



DMG BRIEFING NOTE: U.S. Security Cooperation, FMF & FMS

Executive Summary

U.S. Security Cooperation (SC)

Each year the Administration submits requests to Congress for the Security Assistance budget. Congress reviews the request and appropriates funds under the Foreign Operations Appropriations Act (FOAA) for various international assistance programs, including Foreign Military Financing (FMF) and International Military Education and Training (IMET). The State Department's Bureau of Political-Military Affairs sets policy for the FMF program, while the Defense Security Cooperation Agency (DSCA), within the DoD, manages it on a day-to-day basis. Security Assistance Organizations (SAOs) operating from U.S. embassies overseas play a key role in managing FMF within recipient countries.

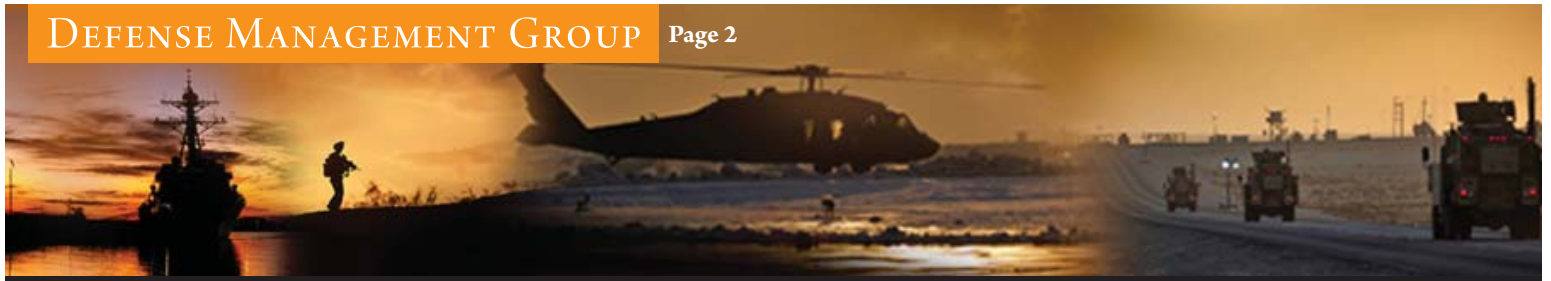
Foreign Military Financing (FMF)

FMF is the U.S. Government program of grants and loans for financing the acquisition of U.S. military articles, services, and training. FMF helps promote U.S. national security interests by strengthening coalitions, cementing cooperative bilateral military relationships and enhancing interoperability with U.S. forces. Because FMF monies are used to purchase U.S. military equipment and training, FMF also contributes to a strong U.S. defense industrial base. FMF purchases are made through the Foreign Military Sales (FMS) program, which manages government-to-government sales. On a much less frequent basis, FMF also funds purchases made through the Direct Commercial Sales (DCS) program, which oversees sales between foreign governments and private U.S. companies. *(For more information on DCS, please see the relevant DMG blog).*

Foreign Military Sales (FMS)

FMS is managed and operated by DoD on a no-profit and no-loss basis. As part of the DoD, the Defense Security Cooperation Agency (DSCA) coordinates the transfer of defense material, training and services to allies, as well as promotes military-to-military contacts. Foreign Military Sales division is the core activity of DSCA and annual sales range between US\$30 and US\$40 billion. Countries and international organizations participating in the program pay for defense articles and services at prices that recoup the actual costs incurred by the U.S. This normally includes a fee (currently 3.8% of what the defense articles and/or services cost) to cover the cost of administering the program. Procurement activity is conducted by DoD acquisition staff compliant to FAR and DFARS. Due to U.S. interest in encouraging standardization and interoperability among U.S. and SC countries, FMS normally involves the transfer of those items which have been fielded with U.S. forces. While available through FMS, nonstandard articles or services are normally acquired commercially under DCS.

The United States policy of Security Cooperation is based upon cooperation between the U.S. and other sovereign nations in order to meet common regional stability goals and enable friends and allies to improve their defense capabilities and needs. It consists of a group of programs authorized by the U.S. Foreign Assistance Act of 1961 (FAA), the Arms Export Control Act (AECA), and related statutes, under which the Department of Defense (DoD) or commercial contractor(s) provide defense articles and services in support of U.S. national policies and objectives.



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Procedure Followed

Generally, when a foreign country requires U.S. defense articles or services a Letter of Request (LOR) will be submitted through diplomatic channels to the appropriate DoD Military Department or Defense Agency and copied to the Department of State (DoS) Bureau of Politico-Military Affairs and the DSCA. If the request is approved, the DoD will respond either with Price and Availability (P&A) information or a Letter of Offer and Acceptance (LOA). The LOA is a formal offer which, when accepted, forms the basis for the U.S. to provide the material and services offered. *(For more information on LOA and P&A, please see the relevant DMG blog).*

How DMG Can Help You

There are significant opportunities present for U.S. and international suppliers of defense material and services to participate in and benefit from FMF and FMS. However, it is necessary to understand the requirement specification and acquisition process, as well as ensure that your offering will be compliant to regulations and eligible for consideration. DMG personnel have responded to many bids and written many proposals under FMF and FMS. We know what terms should be included, where to find them, and how to determine if a particular good is compliant. If you need help creating a compliant bid, or you just want a second set of eyes on a bid you would like to submit, we are here to help.

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Regulations and best practice relevant to Government Contracting change over time, and The DMG is delivering a series of seminars on Government Contracting. For the latest information please contact info@defensemg.com for current information on venues and schedule. Alternatively, please register at www.defensemg.com so that we can email to you new and updated briefing notes as they become available.