

ALERT

DOD Outlines Recommendations to Improve Its Role in the FMS Program

June 21, 2023

WHAT: Over the past year, there have been indications that changes would be coming to the U.S. Government's defense trade industry. From the Foreign Military Sales (FMS) Tiger Team established by the U.S. Department of Defense (DOD) in August 2022, there have been a number of reports and policy updates made regarding the defense trade industry. This includes two reports on FMS program modernization from the Aerospace Industries Association (AIA), National Defense Industrial Association (NDIA), and Professional Services Council (PSC) – one report to the DOD Tiger Team and a second report focused on the U.S. Department of State's (DOS) role – and the Biden Administration's memorandum on the U.S. Conventional Arms Transfer (CAT) Policy. Our discussion of the AIA, NDIA, and PSC reports can be read [here](#) and here, and our discussion of the CAT Policy can be read [here](#).

On June 13, 2023, DOD released its own recommendations to strengthen the FMS program. The release, based on six key FMS pressure points identified by the Tiger Team, directs implementation of the recommendations to increase the efficiency of DOD's FMS process. To identify the FMS pressure points and provide recommendations, the Tiger Team analyzed case studies, illuminated best practices to benchmark, and identified systemic challenges in DOD's FMS ecosystem. Additionally, the Tiger Team reviewed findings related to prior reform efforts and incorporated the feedback of allies, partners, and industry on FMS program modernization. The following provides a summary of DOD's recommendations. To view the full release, [click here](#).

- ***Improving DOD's Understanding of Ally and Partner Requirements:*** To better understand ally and partner nations'

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needs and reduce FMS case processing timelines, DOD intends to change the way it organizes, trains, and equips for security cooperation. This plan includes establishing a Defense Security Cooperation Service.

- **Enabling Efficient Reviews for Release of Technology:** To reduce barriers to technology release, DOD will update relevant policies and empower officials to improve the efficiency of technology release to allies and partners, as well as continue to support interagency efforts related to technology release.
- **Providing Allies and Partner Nations Relevant Priority Capabilities:** To better enable allies and partners to support their own national security needs, DOD will look for opportunities to facilitate Non-Programs of Record.
- **Accelerating Acquisition and Contracting Support:** To improve FMS case processing timeliness, DOD will establish contract award standards and metrics to monitor FMS prioritization and the award process.
- **Expanding the Defense Industrial Base Capacity:** To improve production timeliness, DOD intends to incorporate ally and partner requirements into ongoing efforts to expand defense industrial base (DIB) capacity. This includes incentivizing DIB investment in production capacity, building surge capacity, use of multiyear contracts, enhanced use of the Special Defense Acquisition Fund, and five-year predictive analysis of demand.
- **Ensuring Broad U.S. Government Support:** Because the FMS process involves multiple agencies and stakeholders, DOD plans to work with DOS and others to identify opportunities to improve the FMS program.

WHAT IT MEANS FOR INDUSTRY: The internal changes DOD plans to make to its role in the FMS process are likely just the beginning of a modernization effort of the defense trade industry as a whole. As DOD has committed to working with other agencies and stakeholders involved in the FMS program to improve the process, it is reasonable to believe other agencies will follow suit and begin rolling out improvements of their own. For example, DOS could be up next. As mentioned above, the AIA, NDIA, and PSC recently published a report aimed at improving DOS's role in defense trade. As DOD's own improvement recommendations followed a similar report to the Tiger Team, it could be only a matter of time before we see changes from DOS and other defense trade stakeholders.