SYM-AM-26-088

Excerpt from the Proceedings

of the

Twenty-Third Annual Acquisition Research Symposium and Innovation Summit

Wednesday, May 6, 2026 Sessions

Volume I

"Accelerating Warfighting Capabilities"

Defense Acquisition and Contracting Approaches: Implications for Foreign Military Sales

Published: April 30, 2026

The research presented in this report was supported by the Acquisition Research Program, Graduate School of Defense Management at the Naval Postgraduate School.

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Defense Acquisition and Contracting Approaches: Implications for Foreign Military Sales

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Abstract

This paper examines how contracting structures shape the United States' Foreign Military Sales (FMS) system. It challenges explanations that attribute FMS inefficiencies to the limited use of acquisition "innovation pathways," such as Other Transaction Authority (OTA) or the Middle Tier of Acquisition (MTA), and instead argues that outcomes are better explained by established Federal Acquisition Regulation (FAR)-based contracting instruments. Using data from the Federal Procurement Data System (FPDS), the analysis compares FMS and non-FMS procurement across contract types, platform portfolios, vendor composition, and time trends.

The findings show that FMS contracting is concentrated in mature production and sustainment activities, dominated by Firm-Fixed-Price (FFP) contracts with limited but growing use of incentive-based structures. Indefinite Delivery/Indefinite Quantity (IDIQ) contracts play a supporting role, while Undefinitized Contract Actions (UCAs) remain marginal. Compared to domestic procurement, FMS relies more heavily on large contractors, reflecting both the scale and complexity of procured systems as well as institutional constraints such as pricing transparency and intergovernmental coordination.

Overall, the study reframes FMS as a constrained system in which performance is shaped less by new acquisition authorities and more by how conventional contracting tools are applied, highlighting opportunities for reform through improved implementation of existing mechanisms.

Introduction

The United States' Foreign Military Sales (FMS) system sits at the core of modern security cooperation, serving as a primary mechanism for the United States to equip its allies, strengthen partnerships, and advance its strategic interests abroad. Managed by the Defense Security Cooperation Agency (DSCA), FMS enables partner nations to acquire U.S. defense capabilities while promoting interoperability and long-term institutional alignment (DSCA, n.d.). As great power competition intensifies and technological change accelerates, the effectiveness of this system has taken on renewed importance (Byman et al., 2025). Despite its strategic value, however, FMS continues to face persistent criticism for long delivery timelines, bureaucratic complexity, and limited flexibility in responding to evolving partner requirements (Saum-Manning et al., 2024).

These challenges are not unique to FMS, but instead reflect broader structural features of the U.S. defense acquisition system. Over time, acquisition reform efforts have sought to

improve speed, predictability, and efficiency in how the Department of Defense procures and sustains capabilities (Lopez, 2023). While these efforts have introduced more flexible contracting practices in certain domestic acquisition contexts, their translation into FMS has been uneven. Rather than reflecting a failure to adopt "innovative pathways" such as Middle Tier of Acquisition or Other Transaction Authority, this gap is better explained by the nature of FMS itself. FMS primarily executes the sale of fully-developed systems, where procurement is governed less by research and development and more by established contracting fundamentals including cost certainty, compliance, and delivery schedule.

Existing research has documented persistent inefficiencies in FMS, including longer delivery timelines, reduced responsiveness, and coordination challenges across multiple stakeholders. However, much of the policy discourse remains high-level, emphasizing broad reform goals without systematically analyzing the distribution and performance of specific contracting mechanisms. There is limited empirical attention to how core contract types—such as Firm-Fixed-Price contracts, incentive-based structures, and Indefinite Delivery/Indefinite Quantity (IDIQ) vehicles—are used across FMS compared to non-FMS procurement and how these choices shape execution outcomes.

Ultimately, improving the FMS process is not primarily a matter of adopting new acquisition "innovation tools," but of better understanding and optimizing the contracting structures already in use. As global demand for defense capabilities increases, the ability of the United States to deliver timely, predictable, and scalable solutions to partners will depend on how effectively these contracting mechanisms are employed. This research therefore links acquisition practice to security cooperation outcomes by providing an evidence-based assessment of how contract structure shapes performance in FMS relative to broader defense procurement.

Approach

This paper makes three core contributions to the study of Foreign Military Sales (FMS) and defense acquisition reform. First, it reframes FMS performance not as a function of acquisition pathway innovation, but as an outcome of how established Federal Acquisition Regulation (FAR)-based contracting instruments are selected and applied. Second, using Federal Procurement Data System (FPDS) analysis, it demonstrates that FMS contracting is structurally concentrated in mature production and sustainment activities governed primarily by Firm-Fixed-Price and related contract types (Warfighting Acquisition University, n.d.). Third, it shows that variation in FMS outcomes is better explained by contract structure, vendor composition, and system maturity than by the adoption of alternative acquisition authorities such as OTA or MTA. Together, these findings shift the analytical focus of FMS reform from procedural innovation toward optimization of existing contracting mechanisms.

To support this analysis, the study employs a mixed-methods approach. Quantitatively, it draws on data from the Federal Procurement Data System (FPDS) to examine millions of defense contracts, including those associated with FMS cases. This enables a comparison of contract type distribution, platform portfolios, contract size, and duration across FMS and non-FMS procurement. Qualitatively, the study incorporates case-based vignettes to contextualize observed contracting patterns and assess how different mechanisms function in practice within established defense systems. A central contribution of this research is the development of a data-driven framework that allows practitioners within the security cooperation workforce to better understand historical contracting patterns and apply those insights to current FMS cases. By focusing on widely used contracting instruments rather than R&D-oriented acquisition pathways, the analysis provides more directly applicable insights for decision-makers operating within existing institutional constraints.

Explaining the Shift in Project Focus

An initial review of Federal Procurement Data System (FPDS) records, supplemented by DSCA case-level information, suggests that Foreign Military Sales (FMS) contracting is focused on the production, delivery, and sustainment of established defense systems. Across major platform portfolios, including aircraft, missile systems, and land vehicles, FMS activity is primarily associated with procurement decisions that occur after system development has already been completed within the domestic acquisition system. In other words, FMS is not typically a vehicle for early-stage acquisition activity (Warfighting Acquisition University, n.d.). Instead, it functions as a downstream execution mechanism for capabilities that are already production-ready and integrated into existing U.S. defense supply chains (Warfighting Acquisition University, n.d.). Because FMS and domestic acquisition rely on the same underlying Federal Acquisition Regulation (FAR)-based contracting tools, differences in outcomes can be traced to how those tools are designed, selected, and applied across different institutional environments. As a result, the underlying contracting activity reflects recurring production runs, sustainment support, spares procurement, and configuration adjustments rather than innovation or developmental work.

This empirical structure is important because it constrains the range of contracting behaviors observable in the data. The FPDS record shows limited evidence of FMS participation in prototyping or iterative capability experimentation. These categories of acquisition activity are more commonly associated with domestic U.S. procurement prior to foreign release decisions, rather than with the FMS process itself. This empirical reality has direct implications for how FMS should be analyzed in the context of acquisition reform and contracting behavior.

Prior reform efforts in the FMS space have consistently identified inefficiencies related to delays, coordination complexity, and limited transparency. For example, structural analyses of the security cooperation process highlight bottlenecks in pricing and approval workflows that slow execution, while government-led modernization efforts have emphasized the need to streamline interagency coordination and reduce administrative friction across the enterprise (Sanders et al., 2019; U.S. GAO, 2017). Similarly, defense industry assessments point to fragmented oversight and inconsistent execution standards as persistent challenges, and broader policy discourse reinforces the need for improved governance and process efficiency across security cooperation activities (Saum-Manning et al., 2024). While these perspectives provide valuable insights into procedural and institutional constraints, they remain largely focused on administrative reform and do not systematically account for how contracting structure itself shapes execution outcomes in FMS. This limitation motivates a shift toward analyzing the distribution and use of FAR-based contracting instruments as the primary explanatory lens, rather than the initially proposed assessment of novel acquisition pathways.

First, acquisition pathways such as the Middle Tier of Acquisition (MTA) are designed primarily to support rapid prototyping and accelerated fielding of new capabilities (Warfighting Acquisition University, n.d.). These pathways assume a level of technical uncertainty and iterative development that is generally not present in FMS cases, where the underlying system has already been developed, tested, and placed into production (U.S. GAO, 2023). As a result, MTA is structurally misaligned with the dominant characteristics of FMS procurement activity and does not serve as a meaningful explanatory variable for differences in FMS contracting outcomes.

Second, Other Transaction Authority (OTA) mechanisms are similarly limited in their relevance to FMS analysis. OTAs are primarily used to facilitate prototyping, non-traditional vendor engagement, and flexible experimentation outside the constraints of the Federal Acquisition Regulation (FAR; Office of the Under Secretary of Defense for Acquisition and

Sustainment, 2023). While these tools have become increasingly important in certain areas of domestic defense innovation, they are not representative of the contracting environment that defines FMS execution. FMS cases must comply with stricter requirements for transparency, pricing documentation, intergovernmental coordination, and congressional oversight, all of which significantly constrain the applicability of OTA-style contracting structures (U.S. GAO, 2025).

These considerations suggest that both MTA and OTA are analytically peripheral to the core dynamics of FMS contracting behavior. While they are important components of the broader acquisition reform ecosystem, they do not meaningfully capture the structure of how FMS cases are executed in practice. Because FMS is centered on the execution of demonstrated defense systems, acquisition pathways designed for prototyping and experimentation are not strong explanatory variables for variation in FMS outcomes. Their limited presence in FMS-related contracting activity reduces their utility for systematic analysis of timelines, contract structures, or performance differences between FMS and non-FMS procurement.

Figure 1 illustrates the distribution of total obligated funding across products, research and development (R&D), and services for both FMS and non-FMS contracts over time. The data shows that FMS obligations are saturated in product procurement, with only a negligible share allocated to R&D activities. In contrast, non-FMS contracting includes a more visible, though still limited, R&D component. This disparity highlights a fundamental structural difference: FMS operates primarily as a mechanism for acquiring and delivering well-developed systems rather than developing new capabilities. As a result, contracting approaches designed for prototyping and experimentation play a minimal role in FMS execution.

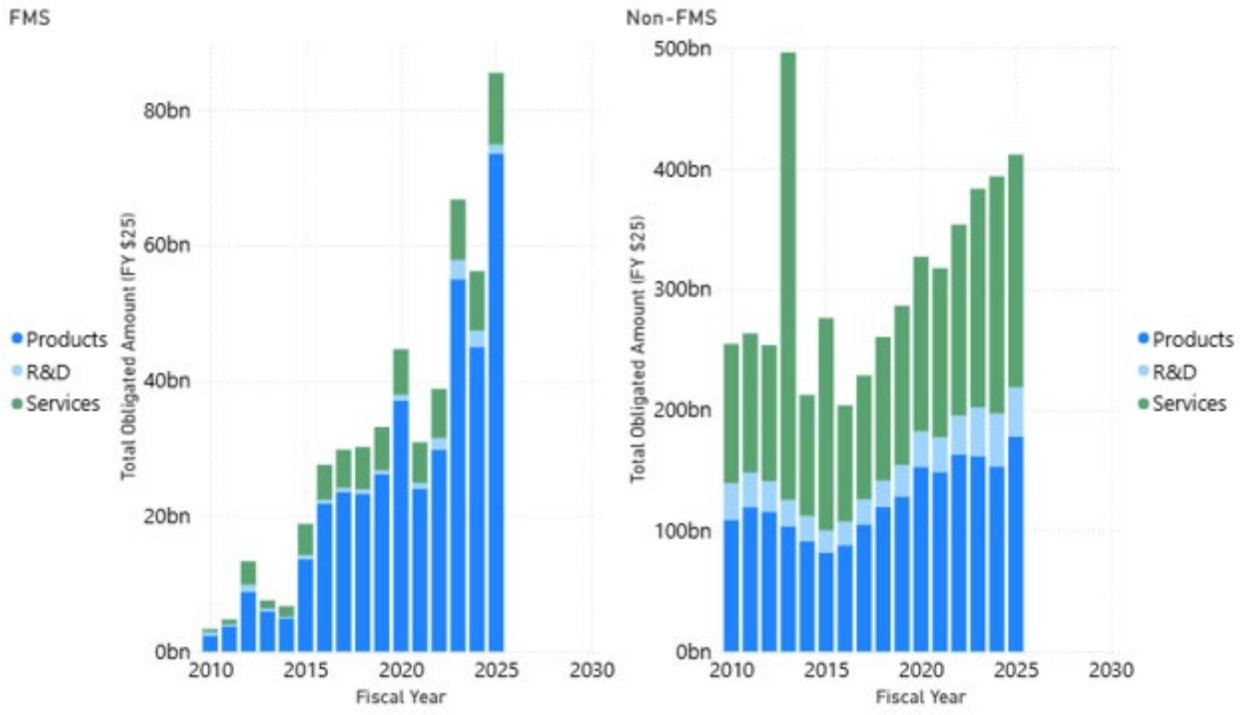

Figure 1. Total Amount Obligated by Product, Service, and R&D

Accordingly, the analytical focus of this study shifts away from innovation-oriented acquisition pathways and toward the contracting structures that actually govern FMS execution.

This includes widely used and empirically observable mechanisms such as Firm-Fixed-Price contracts, incentive-based structures, and Indefinite Delivery/Indefinite Quantity (IDIQ) vehicles, as well as the institutional constraints that shape their use. By refocusing on these established contracting instruments, the analysis is better aligned with the empirical reality of FMS and more capable of generating actionable insights for improving execution within existing institutional boundaries.

What Actually Drives FMS Contracting Outcomes?

Rather than being shaped by experimental acquisition pathways, FMS contracting outcomes are primarily driven by a set of well-established FAR-based contracting instruments. These mechanisms structure how work is priced, how risk is allocated between the U.S. government and contractors, and how execution is managed over a contract's lifetime. To assess how these FAR-based contracting mechanisms shape FMS efficiency in practice, this study examines several widely used contracting instruments.

The most common instrument, utilized by both FMS and non-FMS cases is the Firm-Fixed-Price (FFP) contract. In the FMS context, FFP contracts are frequently used from mature systems such as aircraft, missiles, and vehicles, where production costs are relatively stable and requirements are well understood (GSA, 2026). FFP contracts place most cost risk on the contractor while providing the government and, by extension, foreign partners with budget certainty (GSA, 2026). In contrast, cost-based contracts, such as Cost Plus Award Fee, are used in situations where requirements are less defined or where cost uncertainty remains high (GSA, 2026). Under these arrangements, the government agrees to reimburse allowable costs incurred by the contractor, often with additional fees (GSA, 2026). While less common in stable production environments, cost-type contracts may still appear in early production lots, complex sustainment efforts, or cases involving technical uncertainty (GSA, 2026).

A third category this study investigates includes incentive-based contracts, such as Fixed-Price Incentive Firm (FPIF) and Cost-Plus Incentive Fee (CPIF) structures. These contracts are designed to manage execution risk by linking contractor compensation to performance outcomes such as cost control, schedule adherence, or technical achievement (GSA, 2026). Their use reflects a constrained form of flexibility: While they introduce performance incentives, they remain embedded within a broader institutional environment that prioritizes price certainty, transparency, and intergovernmental accountability (GSA, 2026). As a result, incentive-based contracting represents incremental adjustment within a fundamentally structured system rather than a shift toward experimental acquisition approaches.

Another widely used mechanism is the Indefinite Delivery/Indefinite Quantity (IDIQ) contract structure. IDIQs enable the government to issue task or delivery orders over time without re-competing or renegotiating the underlying contract, providing a degree of administrative and logistical flexibility within the FAR framework (GSA, 2026). This structure is particularly well suited to sustainment, spare parts, and recurring support requirements where demand is continuous but not fully defined at the outset (GSA, 2026). IDIQs are not unique to FMS and instead reflect a standardized contracting instrument across the defense acquisition system. In Fiscal Year 2024, over half of all Department of Defense obligated dollars were on Indefinite Delivery Vehicles (IDVs), which include IDIQs (Congressional Research Service, 2024). Their widespread use suggests that flexibility in both FMS and non-FMS contexts is achieved primarily through established FAR-based tools rather than through acquisition pathway variation or specialized procurement authorities.

Finally, Undefinitized Contract Actions (UCAs) represent a more exceptional contracting instrument that permits performance to begin before final contract terms are fully agreed upon (GSA, 2025). While UCAs can be used to accelerate execution in urgent operational contexts,

their application in FMS is structurally constrained by requirements for pricing justification, intergovernmental coordination, and eventual contract definitization (GSA, 2025). More broadly, the limited role of UCAs across both FMS and non-FMS contracting underscores their function as an exception-handling mechanism rather than a routine feature of acquisition strategy. Their marginal use reinforces the broader finding that execution speed and flexibility in FMS are not driven by ad hoc contracting authorities, but are instead shaped by the disciplined application of established contracting structures within a highly regulated environment.

These contracting mechanisms are more analytically relevant than acquisition "innovation pathways" such as the Middle Tier of Acquisition (MTA) or Other Transaction Authority (OTA) because they directly shape the structure and performance of FMS execution. Contract type governs four core dimensions of acquisition outcomes: price certainty, schedule predictability, risk allocation, and execution flexibility (GSA, 2026). Fixed-price contracts provide cost stability for both the U.S. government and foreign partners, while contract structure more broadly influences delivery timelines, the distribution of financial risk, and the degree of flexibility available during execution (GSA, n.d.). Incentive contracts balance risk between stakeholders, while mechanisms such as IDIQs and UCAs introduce varying levels of adaptability (GSA, n.d.).

These factors shape FMS performance far more directly than whether a program falls under a particular acquisition pathway. This leads to a fundamental reframing of the research question. Rather than asking which acquisition pathway is used, the more relevant question is: Which contract structure governs the execution of an already-developed system within FMS? By shifting the focus from acquisition pathways to contracting structures, this analysis better reflects the operational reality of FMS and provides a clearer understanding of what drives differences in cost, schedule, and performance outcomes. Ultimately, FMS performance is shaped less by innovation in acquisition design and more by the selection and execution of conventional contracting tools within a highly structured environment.

FPDS Analysis of FMS by Contract Type

This section presents a series of static visualizations derived from the Federal Procurement Data System (FPDS) data comparing FMS and non-FMS contracting activity across multiple dimensions. The accompanying analysis provides an initial empirical mapping of how contracting structures differ across these two procurement environments. Rather than focusing on acquisition pathways or experimental contracting mechanisms, the figures examine observable variation in contract type distribution, platform portfolios, vendor size, and time trends in obligated funding.

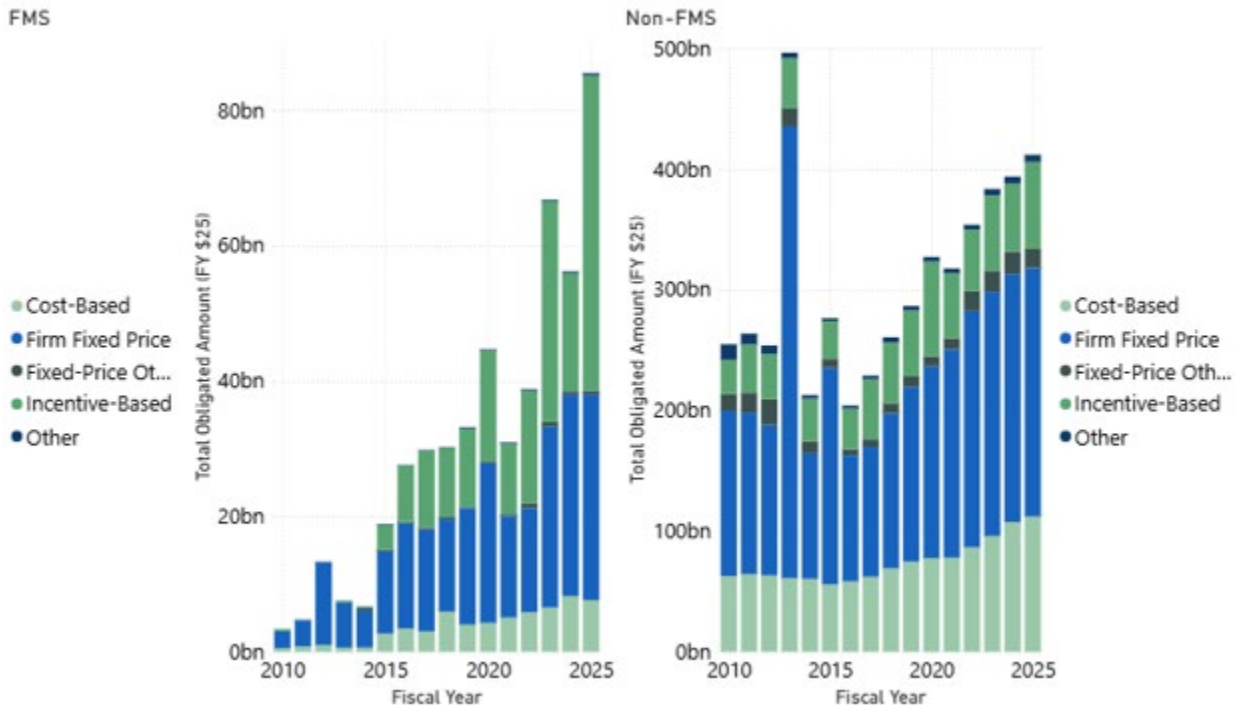

Figure 2: Total Amount Obligated by Contracting Method

These cuts establish a descriptive baseline for understanding how FAR-based contracting instruments are applied in practice across FMS and non-FMS contexts. The contract type distribution provides the clearest evidence of structural differences in contracting behavior. *Figure 2* demonstrates the distribution of FAR-based contracts over the last decade. Across the dataset, the majority of FMS obligations are Firm-Fixed-Price contracts; however, there is evidence of gradual diversification, as the use of incentive-based contract structures shows modest growth. The large proportion of FFP contracts suggests a preference for cost certainty, clearly defined deliverables, and reduced pricing ambiguity in foreign partner procurement. However, the growth in incentive-based contracts indicates an increasing effort to introduce more flexible arrangements that can better balance cost control with performance incentives in cases of greater execution uncertainty. When examining non-FMS cases, the distribution of contract types appears more balanced across categories, with gradual increases in Firm-Fixed-Price contracts as well as modest shifts in other contract types. Proportionally, this suggests a relatively stable but less specialized contracting structure compared to FMS, with greater dispersion across contracting methods reflecting a broader range of procurement requirements and use cases.

These findings have important implications for FMS reform. The continued concentration of Firm-Fixed-Price contracts suggests that FMS contracting is structurally oriented toward cost certainty, standardization, and the transfer of execution risk to contractors, reflecting the requirements of intergovernmental coordination and pricing accountability. While the modest increase in incentive-based contracting indicates a gradual move toward greater flexibility, this shift remains incremental rather than transformative and does not meaningfully alter the overall dominance of fixed-price arrangements. As a result, reform efforts are unlikely to be driven by wholesale changes in contract type usage, but rather by improvements in how existing FFP-heavy structures are priced, negotiated, and executed. In contrast, the more diversified contract mix observed in non-FMS procurement reflects a broader range of mission requirements and greater heterogeneity in acquisition needs, rather than a clearly superior model of contracting

flexibility. Accordingly, the most meaningful gains in FMS performance are likely to come from optimizing execution within the constraints of the existing contracting structure rather than attempting to replicate the distributional patterns of non-FMS procurement.

Additional cuts by platform portfolio further contextualize these differences by linking contract structures to specific capability areas, including aircraft, land vehicles, and ordnance and missiles. This dimension allows for assessment of whether contracting patterns are driven primarily by system type or by the institutional context of FMS versus non-FMS execution. Macro-level evidence indicates that mature systems are consistently associated with more standardized contracting approaches.

Figure 3 reinforces this interpretation by disaggregating contract type distribution across platform portfolios in both FMS and non-FMS contexts. Across all categories, Firm-Fixed-Price contracts dominate, underscoring the overall stability and standardization of defense procurement. In ordnance and missile systems, FMS contracting is highly concentrated in FFP arrangements, with only a modest presence of incentive-based contracts, while non-FMS cases remain similarly FFP-heavy but exhibit a slightly more uniform distribution. Aircraft procurement shows the most notable variation, where FMS cases include a visible share of Incentive-Based contracts alongside dominant FFP structures, whereas non-FMS aircraft contracting remains largely FFP-driven with a more tightly clustered distribution overall. Land vehicles display the most consistent pattern across both channels, with overwhelming reliance on FFP contracts and minimal variation in contract type. Collectively, these patterns indicate that while system complexity introduces limited variation at the margins, FMS contracting remains fundamentally standardized across platform portfolios and is primarily defined by stable, production-oriented contracting norms.

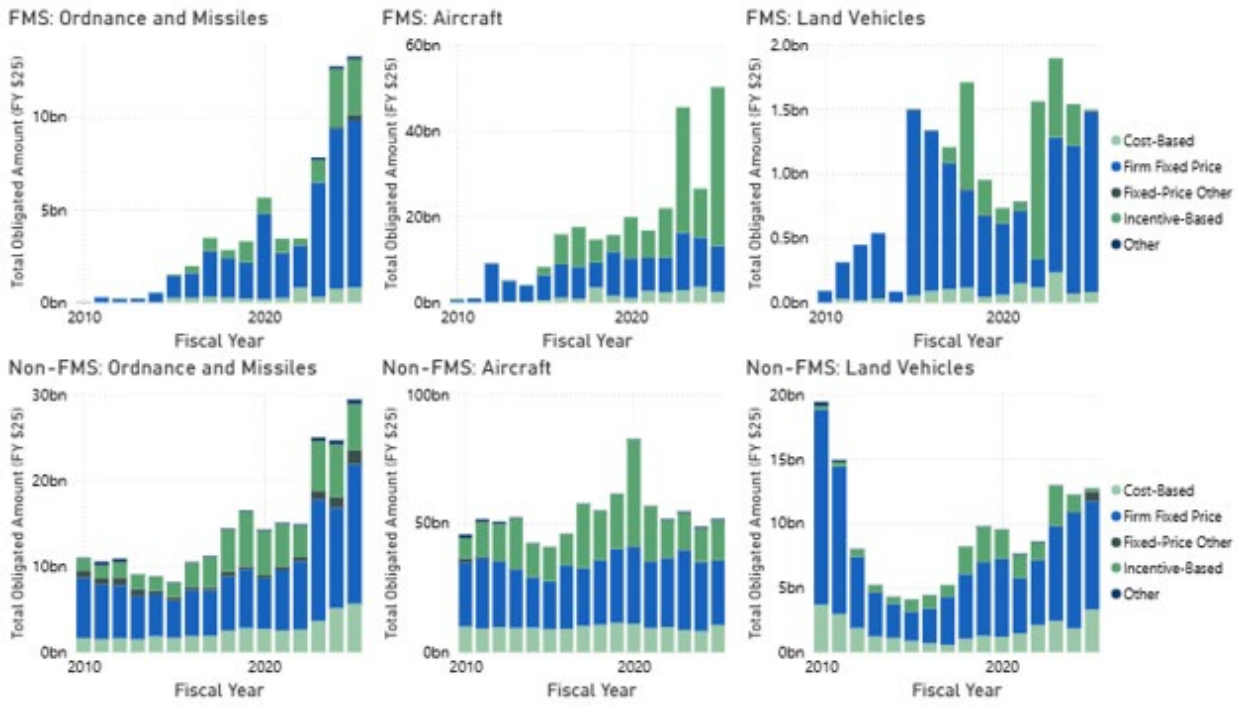

Figure 3: Total Obligated Amount by Contracting Method for Various Platforms

Vendor size analysis provides a complementary perspective on how industrial base structure interacts with contracting behavior. *Figure 4* demonstrates the pattern of contracting methods within various vendor sizes. By examining the distribution of obligations across large

prime contractors and smaller vendors, the analysis identifies the extent to which contracting activity is focused among major defense firms. Initial results suggest that FMS contracting remains highly reliant on established primes, consistent with the scale, integration requirements, and compliance demands of international defense procurement. Non-FMS activity, while still dominated by large contractors, shows comparatively greater dispersion across vendor categories, reflecting a broader range of sourcing strategies within domestic acquisition.

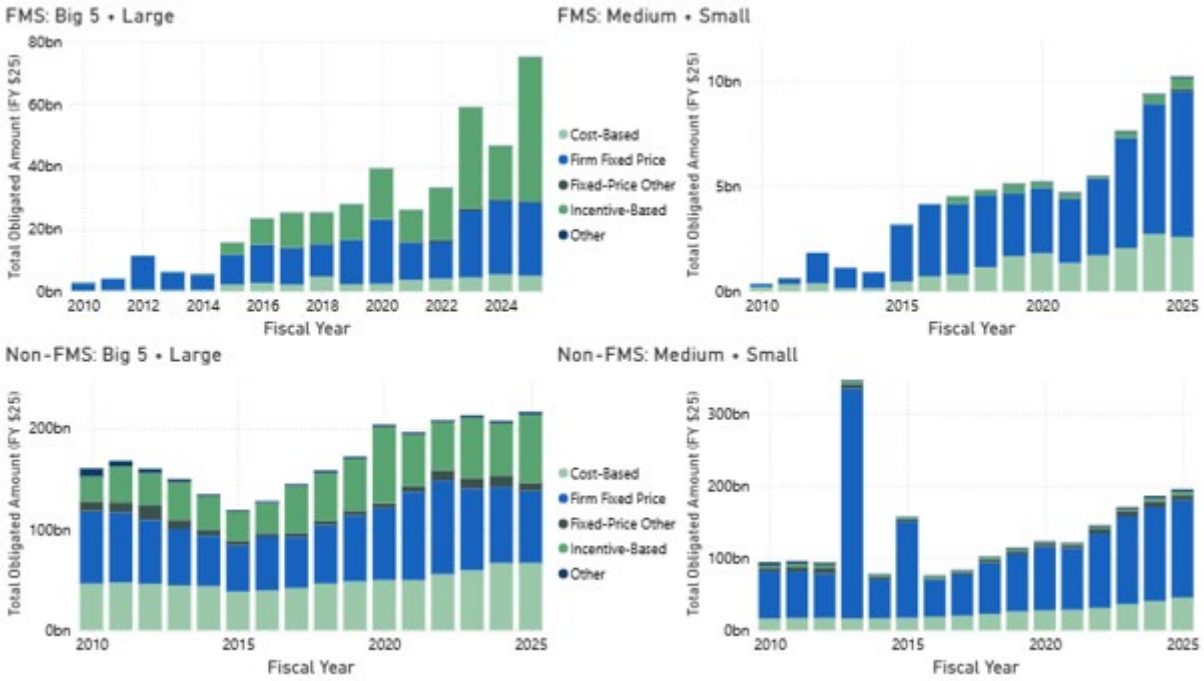

Figure 4: Total Amount Obligated by Contracting Method for Various Vendor Sizes

This distributional pattern varies meaningfully once disaggregated by contract type. Among large contractors, including the “Big 5” and other major primes, FMS activity is characterized by a mix of Firm-Fixed-Price (FFP) and incentive-based structures, with a relatively stronger presence of Incentive-Based arrangements in FMS relative to non-FMS cases. This suggests that large-scale foreign military procurement incorporates performance-aligned contracting mechanisms where program complexity or production scale warrants additional flexibility, even within a system otherwise oriented toward cost certainty. In contrast, non-FMS contracting with large vendors remains proportionally more centered in FFP arrangements, though still displaying diversity across contract types, including a non-trivial share of cost-based structures.

A different pattern emerges in the medium and small vendor categories. FMS contracting at the medium-tier level is still largely dominated by FFP structures but includes a small presence of cost-based contracts, indicating selective flexibility in areas where requirements uncertainty or sustainment complexity is higher. Non-FMS contracting with medium and small vendors is heavily skewed toward FFP instruments, with comparatively limited variation in contract type selection. Small vendor activity is concentrated in FFP arrangements across non-FMS procurement, reinforcing the tendency for standardized pricing and reduced contractual complexity at lower tiers of the industrial base.

Time-series trends offer additional insight into how these structural patterns evolve over the FY 2010–FY 2024 period. These visualizations show that while FMS contracting remains

consistently dominated by FFP structures, there is modest and gradual diversification over time, particularly through incremental increases in incentive-based contracting and stable but limited use of IDIQ mechanisms. Non-FMS contracting similarly exhibits persistence in its underlying structure, with FFP remaining central but accompanied by slightly broader variation across contract types. Importantly, IDIQ usage remains consistently small in both environments, suggesting that while it provides flexibility in execution, it does not constitute a primary driver of contracting composition. Overall, the stability of these distributions reinforces the conclusion that neither FMS nor non-FMS procurement is characterized by frequent structural shifts in contracting approach over time; rather, differences are persistent and embedded in institutional and programmatic conditions.

Figure 5 illustrates the prevalence of Indefinite Delivery Contracts (IDCs) within both FMS and non-FMS procurement. Across both FMS and non-FMS environments, Indefinite Delivery/Indefinite Quantity (IDIQ) contracts make up a significant portion of contracting activity and function as flexible mechanisms for managing recurring procurement and sustainment requirements. This pattern indicates that flexible, indefinite delivery structures are not peripheral tools, but rather a significant component of how procurement is executed in practice. While IDCs can include IDIQ arrangements, they are not perfectly synonymous due to FPDS classification limitations. Nevertheless, the consistent presence of IDC-designated contracts across both FMS and non-FMS contexts demonstrates that flexible contracting mechanisms are already widely implemented within the broader acquisition system. Importantly, these vehicles are not unique to FMS, but their established use elsewhere suggests they could be more deliberately leveraged to address variability in demand and improve execution efficiency within the FMS framework.

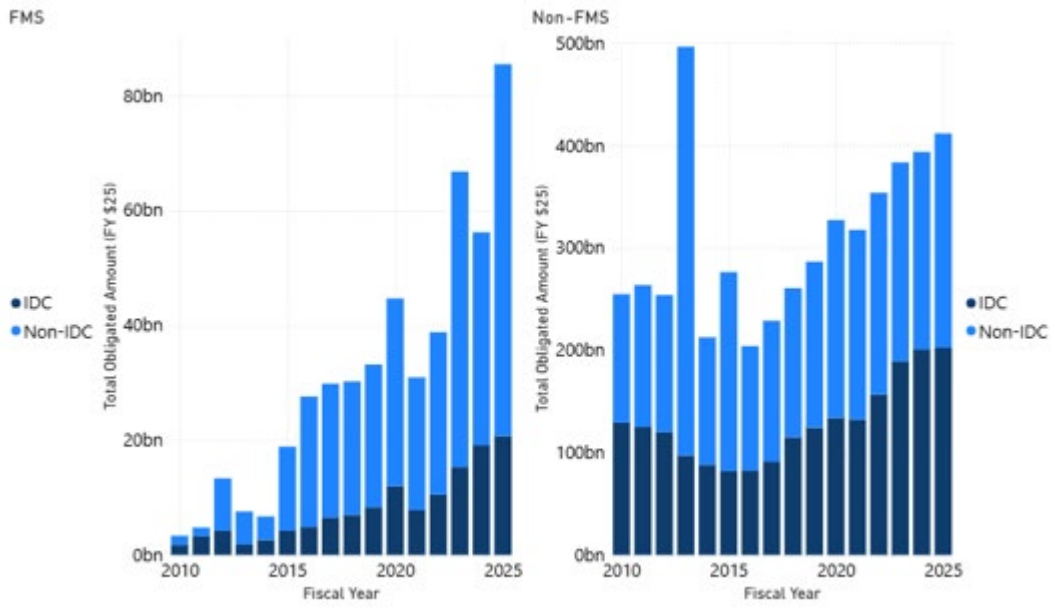

Figure 5: Total Amount Obligated by Indefinite Delivery Contract (IDC)

Figure 6 further contextualizes the role of Unpriced Contract Actions (UCAs) by examining their share of obligated funding over time in both FMS and non-FMS environments. The data shows that UCAs consistently represent a small portion of total obligations in both contexts, even as overall funding levels fluctuate. In FMS, UCA usage is slightly more visible, particularly in years with elevated obligation levels, reinforcing their role as an exception-driven mechanism used primarily in situations where “the government needs the contractor to start

work immediately and there is insufficient time to negotiate all terms" (U.S. GAO, 2007). However, their share remains limited relative to fully priced contracts, indicating that most FMS execution continues to rely on definitized agreements. In non-FMS procurement, UCAs are even less prominent, with only minimal contributions to total obligations across all years. These patterns reinforce the interpretation of UCAs as a narrowly applied, contingency-based instrument rather than a scalable mechanism for managing procurement, with limited influence on the overall structure of contracting activity in either environment.

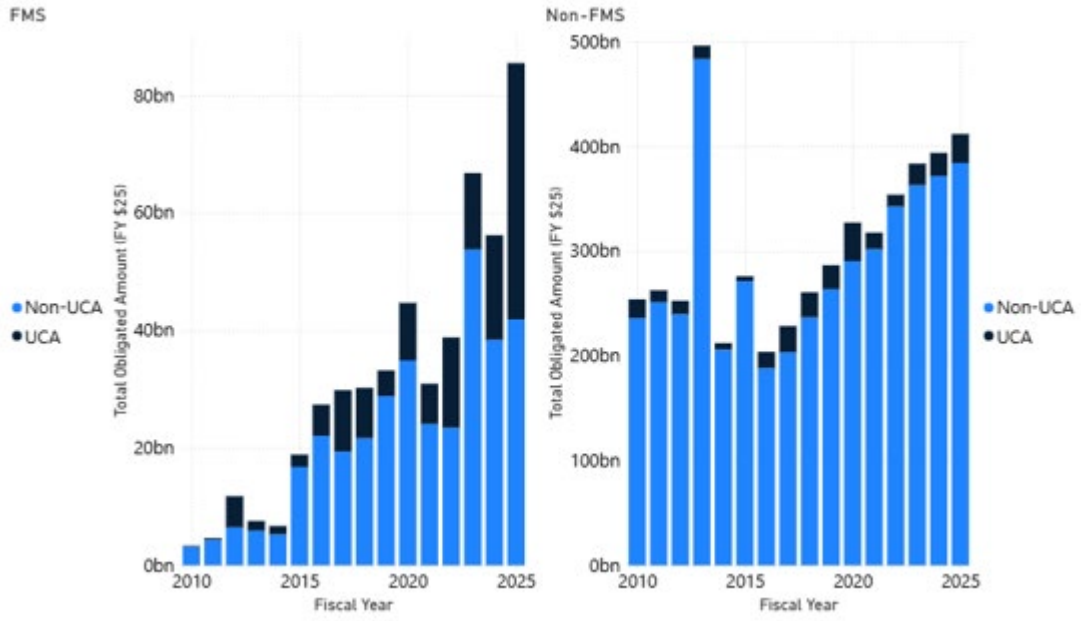

Figure 6: Total Amount Obligated by UCA Classification

The analysis of IDIQs and UCAs shows that FMS contracting is primarily executed through established FAR-based instruments. IDIQ/IDC structures are consistently present in both FMS and non-FMS procurement, reflecting their role as standardized mechanisms for managing recurring requirements and sustainment activities within mature acquisition programs. UCAs remain a marginal instrument across both environments, appearing infrequently relative to fully definitized contract actions. Within FMS, UCAs occur more frequently than in non-FMS procurement but still represent a small share of overall obligations. This pattern indicates that UCAs function as a limited contingency mechanism rather than a routine contracting structure. Further FPDS analysis will examine more granular data to better characterize how IDIQs and UCAs are used across program contexts.

FPDS analysis conducted to-date demonstrates that observable differences between FMS and non-FMS procurement are primarily a function of how a stable set of FAR-based contracting instruments is deployed across distinct institutional and industrial contexts. Rather than revealing fundamentally different acquisition systems, the data shows variation in the distribution and application of a common contracting toolkit, particularly Firm-Fixed-Price, incentive-based, cost-type, and IDIQ structures. These instruments are consistently used to manage tradeoffs between cost certainty, execution flexibility, and risk allocation, with their relative mix shaped by system maturity, vendor composition, and the constraints of foreign partner coordination (GSA, 2026). Across all dimensions, contract type, platform portfolio, vendor size, and time trends, the FPDS data consistently point to structural persistence rather than event-driven variation.

These findings reinforce the broader argument that FMS contracting behavior is best understood through the interaction of contract structure and industrial base composition rather than through acquisition pathway variation or event-based contracting tools. Tools such as OTA and MTA play little to no structural role in shaping observed FMS contracting behavior, reflecting their misalignment with the execution-focused nature of foreign military sales. Similarly, UCAs appear only as a marginal instrument with limited impact on system-level variation. Instead, the primary drivers of divergence are found in the distribution of FAR-based contract structures, differences in vendor scale and industrial base composition, the maturity of underlying defense systems being procured, and the institutional constraints inherent in foreign procurement processes. These factors suggest that FMS is best understood not as an innovation-oriented acquisition pathway, but as a constrained optimization system in which established contracting instruments are applied within tighter informational, political, and compliance boundaries than in domestic procurement contexts.

Conclusion

This paper has argued for a shift in how Foreign Military Sales (FMS) is analyzed, moving away from acquisition pathway narratives and toward a contracting structure framework. The analysis shows that differences between FMS and non-FMS procurement are primarily structured through the deployment of established Federal Acquisition Regulation (FAR)-based contracting instruments within a highly regulated institutional environment. Across contract type distributions, vendor structures, platform portfolios, and time trends, the evidence consistently indicates that contracting composition is the key observable dimension along which FMS and domestic procurement diverge.

The central finding of the analysis is that FMS contracting is organized around the constrained application of standard FAR instruments. Firm-Fixed-Price, incentive-based contracts, IDIQ vehicles, and related mechanisms collectively shape core dimensions of execution, including cost certainty, schedule predictability, and risk allocation. These instruments operate within institutional constraints specific to foreign procurement, including intergovernmental coordination requirements, pricing transparency expectations, and compliance obligations, which reinforce a system characterized by stability, standardization, and limited contractual flexibility.

These patterns suggest that variation in FMS outcomes is primarily explained by how FAR-based mechanisms are structured and operationalized within the FMS environment, rather than by differences in acquisition pathway design. As such, meaningful reform is most plausibly located within adjustments to the institutional conditions governing the use of existing FAR instruments—particularly how standard contract types are selected, configured, and executed in practice across FMS transactions.

Finally, this research remains descriptive in nature. The FPDS analysis provides a macro-level mapping of contracting structure across FMS and non-FMS procurement and does not extend to evaluating alternative acquisition frameworks or unobserved institutional mechanisms. The next phase of research will build on these findings through program-level case studies to further examine how these contracting structures operate in execution and how they relate to observed procurement outcomes.

Next Steps

While the FPDS analysis provides a systematic, macro-level view of contracting patterns across FMS and non-FMS procurement, it remains fundamentally descriptive in nature. It identifies how FAR-based contracting instruments are distributed across contracting types, vendors, platforms, and time, but does not directly observe how these structures operate in

execution. To move beyond description, the next stage of the research focuses on validating whether these observed contracting patterns correspond to measurable differences in program-level outcomes.

The purpose of this next phase is to shift from aggregate statistical patterns to causal analysis. Specifically, the case study approach is designed to assess whether variation in FAR-based contract structures is associated with differences in delivery performance, pricing behavior, and execution flexibility. This transition allows the study to evaluate not only how contracting tools are distributed, but how they function in practice under real program conditions. The case selection emphasizes major defense platforms that are central to U.S. foreign military sales and established to capture production and sustainment dynamics rather than developmental experimentation. These include fighter aircraft programs such as the F-15, F-16, F/A-18, and F-35, various helicopter programs including UH-60, and missile systems, in particular AMRAAM and PAC-3. Together, these cases represent a range of high value, long-duration procurement and sustainment relationships within the FMS system.

Across these cases, the analysis will examine whether contract structure helps explain variation in key execution outcomes, including delivery stability, pricing behavior, modification frequency, and sustainment flexibility. Pulling qualitative data from DSCA Defense Trade and Arms Transfers FMS Program and associated sources, this study will not only identify isolated contractual events, but will understand how FAR-based contracting methods work in practice and shape performance over time. This provides a more granular view of how contracting decisions translate into operational outcomes within complex defense systems. The case studies serve as a mechanism-level validation of the FPDS findings. While the dataset established broad structural differences between FMS and non-FMS procurement, the case studies will examine whether these differences are reflected in actual program execution. In doing so, they bridge the gap between aggregate contracting patterns and real-world performance, reinforcing the central argument that FMS outcomes are primarily shaped by the application of established FAR-based contracting instruments within a constrained institutional environment.

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