



PAMBANSANG PUNONGHIMPILAN TANOD BAYBAYIN NG PILIPINAS
(National Headquarters Philippine Coast Guard)
139 25th Street, Port Area
1018 Manila

NHQ-PCG/CG-4

27 December 2025

**STANDING OPERATING PROCEDURE
NUMBER 16-25**

**GUIDELINES AND PROCEDURES ON THE PROCUREMENT OF DEFENSE
ARTICLES/SERVICES THROUGH THE US FOREIGN MILITARY SALES (FMS)
PROGRAM**

1. REFERENCES

- A. Republic Act No. 12009, entitled “New Government Procurement Act” and its Revised Implementing Rules and Regulations dated 10 February 2025;
- B. Mutual Defense Treaty of 1951; and
- C. Security Assistance Management Manual (SAMM) Defense Security Cooperation Assistance Manual 5105.38-M.

2. PURPOSE

The purpose of this SOP is to provide a coherent framework, policies and procedures in procuring defense articles/services through the United States (US) FMS Program using Foreign Military Financing (FMF) Funds and National Funds.

3. SCOPE

This SOP covers all procurements undertaken through the US FMS Program using FMF Funds and National Funds.

4. DEFINITIONS

- A. **Blanket Order Case** – refers to a category of Letter of Offer and Acceptance (LOA) in which the purchaser procures a category of items or services (including training) at a set dollar value ceiling with no definitive listing of the exact items or quantities desired.
- B. **Co-Investment Scheme** – refers to the use of both the FMF Funds and National Funds to pay for the defense materiel/services procured through the US FMS Program.

- C. **Cooperative Logistics Supply Support Arrangement (CLSSA)** – refers to a category of LOA that is designed to provide more responsive follow-on spare parts support for US produced military hardware owned by partner nations or international organizations.
- D. **Defense Articles** – refer to any item or technical data specifically designed, developed, configured, adapted or modified for a military, missile, satellite or otherwise controlled use and is listed on the U.S. Munitions List (USML). Articles include weapons, weapon systems, system components and parts, munitions, aircraft, vessels, vehicles, supplies, commodities, facilities and tools used as or supporting implements of war.
- E. **Defense Security Cooperation Agency (DSCA)** – refers to the Department of Defense (DOD) agency responsible for the administration management, program planning and operational function of U.S. Security assistance programs. It provides financial and technical assistance; facilitates the transfer of defense articles, training and services to international partners; and promotes military-to-military contacts.
- F. **Defense Services** – refer to providing assistance (including training) to a foreign person or organization in connection with a defense article, such as design, development, manufacture, production, testing, repair, maintenance, modification, use, etc. It also refers to furnishing any technical data through formal or informal instruction, correspondence courses, technical or educational courses, information publications or media, or through the provision of training aid, orientation, military advice or conduct of exercises.
- G. **Defined Order Case** – refers to a category of LOA in which the defense articles, services or training desired by the requesting country or international organization are specified/quantified by the customer in their Letter of Request (LOR), and subsequently stated in the LOA.
- H. **Delivery Term Code** – refers to the single-character code that represents the extent (usually measured in terms of distance or geographical relocation) of U.S. Government responsibility for arranging the transportation of defense articles to an international customer.
- I. **End-User** – refers to the concerned unit/s requesting for acquisition of defense articles, services or training in line with its mandates.
- J. **Foreign Military Financing (FMF)** – refers to funds granted by the US Government (USG) to the Philippines as one of its eligible partner nations through the PCG under the US FMF Program. The funds can be used to procure US defense articles and services including trainings through the US FMS Program.

- K. **Implementing Agency (IA)** – refers to military departments and other agencies of the US Department of Defense (DoD) involved in writing and managing FMS programs.
- L. **Letter of Request (LOR)** – refers to a formal request containing sufficient information on the required defense articles/services that the End-User intends to procure/acquire.
- M. **Letter of Offer and Acceptance (LOA)** – commonly referred as “FMS Case,” a contractual sales agreement between USG and Republic of the Philippines for the sale of special tools, test equipment, vehicles construction equipment, materials handling equipment, etc., used in direct or indirect support and maintenance of weapon systems or end-items.
- N. **LOA Case Identifier** – refers to a unique code composed of country code, Implementing Agency (IA) Code, and case designator (e.g. PI-P-AAG) that is assigned to LOA. It enables both the USG and the purchaser to track the FMS case throughout its life cycle and to distinguish it from the thousands of FMS cases currently active.
- O. **Offer Expiration Date (OED)** – expiration date of the USG offer indicated in the first page of the LOA.
- P. **National Funds** – refer to fund appropriated by the Philippine Government to the PCG for the procurement of defense articles/services and for the maintenance, repair and other related services.
- Q. **Security Assistance Financial Management Review (SAFMR)** – refers to a management review facilitated by the Defense Security Cooperation Agency (DSCA) for the purpose of determining the status of FMS cases and related projects.
- R. **US Foreign Military Financing (FMF) Program** – one of the components of the US Security Assistance Program of the USG that provides eligible US partner nations with Congressionally-appropriated grants or loans, which can be used to procure US defense articles/services including trainings through the US FMS Program. This is considered as a “source of fund” to support acquisitions through the US FMS Program.
- S. **US Security Assistance Programs** – refers to programs authorized by the Foreign Assistance Act (FAA) of 1961, as amended, and the Arms Export Control Act (AECA) of 1976, as amended, or other related statutes by which the United States provides defense articles, military training and other defense-related services via grant, loan, cash sale or lease in furtherance of national policies and objectives.

- T. **US Foreign Military Sales (FMS) Program** – another component of the US Security Assistance Program authorized by the US Arms Export Control Act (USAECA) through which eligible US foreign government partners can purchase US defense articles and services including trainings. This is basically the process of procurement of defense articles/services/trainings from the USG.

5. POLICIES

- A. All projects shall be in line with the PCG Modernization Plan and approved by the PCG Modernization Board prior approval of the CPCG.
- B. The PCG shall acquire defense articles, services and trainings through the US FMS Program, in accordance with applicable laws, rules and regulations.
- C. In accordance with Section 4.2 of Republic Act No. 12009, the terms of any treaty, international or executive agreement shall prevail in the event of a conflict with its IRR. This includes, but is not limited to, provisions on payment terms and claims for liquidated damages.
- D. All LOA, regardless of fund source, shall be approved by the Commandant, Philippine Coast Guard (CPCG), as the authorized signatory to all LOA undertaken through the US FMS Program.
- E. The procurement of defense articles and services using National Funds shall be supported by a Bids and Awards Committee (BAC) Resolution, in accordance with existing procurement rules and regulations.
- F. Payment for defense articles/services procured using National Funds shall be in accordance with existing PCG financial, accounting and auditing policies, guidelines and procedures.
- G. Inspection, acceptance and issuance of delivered defense articles shall be conducted in accordance with the existing PCG policies, guidelines and procedures.
- H. In case of conflict between this SOP and the existing/current version of the SAMM, the provisions of the SAMM shall prevail.

6. PROCEDURE

- A. **FMS Cases Funded through US FMF Fund**
- i. Upon receipt of notification from JUSMAG – Philippines, O/CG-4 shall inform the PCG Modernization Board, through O/CG-15, regarding the available Foreign Military Financing (FMF) fund allocation.

- ii. Upon confirmation of alignment with the PCG Modernization Plan, the End-User shall, upon instruction from the O/CG-15 and in coordination with O/CG-4, prepare the Letter of Request (LOR) for procurement through the US Foreign Military Sales (FMS) Program.
- iii. Crafting and Processing Letter of Request (LOR):
 - a) The End-User shall prepare the Letter of Request (LOR), ensuring that it contains sufficient technical and logistical details to accurately reflect the project requirements and prevent delays in processing.
 - b) The O/CG-4 shall conduct a completeness and compliance review of the draft LOR to ensure alignment with applicable procurement guidelines and the PCG Modernization Plan prior to endorsement to JUSMAG-Philippines.
 - c) Upon validation, O/CG-4 shall initiate the necessary endorsement to the CPCG, through the appropriate channels, for approval of the LOR. The endorsement shall include the following supporting documents:
 - 1) Detailed Technical Specifications
 - 2) Letter/Notice of Approval from PCG Modernization Board
 - 3) Draft LOR
 - d) Upon approval and signing of the LOR by the CPCG, the O/CG-4 shall transmit the endorsed LOR to JUSMAG-Philippines for appropriate coordination with the concerned US authorities.
 - e) Upon approval and transmission of the LOR, O/CG-4 shall monitor its status and coordinate with JUSMAG-Philippines for updates. The Anticipated Offer Date (AOD) or the timeframe for issuance of the corresponding Letter of Offer and Acceptance (LOA) may vary depending on the complexity of the case:
 - 1) 45 days or less for Blanket Order, Cooperative Logistics Supply Support Arrangement (CLSSA), Training Cases, and associated Amendments and Modifications;
 - 2) 100 days or less for Defined Order Cases and associated Amendments and Modifications;

- 3) 150 days or more for Defined Order Cases requiring engineering system integration, complex pricing, detailed release coordination and multi-IA coordination or unique acquisition requirements; and
 - 4) 60 days or less for all associated Amendments and Modifications.
- iv. Review and Actions on the Proposed Letter of Offer and Acceptance (LOA):
- a) Upon receipt of the proposed LOA from JUSMAG-Philippines, the O/CG-4 shall transmit the document to the concerned End-User for review, comment and recommendation. The LOA shall include a Case Identifier and an Offer Expiration Date (OED), which refers to the deadline for signing the LOA, generally computed as eighty-five (85) calendar days from the signature of the USG Implementing Agency (USGIA).

Based on the review, the End-User may take the following actions:

- 1) **Recommend for Acceptance** – If the LOA is acceptable, the End-User shall endorse it to O/CG-4, which shall facilitate the endorsement to the PCG Modernization Board through O/CG-15, and secure the approval and signature of the Commandant, PCG.
- 2) **Recommend for Restatement** – If there are necessary revisions to the LOA, the End-User shall endorse it to O/CG-4 for transmission to JUSMAG-Philippines. A restatement may be requested for major changes while the LOA is still under offer status or has been accepted but not yet implemented.
- 3) **Recommend for Declination** – If the proposed LOA is no longer aligned with the End-User's requirements, the End-User shall notify O/CG-4, which will inform JUSMAG-Philippines accordingly.
- 4) **Request for Extension** – If the End-User requires more time to review the LOA, the End-User shall submit a request to O/CG-4 at least 15 days before the Offer Expiration Date (OED). O/CG-4 shall coordinate the request with JUSMAG-Philippines for processing.



- b) Following the recommendation for acceptance, O/CG-4 shall endorse the LOA to the PCG Modernization Board through O/CG-15 for confirmation. Upon approval, the CPCG shall sign the LOA. The signed LOA shall then be transmitted by O/CG-4 to JUSMAG-Philippines for implementation by the concerned USG IA.
 - c) Upon receipt of the signed LOA, the concerned USG IA shall initiate procurement in accordance with US laws and regulations.
 - d) During implementation, changes to the LOA may be required due to updated requirements from the PCG or adjustments by the USG. The following documentations are used to authorize such changes:
 - 1) **Amendment** – For significant changes such as adjustments in scope, quantity, price or funding, a new Letter of Request (LOR) shall be prepared. Processing shall follow the same procedure as the approval of the basic LOA.
 - 2) **Modification** – This is issued by DSCA for administrative or minor changes that do not alter the scope or require PCG acceptance (e.g., reduced pricing, earlier delivery, or corrections).
- v. Delivery shall follow the agreed Delivery Term Code (DTC) or mode indicated in the LOA. If transportation costs are covered, the USG IA will arrange shipment via a US-based freight forwarder. Procedures include:
- a) The JUSMAG-Philippines or its freight forwarder shall notify the O/CG-4 about incoming shipments via Notice of Delivery and Bill of Lading (BL/AWB). The concerned Central Staff shall ensure that they have an authorized Bureau of Customs (BOC) consignee for their respective FMS shipments.
 - b) For the shipments/deliveries, the O/CG-4 in coordination with O/CG-15, O/CG-6, End-Users and the Coast Guard Supply Accountable Office (CGSAO) shall facilitate customs release.
 - c) If applicable, O/CG-4, End-User and concerned Central Staff shall secure:
 - 1) Tax exemption from Department of Finance (DOF) and Bureau of Customs (BOC);

- 2) Authority to import under RA 10591 or the "Comprehensive Firearms and Ammunition Regulation Act." End User shall request End User Certificate (EUC) from O/CG-11. Upon EUC issuance, O/CG-11 representative shall coordinate with Philippine National Police (PNP) for the release of Authority to Import.
- vi. Upon arrival, inspection and acceptance of delivered items shall be conducted in accordance with applicable procedures:
 - a) A Technical Inspection and Acceptance Committee (TIAC) shall be convened together with representatives from O/CG-4, JUSMAG-Philippines, End-User and CGSAO to conduct inventory and inspection of the delivered items.
 - b) Any discrepancies or defects identified during inspection shall be recorded in a Discrepancy Report (DR), to be prepared by the End-User. The DR shall be transmitted to the O/CG-4 for endorsement to JUSMAG-Philippines, which will then forward the report to the concerned USG agency for appropriate action. If the DR is validated and submitted within one (1) year from the date the items departed the USG warehouse, the USG agency shall process the necessary repair or replacement and arrange delivery to the PCG.
 - c) Upon inspection, the TIAC shall submit Inventory and Inspection Report to the O/CG-4.
 - vii. Upon completion of inspection and acceptance, the items shall be released to the designated End-User unit or office based on documented approval. Issuance documents, such as the Requisition and Issue Slip (RIS) or Property Acknowledgement Receipt (PAR), shall be duly accomplished prior to turnover. Copies of the finalized documents shall be provided to the concerned offices for proper recording and reconciliation of records.
 - viii. All defense articles, equipment and supplies procured through the US Foreign Military Financing (FMF) Fund shall be classified as donated articles of the Government of the Philippines, unless otherwise specified in the terms of the Letter of Offer and Acceptance (LOA). As such, they shall be duly recorded in the property records of the Philippine Coast Guard and accounted for in the books of accounts in accordance with existing government accounting and auditing rules and regulations.
 - ix. Cancellation or suspension of a LOA may be initiated by the PCG, subject to the approval of the PCG Modernization Board and the Commandant, PCG. Any termination of a LOA prior to delivery may result in financial obligations to cover associated termination costs.

- x. Case closure may be requested by the PCG during the conduct of the annual RP-US Security Assistance Financial Management Review (SAFMR), provided that all LOA conditions have been fulfilled, including complete delivery of supplies and services and expiration of any applicable warranty periods.

B. FMS Cases Funded through National Funds

- i. During the planning phase, the concerned End-User shall prepare and submit a Letter of Request (LOR) for Price and Availability (P&A) to the O/CG-4. The following steps shall be observed in requesting P&A:
 - a) The O/CG-4 shall review and endorse the LOR to JUSMAG-Philippines for transmittal to the concerned USG Implementing Agency (USG IA), which is expected to process the request and provide the P&A within approximately forty-five (45) days from receipt.
 - b) Upon availability, JUSMAG-Philippines shall transmit the P&A to O/CG-4, which shall then forward the same to the concerned End-User for their perusal and planning.
- ii. The concerned End-User shall present the proposed project to the PCG Modernization Board for evaluation and endorsement. Likewise, O/CG-4 in coordination with O/CG-11 and O/CG-15 shall also present the proposed project to the Program and Budget Advisory Committee (PBAC) for evaluation and deliberation. The PBAC shall then endorse the said proposal to CPCG for final approval.
- iii. Upon CPCG's approval, the PCG program proposals together with necessary requirements shall be endorsed and submitted to the Department of Budget and Management (DBM). The PCG Proposals will then undergo evaluation and deliberation pending the publication of the National Expenditure Program (NEP).
- iv. Once approved, the said project may be endorsed for pre-procurement activity pending the enactment of the General Appropriations Act.
- v. The concerned End-User shall ensure that a BAC Resolution, issued either by the NHQ-BAC or the End-User BAC as may be applicable, is prepared in compliance with existing procurement laws and regulations. The BAC Resolution, together with its supporting documents, shall be transmitted to O/CG-4 for proper endorsement to the End-User, directing the preparation and submission of the LOR for LOA.

- vi. For acquisition projects funded through the Maintenance and Other Operating Expenses (MOOE), the concerned End-User shall secure a BAC Resolution approved by the Head of Procuring Entity (HOPE), together with a copy of the approved Annual Procurement Plan (APP), in support of the request for procurement through the US FMS Program.
- vii. The preparation and processing of the LOR for FMS cases funded through **National Funds** shall adhere to the same procedure detailed under Procedure No. 3 of the **FMS Cases Funded through US FMF Fund**.
- viii. The Review and Actions on the proposed LOA FMS cases funded through **National Funds** shall adhere to the same procedure detailed under Procedure 4 of the **FMS Cases Funded through US FMF Fund**.
- ix. Payment to the US Treasury shall be processed through wire-transfer based on the Terms of Sale and payment schedule indicated in the LOA. The procedure shall vary depending on the source of funding:
 - a) **Capital Outlay Projects:** Upon approval by the higher headquarters, the End-User and the concerned program directors shall prepare the necessary documents and initiate the wire transfer of funds. The O/CG-6 shall, when necessary, upon submission of complete documentary requirements, forwards the request to the Department of Budget and Management (DBM) for the issuance of Special Allotment Release Order (SARO) and Notice of Cash Allocation (NCA), and monitors its release.
 - b) **MOOE-funded Procurements:** The wire-transfer of funds shall follow the existing PCG accounting and auditing procedures.

All Foreign Military Sales (FMS) transactions are based on a fixed monetary amount. Any foreign exchange losses incurred at the time of payment will necessitate an adjustment to the quantity of goods delivered.
- x. Upon receipt of the signed LOA and confirmation of the wire-transfer of funds, the concerned USG IA shall initiate the implementation of the LOA in accordance with the applicable US laws, regulations and procedures. Any proposed changes to the LOA shall follow the procedure outlined in item d of **Procedure 4** under **FMS Cases Funded through US FMF Fund**.

- xi. The End-User may request the conduct of a Quality Assurance Inspection (QAI) prior to the delivery of articles/items to the country, depending on the nature of the items and subject to availability of funds. This QAI is separate from the inspection conducted by the USG, which ensures compliance with USG standards and requirements.
- xii. **Shipment Delivery** shall adhere to the same procedure detailed under Procedure 5 of the **FMS Cases Funded through US FMF Fund**, except for the following:
 - a) **Application for Tax Exemption** – For all projects funded through Capital Outlay or MOOE, upon receipt of the Notice of Delivery, Air Waybill (AWB)/Bill of Lading (BL) and Invoice Receipt, the O/CG-4, O/CG-15 and the concerned End-User shall initiate coordination for the processing of tax exemption with the Bureau of Customs (BOC) and the Department of Finance (DOF), in accordance with existing laws, rules and regulations, and ensure the completeness of the documents forwarded to O/CG-6 for the release of the appropriation from the DBM.
 - b) **Application for Authority to Import** – For Capital Outlay and MOOE-funded projects requiring **Authority to Import** under **Republic Act No. 10591** or the “*Comprehensive Firearms and Ammunition Regulation Act*,” the **O/CG-11** shall facilitate the application for issuance. The **O/CG-11**, together with the End-User representative, shall coordinate with the **Philippine National Police (PNP)** to ensure the prompt release of the required authority.
- xiii. **Inspection and Acceptance** shall adhere to the same procedure detailed under Procedure 6 of the **FMS Cases Funded through US FMF Fund**.
- xiv. **Cancellation or suspension of an LOA** may be initiated by the PCG, subject to the approval of the CPCG. Any termination of a LOA prior to delivery may result in financial obligations to cover associated termination costs.
- xv. **Case Closure** shall adhere to the same procedure detailed under Procedure No. 9 of the **FMS Cases Funded through US FMF Fund**.

- C. **FMS Cases Funded through Co-Investment Scheme** – The same procedures outlined under **FMS Cases Funded through National Funds** shall apply, **except for the payment process**, wherein the PCG shall cover the cost in excess of the approved FMF fund allocation for the wire transfer of the National Funds. Any cost in excess of the approved FMF fund allocation, shouldered by the PCG through National Fund, shall likewise be proposed to the PBAC for endorsement and approval of the CPCG. This shall also be forwarded to DBM for evaluation and deliberation.

7. RESPONSIBILITY

A. Deputy Chief of Coast Guard Staff for Logistics, CG-4

- i. Provide overall supervision and monitoring of all procurement projects undertaken through the US FMS program;
- ii. Coordinate with CG-15 on essential requirements to be proposed for procurement using annual FMF funds for approval by the Senior Leaders;
- iii. Review and ensure completion of all LOR and LOA prior transmittal/submission to JUSMAG-Philippines;
- iv. Maintain close coordination with the JUSMAG-Philippines;
- v. Supervise the delivery and inventory of items;
- vi. Facilitate the issuance of appropriate directives for all delivered and accepted defense articles;
- vii. Monitor compliance with accounting and auditing requirements, and provide oversight on the proper recording of FMF-procured articles in coordination with CGSAO; and
- viii. Maintain, monitor and update financial transactions and records on FMS cases through the Security Cooperation Information Portal (SCIP).

B. Deputy Chief of Coast Guard Staff for Strategic Studies, CG-15

- i. Coordinate with End-Users to identify priority projects for the utilization of annual FMF funds; and
- ii. Coordinate with CG-4 the items to be procured based on the requirements in the PCG Modernization Plan.

C. Deputy Chief of Coast Guard Staff for Comptrollership, CG-6

- i. Submit PCG Program Proposals to the Department of Budget and Management (DBM) for evaluation;
- ii. Forward request to the Department of Budget and Management (DBM) for the For Issuance of Special Allotment Release Order (FISARO) and Notice of Cash Allocation (NCA), and monitor its release.
- iii. Certify the availability of cash together with the Chief Accountant, PCG.

D. Chief Accountant

Reconcile records based on the inventory report submitted by concerned units.

E. Coast Guard Supply and Accountable Officer

- i. Participate in the conduct of inspection and acceptance procedures, as applicable;
- ii. Record the receipt of delivered items and facilitate the issuance of the necessary documents prior release to end-user in accordance to the existing laws, rules and regulations;
- iii. Ensure the issuance of Property Acknowledgement Receipts (PARs) and other documentation reflecting the classification of FMF-procured articles as donations; and
- iv. Reconcile records with O/CG-6 and CG Accounting Service Office (CGASO).

F. Coast Guard Legal Service

Verify and check all terms and conditions of the LOA/contract and agreements entered into involving FMS.

G. End-User

- i. Submit the monthly status reports/updates of the procured articles to O/CG-4; and
- ii. Assume accountability for the donated articles upon issuance, ensure their proper use, and maintain updated property records in accordance with COA rules and PCG policies.

- iii. Create the Technical Working Group (TWG) to determine the specifications of the items to be procured; and
- iv. Create the Technical Inspection and Acceptance Committee (TIAC) for any FMS transactions/procurement.

H. **Technical Working Group (TWG)**

Draft and review technical specifications, scope of work and terms of reference for a particular project.

I. **Technical Inspection and Acceptance Committee (TIAC)**

- i. Conduct technical inspection and acceptance of the delivered items; and
- ii. Submit TIAC Report to CG-4, CG-6 and concerned units.

8. RESCISSION

All PCG policies, rules and regulations or issuances or parts thereof which are inconsistent with this SOP are hereby repealed, amended or modified accordingly.

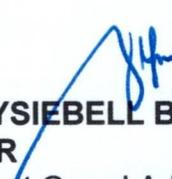
9. EFFECTIVITY

This SOP shall take effect upon publication.

BY COMMAND OF ADMIRAL GAVAN PCG:

OFFICIAL:

GLIDE GENE MARY G SONTILLANOSA
COMMO **PCG**
Chief of Coast Guard Staff


JAYSIEBELL B FERRER
CDR **PCG**
Coast Guard Adjutant

Annexes:

- A – *Process flow for the FMS Projects funded through FMF*
- B – *Process flow for the FMS Projects funded through Republic Funds*
- C – *Delivery Term Code (DTC) or mode of transportation*