



United States Department of State

Washington, D.C. 20520

Case No. F-2016-12184

Segment: L-0001

DEC 22 2016

Mr. Grant F. Smith
Institute for Research: Middle Eastern Policy
Calvert Station
P.O Box 32041
Washington, DC 20007

Dear Mr. Smith:

In response to your request dated September 19, 2016 under the Freedom of Information Act (Title 5 USC Section 552), we searched the records of the Office of the Legal Adviser and located the document in question.

After reviewing the document, we have determined that it may be released in full. It is enclosed.

We have now completed the processing of your case. If you have any questions, you may write to the Office of Information Programs and Services, SA-2, Department of State, Washington, DC 20522-8100, or telephone us at (202) 261-8484. Please be sure to refer to the case number shown above in all correspondence about this case.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric F. Stein".

Eric F. Stein
Director, Acting
Office of Information Programs and Services

Enclosures:
As stated.

MEMORANDUM OF UNDERSTANDING

(MOU)

The United States and Israel reaffirm the importance of continuing annual U.S. military assistance to Israel and cooperative missile defense programs in a way that enhances Israel's security and strengthens the bilateral relationship between our two countries.

I. Foreign Military Financing Grant Assistance

Reflecting the unshakable commitment of the United States to Israel's security, the United States supports increased levels of Foreign Military Financing (FMF) grant assistance to Israel in future years to help Israel meet its security requirements. Pursuant to this understanding, over the ten-year period beginning in Fiscal Year (FY) 2019 and ending in FY 2028, FMF grant assistance would be at \$3.3 billion annually. Total FMF grant assistance over the course of this understanding would equal \$33 billion. Both the United States and Israel jointly commit to respect the FMF levels specified in this MOU, and not to seek changes to the FMF levels for the duration of this understanding.

With respect to FMF grant assistance, the United States notes the importance of making FMF resources available to finance the purchase of U.S. military goods and services in the United States. Both sides jointly understand that the amount of FMF grants available for Off Shore Procurement (OSP) should be phased out, such that funding for OSP is to be available according to the following schedule: \$815.3 million in FY 2019, \$805.3 million in FY 2020, \$795.3 million in FY 2021, \$785.3 million in FY 2022, \$775.3 million in FY 2023, \$725.3 million in FY 2024, \$450.3 million in FY 2025, \$250.3 million in FY 2026, \$250.3 million in FY 2027, and \$0 in FY 2028.

II. Missile and Rocket Defense Cooperative Programs

Further reflecting the unshakable commitment of the United States to Israel's security, and recognizing the importance to Israel's security of effective missile, rocket, and projectile defense, the United States supports funding for cooperative programs to develop, produce, and procure missile, rocket, and projectile defense capabilities to help Israel meet its security needs and to help develop and enhance U.S. missile defense capabilities. Such funding should, over a ten year period beginning in FY 2019 and ending in FY 2028, be provided at the level of \$500

million per year. Total funding over the course of this understanding would equal \$5 billion. This level of funding is not associated with any particular quantity of the Iron Dome, David's Sling, Arrow 3 weapon systems, components or interceptors. Consistent with past practice, the United States and Israel are to enter into separate bilateral agreements for such cooperative programs.

The United States and Israel jointly understand that missile defense funds are to be used primarily for the purposes of developing and procuring articles and services necessary to missile, rocket, and projectile defense systems for the defense of Israel. Both sides jointly understand that any U.S. funds provided for these purposes should be made available on the basis of best efforts at matching financial and non-financial contributions by Israel for such systems, as negotiated in the memoranda of agreement. The United States and Israel note the importance of maximizing co-production of parts and components of such defense systems in the United States, at a level equal to or greater than 50 percent of U.S.-appropriated funds for production, or as negotiated in the production memoranda of agreement.

Based upon their comprehensive discussions, both sides jointly commit to respect the missile defense funding levels specified in this MOU, and Israel commits not to seek additional missile defense funding from the United States for the duration of this understanding, except in exceptional circumstances as may be jointly agreed by the U.S. administration and Israel, such as in the event of a major armed conflict involving Israel.

III. Purposes of U.S. Security Assistance, Promotion of Effective Cooperation, Transparency, and Accountability

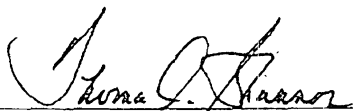
Both governments are committed to the most efficient expenditure of security funds. Both sides understand that the ultimate intent of FMF assistance is to help enable Israel to defend itself by itself and develop long-term capacity, primarily through the acquisition of advanced capabilities that are available from the United States. Accordingly, with the commencement of this MOU, both sides understand that FMF is not intended for the purchase of fuel or other consumables. The United States and Israel intend to continue their active dialogue on security and security policy in existing bilateral committees. The two sides expect, through ongoing bilateral consultations, to maximize understanding and transparency regarding how U.S. funding is used for defense purposes in Israel, as well as how U.S. financial contributions to Israel's security relate to Israel's investment in its own security via the expenditure of its national funds. To that end, Israel is to provide:

- a. Detailed programmatic information related to the use of all U.S. funding to include funds used for OSP.
- b. Program/acquisition plans for each weapons system procured using funds provided by the United States.
- c. An annual update on all cooperative defense programs, to include progress reports and spend plans, as well as the top-line figure of the Israel Missile Defense Organization (IMDO) budget.

Both sides acknowledge that the funding levels in this understanding assume continuation of adequate funding levels for U.S. foreign assistance and missile defense overall, and are subject to the appropriation and availability of funds for these purposes.

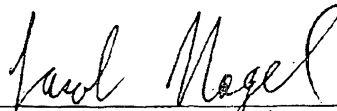
SIGNED at Washington, this 14th day of September, 2016, in duplicate, in the English language.

**FOR THE GOVERNMENT
OF THE UNITED STATES
OF AMERICA**



Thomas A. Shannon, Jr.
Undersecretary of State for
Political Affairs

**FOR THE GOVERNMENT
OF THE STATE OF ISRAEL**



B.G. (Res.) Jacob Nagel
National Security Advisor
Head of the National Security Council
(Acting)