOL items for Security Assistance-funded teams are provided to the team by the parent MILDEP and not from Security Assistance funds provided to the SCO (T-20) or (T-10). If MILDEP funds are inadequate to meet QOL requirements for FMF-funded FMS SATs, then the FMF-funded FMS SAT case funds may be used if specifically authorized in the LOA. QOL items cannot be funded under IMET but may

be provided to IMET-funded teams from in-country SAT stocks or parent MILDEP. MS items identified by the SCO can be purchased in-country using case funds if specifically authorized in the LOA.

C11.13.6.4. Disposition of QOL and/or MS Items. Prior to departure from country, the SCO and SAT chief conduct a physical inventory of QOL and MS property. The MILDEP determines disposition of QOL items furnished by the MILDEP. The SCO determines disposition of QOL items purchased with case funds. The SCO chief is the ultimate authority in-country for disposition of MS items within published guidance and LOA limitations. For continuing SAT missions, the team chief assigns the property to the follow-on team chief or temporarily to the SCO. When the SAT mission is complete, the property is transferred to an authorized representative of the host country or returned to the MILDEP as appropriate. Items purchased with case funds ultimately become the property of the host country and the SCO assigns the property to an authorized representative of the host country.

C11.14. SPECIAL DEFENSE ACQUISITION FUND (SDAF)

C11.14.1. Definition and Purpose. The SDAF was authorized in 1981 by enactment of AECA, Chapter 5 (reference (c)). The Principal Deputy Assistant Secretary of Defense (Comptroller Directorate) approved the SDAF Charter and Operation Instructions on December 30, 1982. The purpose of the SDAF program was to procure defense articles in anticipation of sale to foreign Governments. SDAF-procured equipment was held in DoD inventory, segregated from other DoD items. The inventory facilitated delivery of selected items of materiel in advance of normal lead-time enabling the USG to satisfy urgent military requirements of allied and friendly nations while avoiding diversions from U.S. Forces. AECA, section 51(a) (22 U.S.C. 2795(a)) (reference (c)) was amended in 1989 and provided that the SDAF could be used for narcotics control purposes. As of September 30, 1995, SDAF no longer procures equipment. All SDAF items have been purchased from inventory. This section shows how these programs are finalized and closed.

C11.14.2. SDAF Delivery Reports. Implementing Agencies use delivery reporting (see the DoD 7000.14-R (reference (o)), Volume 15, Chapter 8) to report assets provided to an FMS purchaser to DFAS Denver. The Logistics Support Charge must be excluded from the reported delivered price. Two categories of items are reported to DFAS Denver.

C11.14.2.1. Major Equipment. Implementing Agencies delivery report major SDAF equipment items to DFAS Denver within 10 days of shipment to FMS purchasers. SDAF sales are at a stabilized price, which is the current contract price or the SDAF price (depending on which is higher).

C11.14.2.2. Support Items. Implementing Agencies delivery report SDAF-owned support items (sold to an FMS purchaser) to DFAS Denver. Reports are submitted to DFAS Denver within 7 days of the inventory drop date and may contain the latest FMS price for the sold items.

C11.14.2.3. Delivery Codes. SDAF uses three delivery source codes as shown in Table C11.T26.

Table C11.T26. SDAF Delivery Source Codes

Delivery Code	Source
SA	Sale of items originally purchased from DoD inventories.
SD	Sale of items procured from contractors by the SDAF. This delivery source code computes packing, crating, and handling (PC&H) cost.
SE	Sale of items procured from contractors and shipped directly from the contractor to the FMS purchaser, providing there is no requirement for any special PC&H. This delivery source code does not compute PC&H cost.

C11.14.3. Supply Discrepancy Reports (SDRs). Chapter 6 provides detailed information on processing SDRs against FMS cases. It is DoD policy that the appropriation credited with the proceeds of a sale pays the SDR costs or replaces the materiel when the USG is deemed to be liable to the FMS purchaser. Therefore, SDAF pays SDR costs on SDAF cases when applicable. When SDAF is considered responsible for a SDR, the SDR, along with a legal opinion (when required), must be submitted to DSCA (Business Operations Directorate) for concurrence.

C11.14.4. SDAF LOA Closure. Chapter 6 provides information on closing FMS cases. SDAF LOA closure involves additional reviews as follows.

C11.14.4.1. Implementing Agency “Q” SDAF Cases. DFAS Denver informs DSCA (Business Operations Directorate) monthly of those LOAs for which all collections have been made, accounts are balanced, and which are ready for closure.

C11.14.4.2. Implementing Agency “B,” “D,” “P,” or “M” Cases With SDAF Lines. DFAS Denver is the financial manager for any FMS LOA lines on Implementing Agency LOAs that sell SDAF assets. Closure responsibilities are accomplished as agreed between DFAS Denver and the appropriate Implementing Agency for each SDAF LOA line. Once an LOA line is balanced, DFAS Denver informs DSCA (Business Operations Directorate) that the line is ready for closure and requests approval. Final closure of an LOA line is not accomplished until DSCA (Business Operations Directorate) approves the amount of SDAF reimbursement.

C11.14.5. Reports. DFAS Denver prepares a number of reports in accordance with DoD accounting requirements. Defense items received from SDAF and taken into property accountability by the Implementing Agencies are reported quarterly to DSCA (Business Operations Directorate).

C11.15. WARSAW INITIATIVE FUND (WIF)

In January 1994, the North Atlantic Treaty Organization (NATO) launched the Partnership for Peace (PfP) program to countries seeking cooperative military and peacekeeping relations with NATO. Table C11.T27. identifies the core objectives for Partner countries to pursue in their cooperation with NATO. To support PfP efforts, the United States established the Warsaw Initiative Fund (WIF). The WIF is jointly managed by the Department of State (DoS) and Department of Defense (DoD). The DoS portion of WIF uses Foreign Military Financing (FMF) grants, provided according to the laws and policy governing foreign assistance. The DoD portion of WIF uses defense-wide Operation and Maintenance (O&M) and Research and Development (R&D) funds, provided according to the laws and policy governing these types of funds. The following guidance applies solely to the DoD portion of WIF.

Table C11.T27. PfP Program Objectives

#	Objectives
1	Implement programs consistent with decisions of NATO leaders at the Istanbul Summit (e.g. defense transformation, Global War On Terrorism (GWOT) support, Weapons of Mass Destruction (WMD) preparedness, & niche capabilities).
2	Facilitate transparency in national defense planning and budgetary processes.
3	Ensure democratic control of the armed forces.
4	Maintain capability and readiness to contribute to operations led by the U.S. or NATO.
5	Develop cooperative military relations with NATO for the purpose of joint planning, training and exercises in order to strengthen the ability of partners to undertake missions in the fields of peacekeeping, search and rescue, humanitarian operations, and others as may subsequently be agreed.
6	Develop interoperability between NATO members and PfP partners.

C11.15.1. WIF Authorities. The Department of Defense implements the WIF program at the direction of Congress using existing statutory authorities under sections 168, 1051, and 2010 of Title 10, United States Code and authorities governing use of Operation and Maintenance funds. Table C11.T28. summarizes the U.S. Code WIF authorities.

Table C11.T28. WIF Legislation Summary

Legislation	Subject
10 U.S.C. 168 (reference (dh))	Authorizes payment of expenses of military-to-military contacts and comparable activities designed to encourage democratic orientation of defense establishments and military forces of other countries. Activities include traveling contact teams, military liaisons, exchanges of personnel, seminars, and conferences.
10 U.S.C. 1051 (reference (bt))	Authorizes the payment of travel, subsistence and similar personal expenses for defense personnel of developing countries in connection with attendance at bilateral or regional conferences, seminars, or similar meetings. Attendance must be in the U.S. national security interests.
10 U.S.C. 2010 (reference (bu))	Authorizes the payment of incremental expenses of a developing country incurred as the direct result of participation in a bilateral or multilateral military exercise if the primary purpose is to enhance U.S. interests and the participation of the developing country is necessary to achieve the fundamental goals of the exercise. Incremental expenses are "reasonable and proper costs of goods and services consumed by a developing country as a direct result of that country participating in the exercise with the United States." It does not include items such as pay and allowances, and normal costs of a country's personnel.

C11.15.2. Eligibility. Developing countries that are PfP members are eligible for WIF. WIF Program Managers should use World Bank lists of developing countries to determine which Partners are developing countries. Current developing country Partners are: Albania, Armenia, Azerbaijan, Belarus, Croatia, Georgia, Kazakhstan, Kyrgyz Republic, Macedonia, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.

C11.15.3. WIF-Supported Programs. Under existing statutory authorities, WIF can support military exercises and an array of interoperability programs, conferences, exchanges, seminars, and studies. WIF may be used in conjunction with other types of funding such as Cooperative Threat Reduction (CTR), Combatant Command (COCOM) Initiative Fund (CCIF), Traditional COCOM Activities (TCA), Official Representation Funds (ORF), Emergency, Extraordinary,

Expenses (EEE), FMF, IMET, and NATO funds.

C11.15.3.1. Military Exercise Support. WIF can be used to pay incremental expenses for eligible PfP partners' participation in PfP and "in the spirit of PfP" exercises. WIF can support partner participation in an exercise only if U.S. Forces are also participating. High priority is placed on partner participation in exercises that support declared niche capabilities or greater interoperability with U.S. or NATO forces. COCOMs manage exercise programs to meet theater specific security cooperation goals.

C11.15.3.2. Interoperability Programs. WIF can be used to pay eligible PfP Partner costs to participate in interoperability programs such as those identified in Table C11.T29.

Table C11.T29. Interoperability Programs

Interoperability Programs	
C4I Studies	Regional Airspace Studies
Logistics Exchanges	Navigational Aids Studies
Public Affairs Exchanges	Civil Military Planning Seminars
Legislative Affairs Exchanges	Infrastructure Assessments
Environmental Exchanges	Defense Assessments and Studies
Inspector General Exchanges	Defense Planning Seminars
Comptroller Exchanges	Defense Resource Management Seminars
Parliamentary Seminars	Partnership Information Management

C11.15.3.3. Other Programs. WIF can be used to pay for additional outreach programs and initiatives that may emerge to respond to guidance established by the Office of the Secretary of Defense. The Deputy Assistant Secretary of Defense (International Security Policy, Eurasia) will provide policy guidance on new program initiatives. New initiatives must benefit the Department of Defense.

C11.15.3.4. Travel By U.S. Participants. WIF is intended for PfP partners, and generally does not pay for U.S., Allied, or non-partner expenses. U.S. Government (USG) or DoD representatives may be funded according to law and current policy guidance when their expertise is critical to the execution of the event.

C11.15.4. Items Not Supported by WIF. WIF cannot be the primary source of exercise funding and cannot be used to support U.S. participation in exercises, except as noted in paragraph C11.15.3.4. WIF cannot pay for courses, since they are regarded as "training." Other sources of funds (e.g., International Military Education and Training (IMET)) should be used for training or education where coursework is involved. WIF cannot be used to support activities that are defined as "material assistance," such as provision of weapon systems, equipment, courseware, etc.

C11.15.5. WIF Organization Responsibilities. Table C11.T30. identifies the DoD organizations and their responsibilities in support of the PfP Program utilizing WIF.

Table C11.T30. WIF Organization Responsibilities

Organization	Responsibility
ASD (International Security Policy)	<p>DoD lead for WIF and PfP policy</p> <p>Determine WIF planning, prioritization, and funds distribution</p> <p>Primary interface between country desks officers at OSD, Joint Staff, DSCA, and COCOMs</p> <p>Report WIF status and results to Congress via DoS annual report</p> <p>Provide oversight of OSD interoperability programs</p> <p>Assess annual COCOM and Interoperability Program objectives</p> <p>Coordinate and seek DoD Office of the General Counsel review, as necessary</p> <p>Review/approve annual program submissions; ensure appropriations are executed by DSCA</p> <p>Maintain direct link to NATO via U.S. Delegation to NATO</p>
DSCA	<p>Manage WIF program execution</p> <p>Manage cost, schedule, and performance related to WIF program execution</p> <p>Develop programs and activities in response to policy guidance</p> <p>Prepare budget materials</p> <p>Defend budget requests to USD (Comptroller); support Office of Management and Budget (OMB) and Congressional inquiries</p> <p>Determine if costs requested by activities are allocable to WIF</p> <p>Provide funds certification</p> <p>Allocate approved funds to WIF receiving activities</p> <p>Issue funds to field activities</p> <p>Quarterly provide WIF financial management and program accountability (obligations, expenditures, reconciliations) to ISP Eurasia, WIF Policy Managers</p> <p>Provide legal analysis in support of DoD Office of the General Counsel, as necessary</p>
Joint Staff/ COCOM	<p>Provide administrative oversight of COCOM PfP exercise and interoperability programs</p> <p>Plan and prioritize WIF in support of individual COCOM activities</p> <p>Coordinate Secretary of Defense guidance and regional COCOM plans with DSCA and DASD Eurasia WIF policy managers.</p> <p>Coordinate with National Guard Bureau (NGB) as necessary to ensure the best use of National Guard and State partner assets</p> <p>Maintain direct link to NATO via U.S. Mission to NATO and U.S. National Military Representative at Supreme Headquarters Allied Powers Europe (SHAPE)</p>
Program/Activity Managers	<p>Plan, prioritize, and implement PfP activities</p> <p>Coordinate as necessary to ensure priorities are aligned with strategic plans and ASD (ISP) priorities</p> <p>Conform to DoD Financial Management Regulations, guidelines, and standard operating procedures (SOP) addressing fund acceptance, disbursement, reporting, expenditures, and fiscal year closeout. (These are available from DSCA (Business Operations Directorate).)</p> <p>Provide annual and quarterly WIF fiscal summaries to DSCA and DASD Eurasia to satisfy mandated Congressional reporting</p> <p>Ensure monthly obligation and expenditure reporting is accomplished</p> <p>Ensure WIF is implemented in accordance with published DoD and COCOM guidance</p> <p>Influence strategic planning as necessary to achieve regional objectives</p> <p>Identify performance metrics representing program successes and challenges</p>
In-Country PfP	Facilitate planning and implementation of WIF within the assigned country, in

Organization	Responsibility
Coordinators	coordination with COCOMs and lead WIF management activity Implement programs in accordance with guidance provided by the requiring activity Coordinate annual requirements to COCOM and participate in short and long term planning Maintain fiscal transaction capability via a qualified financial tracking system
PfP Recipient Nations	Fulfill the democratic principles as agreed to in the PfP Framework Document Plan, prioritize, and execute PfP objectives as agreed to in the Euro-Atlantic Partner Work Plan (EAPWP), Membership Action Plan (MAP), and Individual Partner Action Plan (IPAP) Ensure ratification of PfP Status of Forces Agreement (SOFA) Collaborate with Partnership Coordination Center (PCC) representatives at SHAPE to coordinate PfP activities and access NATO common funding as required Ensure necessary in-country PfP administration and support is established and maintained
Defense Finance and Accounting Service	Provide accounting support to all WIF activities Maintain official accounting records Distribute monthly accounting reports

C11.15.6. Budgeting and Financial Execution. DSCA (Business Operations Directorate) maintains SOPs for use by the WIF program. In July of each fiscal year, MILDEPs, COCOMs, and Regional Program Directors submit WIF budget proposals to the Deputy Assistant Secretary of Defense (DASD) Eurasia and DSCA for projects proposed for execution in the next fiscal year and estimates of WIF requirements for the budget years. Each proposed activity is coordinated with the OSD desk officer, Joint Staff, and in-country teams before submission. DASD Eurasia, in consultation with DASD Europe and NATO policy, reviews submissions and consolidates initiatives into an annual WIF plan and estimates for the budget years. These annual requirements are forwarded to DSCA for execution and funding on a quarterly basis. The annual WIF plan will be adjusted throughout the year to respond to emerging requirements. The DSCA WIF Program Director will coordinate with DSCA (Business Operations Directorate) on quarterly financial allocations for all WIF activities. Quarterly funding requests to execute the fiscal plan are provided to the DSCA WIF Program Director one month prior to beginning of each quarter. Extensive DoD Planning, Programming, Budget and Execution (PPBE) information is available via the Financial Management Regulation website (<http://www.dod.mil/comptroller/fmr>).

C11.15.7. WIF Funding Guidelines. WIF is demand driven by PfP events that are of the highest priority to U.S. national interests and NATO initiatives. Partner's total funding depends on the number of exercises and interoperability programs in which it is capable of participating. It is imperative that country defense attachés and security cooperation officers participate in the requirements and prioritization process. Recipients of WIF are responsible for the administrative control of funds and record keeping. This requirement is based in law, instructions issued by OMB and the DoD Financial Management Regulations, which contain guidelines on budget execution. DoD WIF are one-year O&M funds that must be obligated in the year for which they are appropriated. Each WIF activity must plan for effective execution of funding on an annual basis. The WIF RDT&E, defense-wide funding for the PfP Information Management System (PIMS) will be centrally managed by the DSCA WIF Program Director.

C11.15.8. WIF Program Planning and Execution. After DASD Eurasia and the COCOMs have approved the fiscal plan, the Program/Activity Manager manages program implementation, maximizing in-country assets as necessary. Each manager is responsible for determining cost, schedule, and performance associated with their program. DASD Eurasia provides policy guidance and DSCA assumes implementation and execution responsibilities. WIF Program Managers should contact DASD Eurasia for questions of policy, and DSCA for questions regarding fund use. DSCA (Business Operations Directorate) provides direction concerning budgetary, financial and contract questions.

C11.15.9. Procurement Requirements Documentation (PRD). Each WIF receiving activity generates and manages its own contracts to ensure timely execution of budgeted and approved plans. DSCA (Business Operations Directorate) manages those actions where DSCA pays directly for contracted services and support. Each activity submits the documentation required to initiate a procurement request for services or supplies. At a minimum, 60 days prior to award date, the contracting office requires: a Performance Work Statement (PWS); an Independent Government Cost Estimate (IGCE); an Administrative Service Request (DD Form 1262); a written request regarding the requirement; and, a Justification and Approval (J&A) in accordance with FAR Part 6.302 (reference (ak)) if circumstances permit other than full and open competition.

C11.15.10. WIF Program Planning and Implementation Process. Table C11.T31. summarizes the annual WIF planning and implementation process.

Table C11.T31. WIF Program Planning Timeframe and Implementation Process

Steps (Date)	Actions
1 (June)	WIF is recognized as a method to fund PFP Partner participation in exercises, and activities, exchanges, conferences, or other interoperability programs that support defense institution building, defense reform, achievement of greater interoperability and development of capabilities that support the GWOT. Details can be found in the ASD(ISP) annual plan or various NATO publications that outline areas of cooperation and Partnership Action Plans.
2 (June)	Partners choose the events they desire participation and list them in their Individual Partner Action Plan (IPAP). Plans are reviewed by the Security Cooperation Organization (SCO), COCOM, and ASD(ISP).
3 (June)	ASD(ISP) solicits WIF activity proposals from COCOMs, Joint Staff, MILDEPs and Program/Activity Managers.
4 (July)	ASD(ISP) consolidates requirements and develops the annual DASD WIF guidance. It is then published for use by WIF activity managers.
5 (August)	DSCA WIF Program Director synthesizes approved requirements to the WIF Financial Manager in DSCA (Business Operations Directorate) via memorandum.
6 (Oct)	USD(C) allocates WIF funding in quarterly amounts to DSCA (Business Operations Directorate) who in turn allocates approved amounts to WIF activities in coordination with the WIF Program Director. Execution of exercises, exchanges, and interoperability programs commences.
7 (Jan)	Program Review - normally there is at least one major program review to conduct strategic planning, assess performance of WIF, and communicate initiatives within the DOD and the interagency. Additional program reviews are held as required.

Steps (Date)	Actions
8 (Nov/April)	Financial Reviews convened to assess funds obligations, expenditures, and yearly performance.
9 (Continuous)	Each WIF activity implements planned events and documents performance results for communication to the Security Assistance community. Reporting formats and distribution are managed by DSCA (Business Operations Directorate).
10 (Continuous)	DSCA/ASD(ISP)/Joint Staff/COCOMs monitor execution and make adjustments as required. New or significant revisions to annual requirements are considered “Out of Cycle” requests. The format and worksheet for requesting “Out of Cycle” WIF is provided in Figure C11.F18.
11 (Continuous)	ASD(ISP) will determine the viability of the “Out of Cycle” requested events/activities and their relative priority to overall WIF annual requirements. DSCA and the requesting activity will provide input as necessary to support recommendations.
12 (Continuous)	Approved “Out of Cycle” requests are implemented by the DSCA WIF Program Director via memo to the DSCA Financial Manager to release funding to requiring activity. These requests may require a budget offset when DSCA lacks sufficient Operation and Maintenance Funds.
13 (monthly)	DSCA (Business Operations Directorate) provides monthly reports to OUSD(C) on the financial performance.
14 (annually)	DASD Eurasia drafts a chapter on WIF program accomplishments and provides to DoS for inclusion in the annual PfP Report to Congress. This report is a statutory requirement levied on DoS by Congress.

Figure C11.F18. WIF “Out of Cycle” Request Letter/Worksheet Format

Command Letterhead	
From:	Director, [insert Command]
To:	Office of the Secretary of Defense, Policy
	Attn: Assistant Secretary of Defense (International Security Policy), WIF Program Managers
	Director, Defense Security Cooperation Agency
	Attn: Operations, WIF Program Director
Subject:	Out of Cycle Request for Warsaw Initiative Funds to Support [insert Title]
Enclosure:	WIF Request Worksheet – [insert proposed activity and recipient country]
This memorandum requests WIF to support [insert Title], scheduled to take place on [insert date]. The following is forwarded for your consideration.	
Event/Activity Purpose:	
Funding Required:	
Cost Breakdown and Supporting Detail:	
Explanation how event/activity supports WIF objectives:	
Project and Financial Administration POC’s:	
Proposed Budget Offset:	
The point of contact for this action is [insert name, telephone number, and e-mail address].	
Attachments as required	

WIF “OUT OF CYCLE” WORKSHEET
Proposed Recipient: [insert country name and armed forces branch]
Activity/Event Description/Purpose:
Personnel required: [insert USG and foreign nationals]
Equipment/Materiel Requirements: [insert name and nomenclature]
Travel Requirements:
Proposed Dates of WIF activity/event: [insert month, date and year]
Detailed Justification for the event/activity: (include special circumstances why this WIF requirement must be performed; why it is advantageous to U.S. interests to conduct the activity/event, adverse consequences to strategic interests or schedules if not performed, etc.)
Cost of Event/Activity: [insert dollar value and supporting details]