



# Defense Security Cooperation Agency

*Defense Solutions for America's Global Partners*



## **Foreign Military Sales (FMS)**

**National Defense Industrial Association**

**11th National Small Business Conference**



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This Presentation is Unclassified and has been Cleared for Public Release



# Agenda



- **The Defense Security Cooperation Agency (DSCA)**
- **The Foreign Military Sales (FMS) Program**
- **The FMS Process**
- **FMS/DCS Compared - Increasingly Working in Concert**
- **Resources for Exporters – Selling to DoD for FMS**
- **Working with the Security Cooperation Organization (SCO) and Foreign Commercial Service (FCS) Overseas**



# DSCA Roles and Responsibilities in Security Cooperation



- **DSCA synchronizes global Security Cooperation programs, funding and efforts across the U.S. Government.**
- **Within DoD, DSCA is responsible for the effective policy, processes, training, and financial management necessary to execute those programs.**
  - Develop policy and business processes for the sale, lease, and grant transfer of defense articles, services, and military education and training in support of U.S. foreign policy objectives
  - Manage funding streams and business processes for U.S. and non-U.S. funds and programs
  - Engage with international customers and advocate on their behalf within the U.S. Government
  - Provide information technology infrastructure for the Security Cooperation community
  - Educate and train U.S. government, industry and international partners in security cooperation



# Why Security Cooperation?

## Security Cooperation programs accomplish four key goals:

- Support U.S. and Partner regional and global security initiatives through transfer of:
  - Defense Equipment
  - Defense Services
  - Defense Education and Training
- Enhance interoperability
- Build military-to-military cooperation
- Create lasting relationships between the U.S. and the partner country





# Global Influence

Security Cooperation Officers (SCOs)

780 SCOs in  
148 Countries

Foreign Military Sales

12,881 cases

valued at \$394B

with 227 Countries

and International Organizations

Humanitarian Assistance

345 projects

in 73 countries



International Training  
over 64,100 Students  
from over 160 Countries

Regional Centers for  
Security Studies  
7,090 Participants  
from over 188 Countries

10,200 Security Cooperation Professionals Worldwide



# What is FMS?

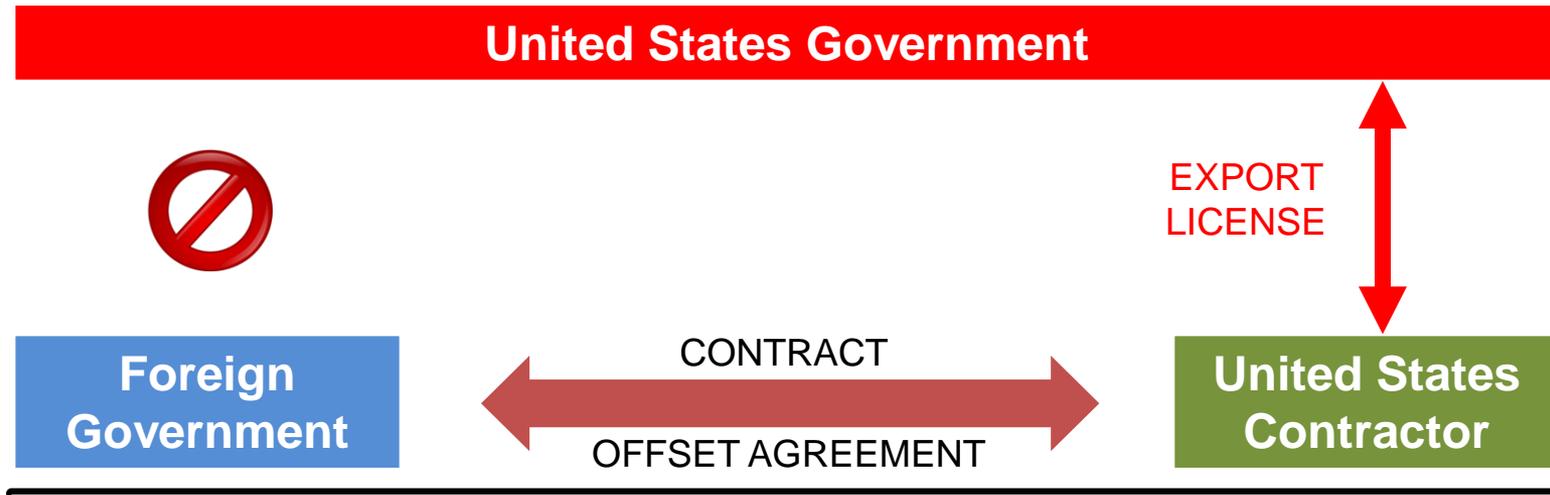
**A form of security assistance authorized by the *Arms Export Control Act (AECA)* and a fundamental tool of U.S. foreign policy in support of our national security and defense strategies.**

- Section 3 of the AECA, provides that the USG may sell defense articles and services to foreign countries and international organizations when the President formally finds that to do so will strengthen the security of the United States and promote world peace.
- Department of State
  - Supervises and determines which sales, leases and transfers will be made
  - Issues export licenses for commercial sales
- Defense Department
  - Determines what is available for sale or lease
  - Implements the FMS Program
- FMS is conducted through contract-like agreements called Letters of Offer and Acceptance (LOA) between the USG and an eligible foreign government purchaser.
  - LOAs are legal instruments subject to U.S. law, not international agreements.



# FMS Buyer/Seller Relationship

## Direct Commercial Sales



## Foreign Military Sales





# FMS Legal Requirements

- The AECA requires that the FMS program must be conducted at no cost to the U.S. Government and may not be supported by appropriated funds.
  - The FMS program and personnel supporting it are funded from a 3.5% Admin Surcharge applied to every LOA to recover the full estimated costs of administering it
  - USG will use its best efforts to meet the price and availability quoted, but they are estimates
  - USG and its employees will be held harmless of any loss or liability resulting from performance on the case
- Purchaser must agree that it:
  - Will not transfer title or possession or change end-use without prior USG consent
  - Will provide substantially the same degree of security that the USG would provide
  - Will permit monitoring/verification of end-use

*In FY-2012, the USG sold over \$60B worth of defense articles and services to foreign partners*



# The FMS Total Package Approach



**Goal: To anticipate all of the requirements for the initial sale (system) and follow-on support. Includes:**

- Identification of requirements (item, quantity, delivery (time))
- Initial support requirements (test equipment, power units)
- Operational concept (mission, number of bases, hours)
- Training (English, maintenance, operations, supply)
- Configuration management
- Services (site survey, quality assurance, transportation)
- Follow-on support (spares, repair, pubs, ammo)



# Definition of Requirements



<b>Definition</b> (Indefinite)	<ul style="list-style-type: none"><li>• Customer obtains specific systems information</li><li>• Customer and U.S. exchange technical information</li><li>• Customer determines requirements</li></ul>
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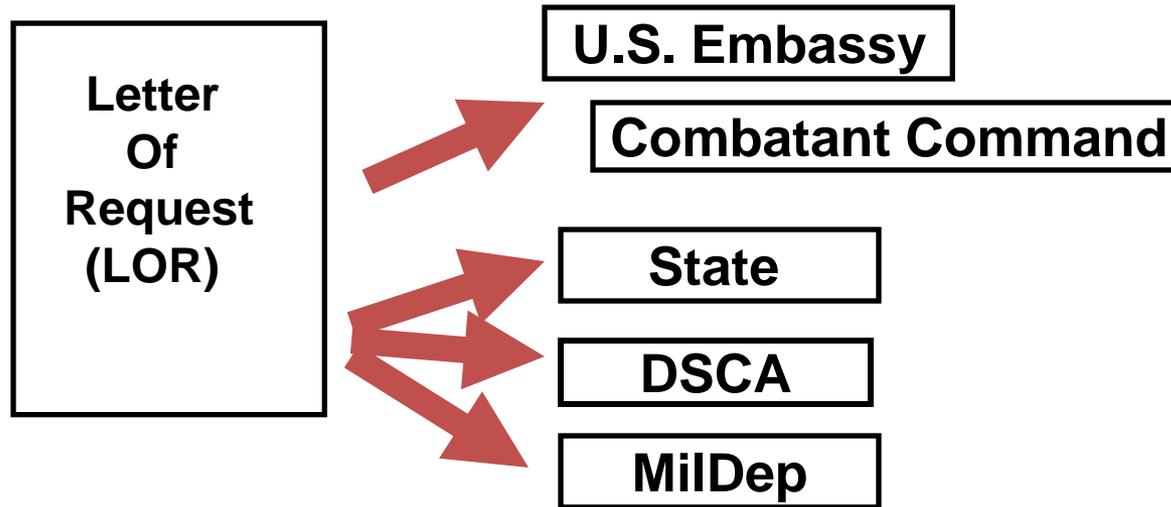
## ➤ **Pre-LOR Definition is the Key Phase for Customer Involvement**

- **Internet, news media**
- **Trade publications**
- **Air/trade shows**
- **Visits, exercises, and observer missions**
- **Attendance at U.S. military schools**
- **U.S. site surveys and other assessments**
- **Military-to-military/Security Cooperation Officer**
- **U.S. Contractors**
- **Department of Defense**



# Letter of Request

<b>Request</b> (Indefinite)	<ul style="list-style-type: none"><li>• Customer prepares and submits a Letter of Request (LOR) for price and availability (P&amp;A) data</li><li>• Customer prepares and submits LOR for an LOA</li></ul>
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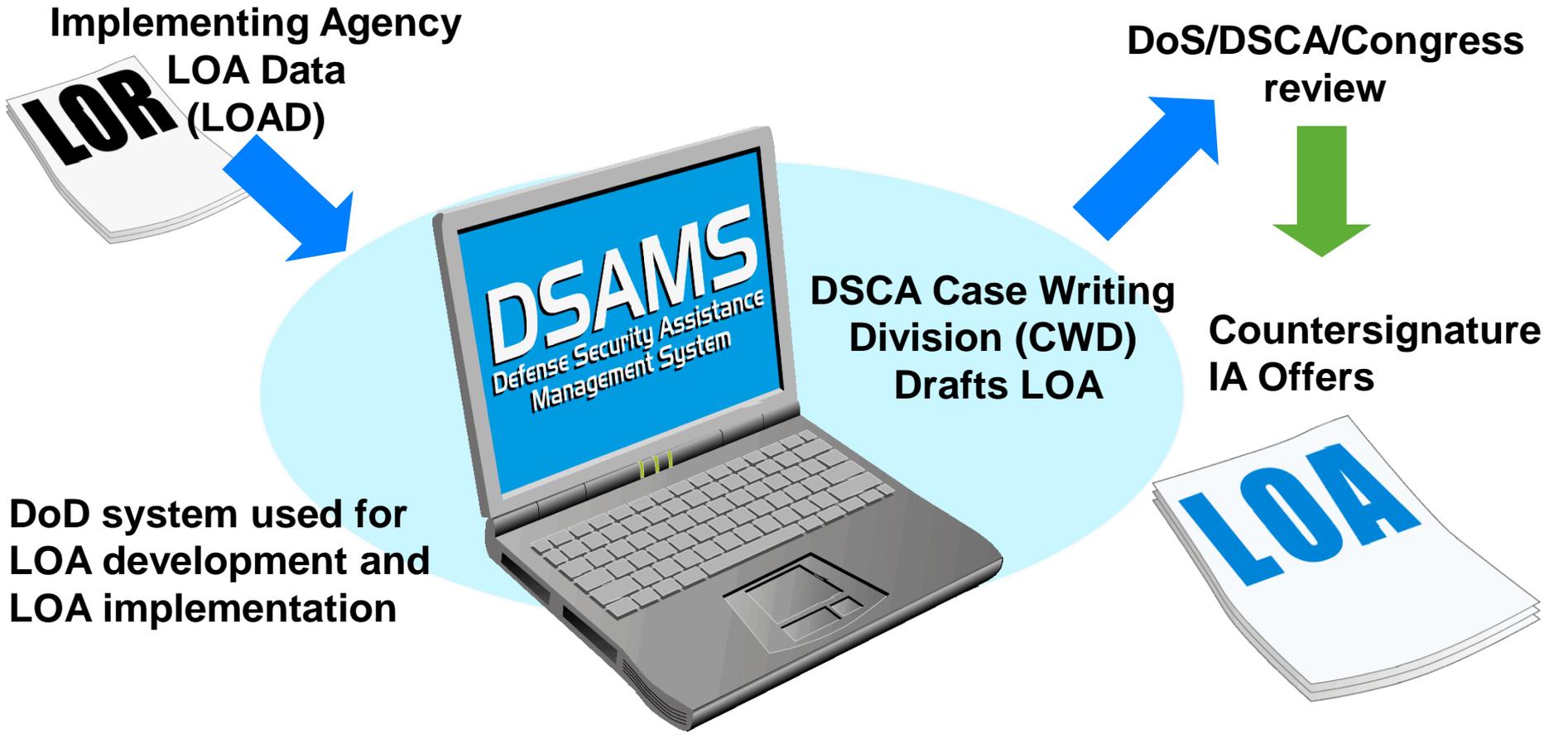
**PROCEED**

**Prepare Letter of Offer and Acceptance (LOA)**



# Case Development

<p><b>Development of Offer</b></p> <p>(Policy for the response to LOR by LOA is 30 days for most cases; 90 days for a limited set of cases that are complex or require extraordinary staffing or development efforts)</p>	<ul style="list-style-type: none"> <li>• Implementing agency (IA) receives the LOR</li> <li>• IA develops LOA data (LOAD)</li> <li>• DSCA-CWD writes LOA</li> <li>• DoS/DSCA/Congress review</li> <li>• DSCA countersigns LOA</li> <li>• IA issues LOA to customer</li> </ul>
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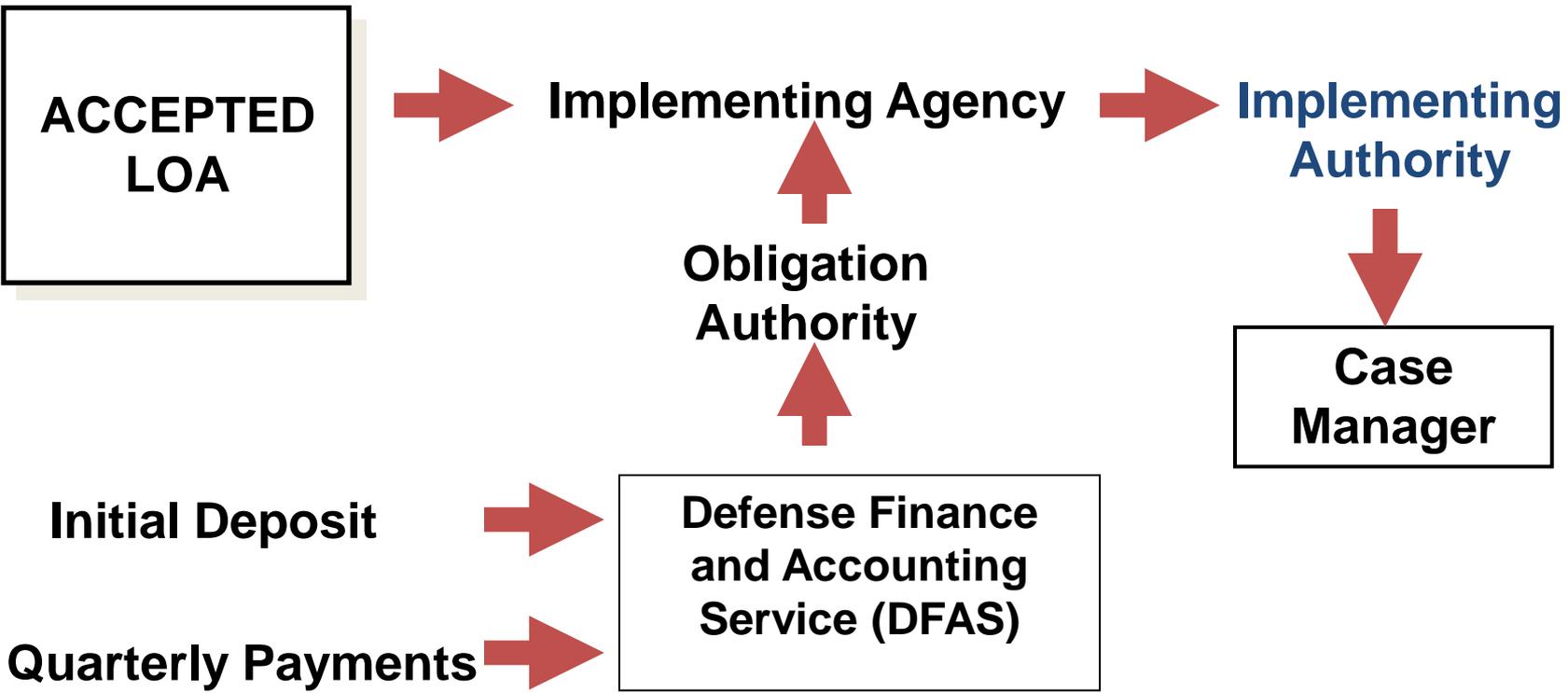




# Acceptance and Implementation



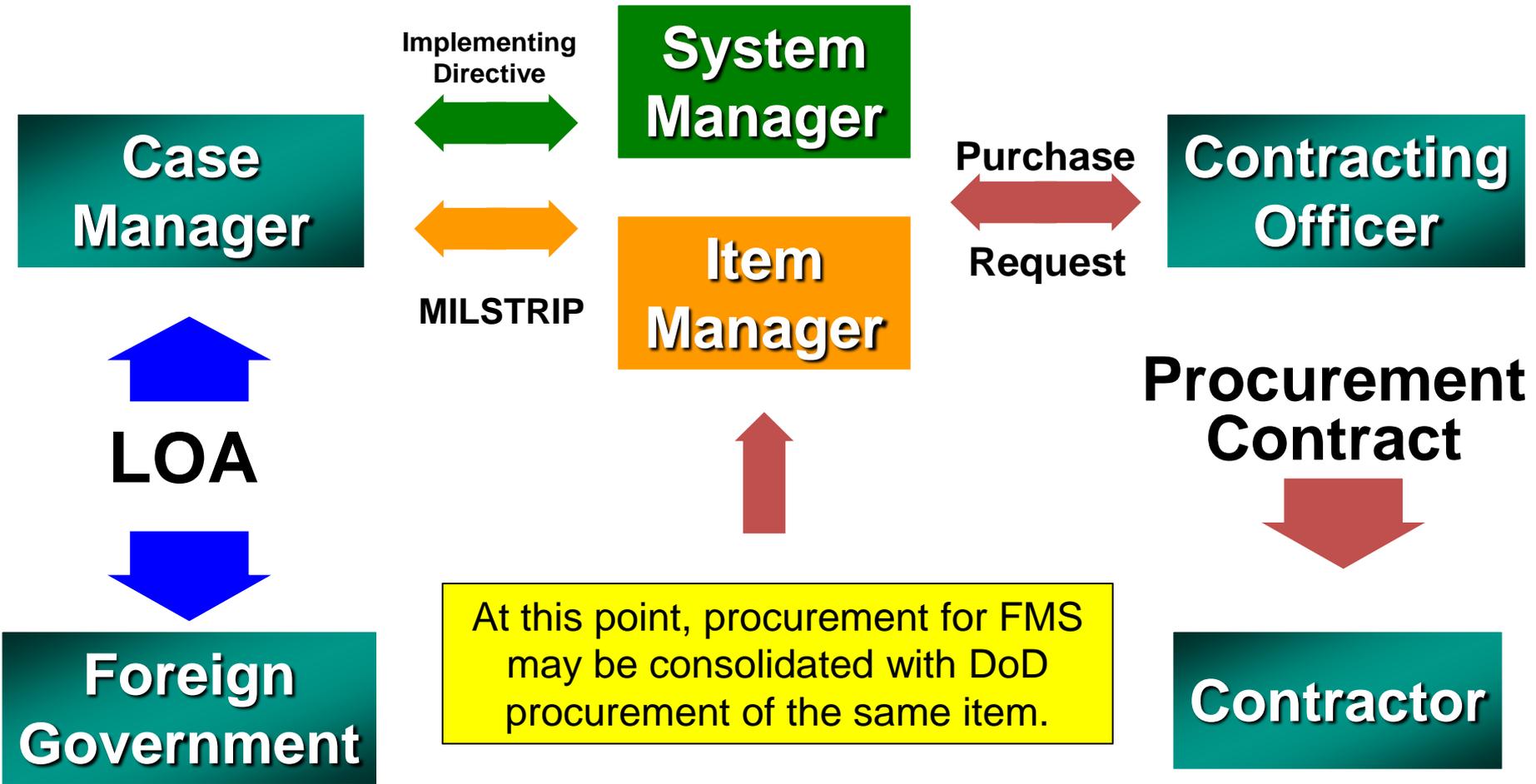
<b>Acceptance of the LOA</b>	<ul style="list-style-type: none"> <li>• Customer signs LOA (Policy is 60 days to accept a LOA)</li> <li>• Customer sends signed copy of LOA and initial deposit to Defense Finance Accounting Service-Indianapolis Center (DFAS-IN)</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>• DFAS-IN issues obligational authority (OA) (15 days average)</li> <li>• IA issues implementing authority</li> <li>• IA activates FMS computer systems</li> </ul>





# Execution

- Case and line managers order articles/services/training (Depends on delivery schedule)
- Articles and services shipped and training conducted
- IA reports performance to customer and DFAS-IN



At this point, procurement for FMS may be consolidated with DoD procurement of the same item.



# Acquisition



- Acquisition for FMS purchasers is in accordance with U.S. and/or DoD regulations and procedures. Federal Acquisition Regulation provisions applicable to DoD also apply to FMS.
- FMS requirements may be consolidated with USG requirements or placed on separate contract – whichever is more expedient and cost-effective.
- Competitive procurement process is used to the maximum extent possible when procuring articles or services.
- Sole source procurement can be considered when the FMS purchaser requests it in writing.



# Does FMS compete with DCS?



- **DoD is generally neutral whether a foreign country purchases through FMS or DCS**
  - **DSCA/State Department can require “FMS-Only”**  
**Evaluation Criteria**
    - Relationship with purchaser
    - Interoperability with U.S.
    - Complex system or technologies
    - Sensitive data access
  - **Companies may request DCS preference**  
**Approved requests valid for 1 year**
    - “Best effort” to comply
    - Implementing agency will decline LORs
  - Exclusions:**
    - Blanket order LOAs
    - Support items for system sale



# FMS vs DCS



- **Military services will not normally cooperate with FMS/DCS comparison studies.**
  - If the purchaser obtains FMS data and wants a commercial price quote, the purchaser should cancel the LOR prior to requesting commercial data.
  - If an LOA has been offered and the purchaser then solicits formal bids from industry, the Implementing Agency should ask the country what it intends and indicate that the LOA may be withdrawn.
  - If the purchaser requests FMS data after soliciting bids from industry, the purchaser must demonstrate to the Implementing Agency that commercial acquisition efforts have ceased before any FMS data is provided.



# DCS-FMS Comparison



## Key DCS Benefits

- Country negotiates directly with U.S. company providing item.
- May allow firm-fixed pricing.
- May be better for non-standard items.
- Not subject to FMS Admin Surcharge.
- May be faster.
- Allows countries to set standards for competitions.
- Commercial banking procedures possible.
- Country resolves disputes with company.

## Key FMS Benefits

- U.S. Military assistance to identify and develop requirements.
- Total Package Approach.
- Standardization and increased operability.
- Uses DoD acquisition process.
  - Same program office that buys for DoD
  - U.S. ethics and transparency
- Economy of scale purchasing.
- Product improvement notifications.
- U.S. logistics information/products.
- U.S. resolves disputes with company.



# Increasing Range of Involvement



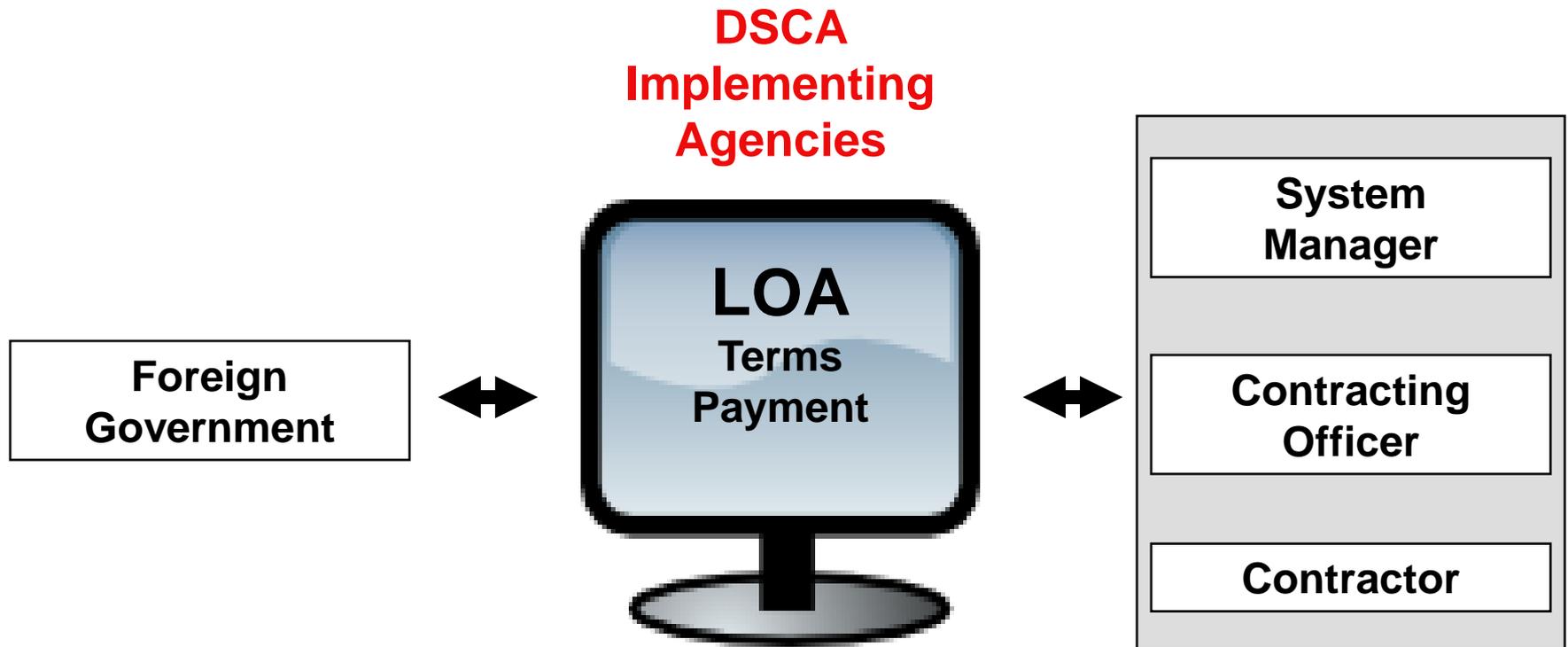
- **Traditional FMS**
- **Sole Source FMS**
- **FMS with Offsets**
- **Negotiated Price**
- **Combination FMS / DCS**
- **DCS with FMF**
- **DCS with USG contract admin**
- **DCS with Offsets**
- **Traditional DCS**



# FMS Buyer/Seller Relationship



**FMS is the interface between the foreign purchaser and the DoD procurement system**



*Much of the work of the Security Cooperation community (DSCA and the MilDeps) goes into FMS case development, execution, and closure*



# How Do Companies Learn about Selling to DoD?



- For sales to DoD, including FMS, refer to DoD's Office of Small Business Programs:

<http://www.acq.osd.mil/osbp/sb/index.shtml>

U.S. Department of Defense  
Office of Small Business Programs

Home | About | for Small Businesses | for Small Business Professionals | for Government | DoD Small Business Offices

Home » Small Business and the DoD

## Small Business and the DoD

If you are a small business owner or business developer and would like to know how you can work with the Department of Defense, this is where you should start. Here you will find links to information on the "Basics" of contracting with the DoD, details on programs and other initiatives  overseen by the DoD and other federal agencies and numerous resources that will help you find opportunities to support the Warfighter.

### Doing Business with the DoD

This is the "how-to" section of working with the DoD. Information includes guides on marketing to the DoD, government contracting basics, subcontracting fundamentals, procurement forecasts, how to contact and work with DoD Small Business Professionals and other opportunities.

### Programs

Detailed on these pages are the three programs that the Department of Defense Office of Small Business Programs oversees:

- [Mentor Protégé Program](#):  Encourages major contractors to develop the technical and business capabilities of small disadvantaged businesses
- [SBI/R/SITR](#):  Harnesses the innovative talents and entrepreneurial energies of our nation's small technology companies
- [Indian Incentive Program](#): Provides a rebate back to prime contractors on the total amount they subcontract to Indian-Owned Economic Enterprises or Indian Organizations

- Small Business
- Doing Business with the DoD
- Programs
- Initiatives
- Opportunities
- Training
- Conferences & Events



# How Do Companies Learn about Selling to DoD?



USG and industry personnel can also learn more about FMS and other international programs and their requirements by taking an on-line or residential course at the Defense Institute for Security Assistance Management (DISAM):

<http://www.disam.dsca.mil/pages/courses/onsite/catalog/industry.aspx>

The screenshot shows the DISAM website interface. At the top, there is a blue header with the DISAM logo and the text "Defense Institute of Security Assistance Management". To the right of the logo, there are links for "Ask an Instructor", "DISAM Journal", and "Search International Training Management (ITM)". Below the header is a navigation bar with links for "DISAM Home", "Course Catalog", "Online Learning", "Academic Info & Programs", "Publications", "Forms", "Presentations", "Links", "SC Tools", and "Research".

The main content area is titled "Industry Courses" and includes the following text: "Shown below are DISAM courses suitable for those working in Industry Security Cooperation-related positions."

Two courses are listed:

- IPSR (SCM-011)**  
*International Programs Security Requirements Course*  
Details • Registration • Class Locations • Syllabus  
This course covers the principles and procedures that facilitate international technology transfer, export controls, and foreign disclosure.
- IPSR-OL**  
*International Programs Security Requirements Course - Online*  
Details • Registration • Syllabus • Frequently Asked Questions  
Covers the principles and procedures that facilitate international technology transfer, export controls, and foreign disclosure.

On the left side of the page, there is a "COURSE CATALOG" section with links for "Class Schedule", "Continuous Learning Points", and "Student Info Page".



# How do I learn about other sales opportunities?



- If you wish to try direct sales, links to defense procurement organizations for the United Kingdom, Australia, and Canada provide starting points:

[www.gov.uk/government/organisations/ministry-of-defence/about/procurement](http://www.gov.uk/government/organisations/ministry-of-defence/about/procurement)

<http://www.defence.gov.au/dmo/gc/index.cfm>

<http://www.tpsgc-pwgsc.gc.ca/app-acq/index-eng.html>



# How do I learn more about DCS licensing?



- Start by reviewing guidance for sales of defense articles at the Directorate of Defense Trade Controls' website. Learn more about licensing by registering for one of their In-house Seminars:

<http://www.pmdtc.state.gov>



- The Society for International Affairs, an industry association, is also a resource for export licensing training materials and seminars. The site also links to a directory of export licensing consultants:

<http://www.siaed.org>



- For other exports, including dual use items, learn more at the Department of Commerce's Bureau of Industrial Security (BIS) On-line Training Room:

<http://www.bis.doc.gov/seminarsandtraining/seminar-training.htm>





# How do I promote my product?

**The USG provides a wide range of services and training to help all U.S. exporters market their products abroad.**

**<http://export.gov/>**



**With specific reference to the Aerospace and Defense Sector:**

**<http://export.gov/industry/aerospace/>**



# Advocacy Assistance for Exporters



<http://export.gov/advocacy/index.asp>

## ***Mission Statement***

*-- to coordinate U.S. Government resources and authority in order to level the playing field on behalf of U.S. business interests as they compete against foreign firms for specific international contracts or other U.S. export opportunities.*

- Assists for companies that want the USG to communicate with foreign governments on their behalf in competitive bid contests.
- Counsels companies on how to work with Multilateral Development Banks\* and works to ensure fair and equal treatment when U.S. companies compete for Bank tenders.

\*World Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, Africa Development Bank and Asia Development Bank



# The Advocacy Process

- Company submits the Advocacy Questionnaire and signs an Anti-Bribery Agreement
- Advocacy Center performs a due diligence review
- National Interest Determination is made in accordance with Interagency Advocacy Guidelines
- Advocacy Center creates an appropriate advocacy strategy and coordinates the message and medium
- Follow-up



# Working with the U.S. Embassy



- **There are limits on the ways the Security Cooperation Office (SCO) can support industry.**
  - SCOs can respond to country requests for information but in most cases cannot actively advocate on behalf of an individual company
- **Supporting industry is the mission of the Foreign Commercial Service (FCS)**
- **Division of labor**
  - **Where it makes sense to involve FCS**
    - Cold calls
    - Sales to non-MOD entities of defense articles with civilian application
    - Police equipment that can't be sold FMS even to the MOD
    - Nonstandard/non-inventory items
  - **Where it makes sense to keep the SCO in the loop**
    - Information on sales efforts to MoD
    - Technology release – Sensitive technology needs a Military Department champion
  - **Where it takes both**
    - High level advocacy – Big sales need a whole Embassy approach



# Resources for Exporters

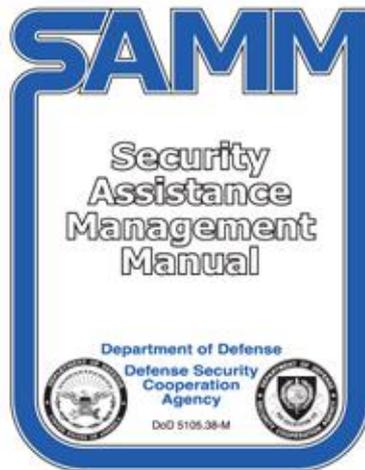


<b>Domestic and FMS Sales to DoD</b>	Sales to DoD	Office of Small Business Programs (OSBP) <a href="http://www.acq.osd.mil/osbp/index.shtml">http://www.acq.osd.mil/osbp/index.shtml</a>	Reference materials, guides, training resources, and professional counseling
	DoD Acquisition Training	Defense Acquisition University (DAU) <a href="http://www.dau.mil/training/Pages/apply.aspx">http://www.dau.mil/training/Pages/apply.aspx</a>	Residential and on-line training on DoD acquisition policy and practice
	FMS Training	Defense Institute for Security Assistance Management (DISAM) <a href="http://www.disam.dsca.mil/pages/courses/onsite/catalog/industry.aspx">http://www.disam.dsca.mil/pages/courses/onsite/catalog/industry.aspx</a>	Residential and on-line training on Foreign Military Sales and Security Cooperation
	Item-Specific	Program Office	
<b>Selling Abroad</b>	Department of Commerce	Export Assistance Centers ➤ U.S. Locations <a href="http://export.gov/usoffices/index.asp">http://export.gov/usoffices/index.asp</a> ➤ Aerospace & Defense Specialists <a href="http://export.gov/industry/aerospace/index.asp">http://export.gov/industry/aerospace/index.asp</a>	Market research, sales leads, and export assistance
		DoC Advocacy Center <a href="http://export.gov/advocacy/index.asp">http://export.gov/advocacy/index.asp</a>	Staff and approve advocacy requests
		Bureau of Industrial Security (BIS) <a href="http://www.bis.doc.gov/">http://www.bis.doc.gov/</a>	Export Licensing for Commerce Control List (CCL)
	Department of State	Directorate of Defense Trade Controls (DDTC) <a href="http://www.pmdtc.state.gov/index.html">http://www.pmdtc.state.gov/index.html</a>	Licenses for Marketing and for Export of Defense Articles and Services (USML)
		Direct Line Program <a href="http://www.state.gov/e/eb/directline">http://www.state.gov/e/eb/directline</a>	Ambassadors and staff host Direct Line webinars or conference calls on emerging sectors and developments
	Embassy POCs <a href="http://www.state.gov/documents/organization/111812.pdf">http://www.state.gov/documents/organization/111812.pdf</a> <a href="http://gov/misc/list/index.htm">gov/misc/list/index.htm</a>	Foreign Commercial Service (FCS) ➤ Worldwide Locations <a href="http://export.gov/worldwide_us/index.asp">http://export.gov/worldwide_us/index.asp</a>	Market research, sales leads, assistance, and advocacy
Security Cooperation Organization (SCO)		Responds to country requests; Should be made aware of marketing efforts to Ministries of Defense	



# FMS Policy Resources

- **DoD 5132.03**
  - “DoD Policy and Responsibilities relating to Security Cooperation,” October 24, 2008
- **DSCA 5105.38-M**
  - Security Assistance Management Manual (E-SAMM)



- Updated version hosted at <http://www.samm.dsca.mil/>
  - Updated search engine
  - Policy Memo archive