INDEX

DIRECTOR GENERAL'S FOREWARD THE SINAI PEACE IN THE SINAI HISTORY OF THE MFO PREPARING FOR THE MISSION CONSTRUCTION IN THE SINAI ASSEMBLING THE FORCE SUPPLY, TRANSPORTATION AND COMMUNICATIONS THE MISSION BEGINS THE MISSION OF THE MFO KEY EVENTS IN THE HISTORY OF THE MFO: TRIAL, ADJUSTMENT AND PERFORMANCE OBSERVANCE OF THE TREATY ORGANIZATION OF THE MFO OFFICE OF THE DIRECTOR GENERAL • MFO HEADQUARTERS, ROME

- MFO IN CAIRO AND TEL AVIV
- THE FORCE AND OBSERVERS
 - NORTH CAMP
 - SOUTH CAMP
 - REMOTE OPERATIONAL SITES

THE CIVILIAN OBSERVER UNIT THE CONTINGENTS

- THE INFANTRY BATTALIONS: COLOMBIA, FIJI AND UNITED STATES
- THE COASTAL PATROL UNIT: ITALY
- THE FIXED WING AVIATION UNIT: FRANCE
- THE CANADIAN CONTINGENT
- FORCE MILITARY POLICE UNIT: HUNGARY
- TRAINING AND ADVISORY TEAM: NEW ZEALAND
- THE HEADQUARTERS UNIT: AUSTRALIA
- THE SUPPORT BATTALION AND U.S. ARMY ELEMENT: UNITED STATES
- MOTOR TRANSPORTATION UNIT AND FORCE ENGINEERING UNIT: URUGUAY

CIVILIAN SUPPORT MFO LIFE IN THE SINAI LOGISTICS AND PROCUREMENT FINANCIAL OPERATIONS MANAGEMENT ACHIEVEMENTS

DIRECTOR GENERAL'S FOREWARD

On April 25, 1982, three years after the signing of the Treaty of Peace between the Arab Republic of Egypt and the State of Israel, Israel withdrew from the Sinai Peninsula and Egypt resumed the exercise of its sovereignty over the area. After years of complicated and delicate negotiations, the good will, determination and increasing efforts of the peoples and Governments of Egypt and Israel transformed the once distant image of a durable peace into a tangible reality. A new era began in this historically troubled part of the world. Also on that day the Multinational Force and Observers (MFO) began its peacekeeping mission, acting as both servant and witness to these nations in their commitment to peace.

The early days of the MFO were shadowed by doubts about the possibility of building a multinational peacekeeping force under extreme pressures of time and political events, and whether or not an organization of this type, outside of the United Nations framework, would win international acceptance. Today these doubts no longer exist. Since 1982, the MFO has carried out its mandated mission to the satisfaction of both Egypt and Israel. The MFO can now take pride in the trust it has earned from both these nations, the support it has received from the states which have participated in it, and the respect it enjoys in the international community.

The success of the MFO, in the most fundamental sense, rests on the determination of both Egypt and Israel to live in peace and, in practical terms, on their support for the MFO in the performance of its mission of observing and reporting in the Treaty Zones of both countries. At the same time, the contributions of the states participating in the MFO and the thousands of men and women, both military and civilian, who have served the cause of peace in an inhospitable desert environment have played an essential role in the story of the MFO's success. Comprised of soldiers, sailors, aviators, technicians, engineers, civilians and specialists from around the world, the MFO has drawn on and blended the talents of these dedicated men and women, and has created a multinational organization to serve the cause of peace in an efficient, cost-effective and professional manner.

The previous peacekeeping experience of most of the Participating States greatly assisted the MFO in its early organizational phase. Over time, however, much of the MFO's knowledge of the operational aspects of peacekeeping has come from its own experience. The MFO has constantly searched for innovative ways to streamline its administrative procedures, manage effectively its financial, logistical and human assets, and reduce its operating costs, while maintaining a high standard of efficiency. The MFO has maintained a level budget since Fiscal Year 1995 by offsetting inflation with active cost-cutting measures. We have also been fortunate to maintain remarkably stable international participation over the years, demonstrating the will and solidarity of the international community to support successful peacekeeping as requested by the Parties.

The MFO has been flattered to see our work positively described by many observers as a unique model for peacekeeping directly reporting to the Treaty Parties. A key feature of the model is the active and effective liaison system that links the two Parties to the MFO and to each other. The MFO has been their agent in implementing the security annex to the Treaty and fostering the positive climate in which an effective network of bilateral and trilateral procedures and practice has taken root, permitting adaptation to conditions not always foreseen by its drafters. What was once a unique experiment to address political factors that precluded UN sponsorship may now be a model for peacekeeping accommodated to a permanent Treaty of Peace. It is also remarkable that the MFO itself has become a reinforcing part of the bilateral Peace Treaty process.

Looking to the future, the MFO is determined to continue serving the peoples and the Governments of Egypt and Israel for as long as it is called upon to do so.

The information in this publication covering the history, mission, composition and day-to-day operations of the MFO is intended to contribute to an understanding of the organization and an appreciation for its peacekeeping role in the Sinai. Information on current activities, operations and finances of the MFO is published in Annual Reports.

Arthur H. Hughes Director General

THE SINAI

The Sinai Peninsula, a desert region, is both bridge and barrier between the Asian and African continents. The traditional Sinai economy, based on fishing and trading in the small coastal towns, and nomadic herding by the Bedouin of the interior, is in profound change. New village projects to settle the Bedouin have begun and development is transforming several coastal areas and the once-remote St Catherine's monastery into international tourist destinations. Internal road networks and utilities are being improved, and imported Nile water supplies town and agricultural expansion in the north. While these changes have had an impact on the margins of MFO operations, the bulk of the mission takes place in barren, unforgiving terrain.

The climate is dry and harsh. Only winter low pressure systems over the Mediterranean and Red Sea bring rains, as well as floods, to the area. Low pressure systems from the Sahara bring blinding sandstorms to the Sinai during much of the year. Despite its appearance of durability, the Sinai and its three shorelines form a unique and fragile ecological system. The coral reefs along the Gulf of Aqaba, among the world's most beautiful and well preserved, are prized by recreational divers and marine biologists alike.

In recent years, the Sinai has been scarred by some of history's greatest battles: in 1948 following the proclamation of the State of Israel, in 1956 during the invasion of Egypt by Britain, France and Israel following the nationalization of the Suez Canal, in 1967 during the Six-Day War, and in 1973 during the October War.

The dry climate of the Sinai creates its own war memorials. The charred hulks of armored vehicles remain as they were on the day they burned. The shifting sand uncovers belongings of the troops who have suffered in the Sinai during the campaigns of this century. The wars of the past claim present victims: minefields remain, often moving with the sands, as deadly as on the day they were planted. It is in this desert environment that the peacekeeping mission of the MFO is carried out. Operating under these conditions represents a constant challenge to the thousands of dedicated men and women who have performed the mission.

PEACE IN THE SINAI

Following the October War in 1973, Egypt and Israel, realizing that the social and economic costs associated with continued warfare were too high to bear, initiated a period of military disengagement in the Sinai. A new relationship between these two Middle Eastern nations began to emerge and a long and difficult struggle to build a lasting peace between them began.

Egypt and Israel turned to the United Nations and the United States for assistance and support. The United Nations sent a peacekeeping force known as the United Nations Emergency Force II (UNEF II) to separate the two sides physically by supervising the Egyptian-Israeli disengagement agreement known as the Sinai I Agreement of January, 1974. During the period of disengagement, negotiations continued between both sides and culminated in the signing of the Sinai II Agreement in Geneva on September 4, 1975. This agreement expanded the role of UNEF II and called upon the United States to install and operate an early warning system. Known as the Sinai Field Mission (SFM), this early warning system's mission was to monitor traffic flow in and out of the entrances to the Giddi and Mitla Passes, and at the Egyptian and Israeli surveillance stations located at opposite ends of the Giddi Valley.

The SFM officially began its mission on February 22, 1976 and together with the UNEF II assisted in building the confidence necessary for Egypt and Israel to make the next step towards a more permanent settlement. In November, 1977, President Sadat of Egypt made his dramatic visit to Jerusalem to begin talks with the Israeli Government. These talks led to an agreement that Israel would return the Sinai to Egypt, that the Sinai and a zone in Israel would be subject to limitations on militarization, and that there would be a United Nations peacekeeping force stationed in the Sinai.

On September 17, 1978, President Sadat of Egypt and Prime Minister Begin of Israel signed the Camp David Accords which established a framework for a peace treaty to be negotiated between the two states. These negotiations culminated on March 26, 1979, in the Treaty of Peace, signed by the leaders of Egypt and Israel, and witnessed by the President of the United States. This act brought an end to the state of war that

had existed been the two nations since 1948, formalized a new relationship between them, and set out the terms of Israel's phased withdrawal from the Sinai.

HISTORY OF THE MFO

The origins of the MFO lie in Annex I to the Treaty of Peace entitled "Protocol Concerning Israeli Withdrawal and Security Arrangements". The area subject to Annex I is divided into four zones, Zones A, B, and C in the Sinai Peninsula in Egypt and Zone D in Israel. Zones C and D are adjacent to the international border. This Annex also establishes the post-withdrawal levels of military personnel and equipment allowed in each zone and, in Article VI, states that both Parties would request the United Nations to provide a force and observers to supervise the implementation of these provisions.

During the period leading up to the signing of the Treaty of Peace, it was understood by all concerned that it might prove difficult to obtain Security Council approval for the stationing of a United Nations peacekeeping force in the Sinai. Therefore, on March 26, 1979, the day that the Treaty of Peace was signed, President Carter sent identical letters to President Sadat and Prime Minister Begin that specified certain U.S. commitments with respect to the Treaty of Peace. These commitments included a promise by President Carter that the U.S. would take the necessary steps to ensure the establishment and maintenance of an alternative multinational force should the United Nations fail to assume this role.

In July 1979, the mandate of UNEF II expired. The United Nations did not formally consider a new mandate for Sinai peacekeeping. As the Treaty of Peace provided for a role for United Nations forces in the process of the phased withdrawal, an immediate substitute was needed.

The United States Government agreed that the SFM would take on a new mission of carrying out the verification functions specified in the Treaty of Peace.

Efforts were made during the following two years to secure the United Nations Force and Observers contemplated by the Treaty of Peace. On May 18, 1981, however, the President of the Security Council announced that it would not be possible for the United Nations to provide such a peacekeeping force.

Egypt and Israel, with the assistance of the United States, then opened negotiations with the hope of reaching an agreement that would serve as a basis for creating a peacekeeping organization outside the United Nations framework.

Several features distinguished the environment of the MFO from that of traditional peacekeeping missions. The new organization would operate in these two nations, bound by a definitive Treaty of Peace, each exercising sovereignty over its respective territories. Thus, the peacekeeping force would not act as a buffer between combatants nor as an instrument of merely interim or truce arrangements, but rather would work closely with two nations to support a permanent peace that they had already struggled together to forge and maintain.

The Treaty of Peace provided quite specific but nonetheless complex limitations on the levels of both Egyptian and Israeli military forces in the four Zones. The mission of the peacekeeping force would be to observe and verify compliance with, and to report any violations of, the limitations on military personnel and equipment that are set out in the Treaty of Peace and to ensure freedom of navigation through the Strait of Tiran at the southern entrance to the Gulf of Aqaba. This specified and limited mission would provide a certain degree of clarity in the expectations of the Parties with respect to the role of the organization.

The task of translating the terms of the Treaty of Peace into a working reality, however, was arduous and time consuming. The parties to the negotiations were responsible for laying the foundations for an organizational and administrative structure unlike any of its predecessors in international peacekeeping. The lack of an existing organizational and administrative structure created obvious initial difficulties, but held the promise of innovation in an environment relatively free of the accumulated bureaucratic weight and political complexity of an existing organization.

The new independent, international organization would be funded, in equal parts, by its two Receiving States (Egypt and Israel) and the United States (the Funds Contributing States). This arrangement assured that each of the governments would take an active interest in the operations of the organization. Egyptian and Israeli financial participation could be expected to produce a healthy sense of identification with the organization, while obligating the negotiators to devise methods of ensuring objectivity and independence.

These negotiations, carried out against the backdrop of the phased Israeli withdrawal from the Sinai, culminated on August 3, 1981 with the signing of the Protocol to the Treaty of Peace, establishing the Multinational Force and Observers.

PREPARING FOR THE MISSION

A few days after the signing of the Protocol, it was announced that Mr. Leamon R. Hunt, a retired American diplomat, had been selected by Egypt and Israel as the first Director General of the MFO. The Protocol Annex assigns the Director General a four year term and responsibility for the overall direction of the MFO. This includes strategic planning, establishment of policy in all areas of MFO administration and operations, diplomatic relations between the MFO and the governments of both Receiving and Participating States, determination of Treaty violations, and general management of the organization.

With the concurrence of Egypt and Israel, Director General Hunt then appointed Lieutenant General Fredrik V. Bull-Hansen of Norway as the first Force Commander. The Force Commander serves a term of three years and exercises operational control over the Force in the Sinai. His duties include reporting any potential issue under Annex I of the Treaty of Peace to the Director General, and after coordination with the Director General, reporting of violations to both Parties. The Force Commander establishes a chain of command linked to the commanders of the national contingents and maintains the good order of the Force.

Director General Hunt established a temporary headquarters in the Washington, D.C. suburb of Alexandria, Virginia, and began the task of directing the construction of the necessary camps, remote operational sites and the MFO's road network in the Sinai. With the concurrence of both Parties, he began to negotiate agreements for the participation of those nations that would supply contingents to the MFO. At the same time Director General Hunt began developing the MFO's organizational concept, including the necessary supply, transportation and communication systems to support the Force in the Sinai.

CONSTRUCTION IN THE SINAI

As the final negotiations which would eventually lead to the establishment of the MFO were taking place, survey teams visited the Sinai Peninsula to determine the best sites for the new organization's installations. The survey teams' investigations resulted in the selection of Israel's Eitam Air Base for the MFO's North Camp and Sinai Headquarters, and Sharm el Sheikh at the southern tip of the Sinai for the South Camp and port facility for the naval coastal patrol unit. Various other sites were selected for checkpoints (CPs), observation posts (OPs) and sector control centers (SCCs) throughout Zone C. Shortly after the signing of the Protocol, the MFO opened an office in Tel Aviv, the closest major city to the selected sites in the Sinai, to coordinate the construction and rehabilitation projects.

As time was short, all construction was done by what is known in construction circles as the "fast track" method. A system based on modern planning and projection techniques, this method permits designing, procurement and construction to proceed simultaneously. To ensure access to the best available expertise on the "fast track" construction of military facilities, the Director General signed an agreement on August 31, 1981, designating the U.S. Army Corps of Engineers as the MFO's construction agent. The Corps of Engineers then established, as its field operating agency for overall construction management, the Sinai Construction Management Office based in Tel Aviv.

On September 2, 1981, the Corps of Engineers entered into a contract with Facility and Support Team, Inc. (FAST), a joint venture of three companies: Harbert International, Inc., the Paul N. Howard Co., and Louis Berger International. Like the U.S. Army Corps of Engineers, FAST had considerable experience in the region. They also had another important resource that was to prove of inestimable value to the project: a well-trained and reliable corps of construction workers from Thailand. FAST also established its headquarters in Tel Aviv.

The construction project was to be complete by mid-March, 1982, for the arrival of the troops in the Sinai. It was decided that priority would be given to the essential elements, and construction of the less urgent facilities would begin after deployment.

The task of building and renovating at North Camp to house some 2,000 people was complicated by the fact that it had to be carried out on an active Israeli military base which, under the withdrawal terms, was being dismantled. Construction had to proceed against a background of demolition, military security regulations and some of the most dramatic political events in the recent history of the Sinai surrounding the removal of Israeli settlements. As a result, the construction effort at the North Camp did not get into full swing until the end of December, 1981.

The location of the South Camp was completely undeveloped and required all new construction to house and support approximately 1,200 troops and support personnel. By the beginning of November construction had begun with the start of excavation work. The foundation pads for the barracks and bathhouses were completed by mid-January and delivery of those structures began at the end of January. The pace was hectic and Israeli and Thai laborers worked a minimum of six ten-hour days per week while encountering serious electrical power and fresh water supply problems.

The arrival of the troops in the Sinai in mid-March found both Camps ready to provide basic life support functions. Where facilities were incomplete, temporary arrangements were made, as in the case of the field kitchen at South Camp which was used until the permanent dining facility was ready. Construction continued in the Sinai after the arrival of the troops and was completed on August 31, 1982.

Considering the changing scope of work and the remote and harsh conditions, the construction project was completed in a remarkably short period of time. Local building techniques, and locally manufactured products, such as solar panels for heating water, helped reduce costs. The innovative idea of using a road treatment chemical known as Dead Sea Liquid, actually the brine residue of the desalination plant at Eilat, which forms a crust on the roads and produces a smooth, nearly dust free surface, proved to be ideal for the original Main Supply Route, a 400 kilometer, largely unpaved road between North and South Camp. (The Main Supply Route was shifted to a new, all paved highway link through Zone B in 1990). The total cost of the project was slightly more than \$93 million, which was approximately \$11 million under the original estimate.

ASSEMBLING THE FORCE

While construction was under way in the Sinai, the Director General began the equally demanding task of assembling the Force by negotiating the terms of participation of those countries that would supply contingents. At the time of the signing of the Protocol, the United States had assured the Parties of the participation of a civilian observer unit, an infantry battalion and a logistics unit. Agreements were then negotiated with Fiji, Colombia and Uruguay. Fiji and Colombia, both having past experience in Middle East peacekeeping with the United Nations, agreed to supply infantry battalions. Uruguay offered a motor transport and, subsequently, an engineering unit. Thus, the MFO could count on, at a fairly early stage, the three infantry battalions needed to man the Observation Posts and Check Points and Sector Control Centers in Zone C, the observers to monitor Treaty provisions throughout the four Zones, logistics support, and transport.

Teams of U.S. diplomatic, financial, legal and military officials held discussions with representatives of various European Community and British Commonwealth nations during late 1981 and early 1982. These discussions eventually led to agreements with Italy to provide and man three coastal patrol vessels; with Australia and New Zealand for a combined helicopter squadron; with France for an air transport unit; with the Netherlands for military police and communication units; and with the United Kingdom for a headquarters unit.

These agreements also provided for officers from each nation to serve on the Force Commander's multinational staff. In October, 1981 the Force Commander joined the Director General in Alexandria, Virginia, at the MFO's temporary headquarters. During the months of December, 1981 and January, 1982 military officers of various Participating States began arriving in Virginia. Later most of these officers formed the nucleus of Force Commander Bull-Hansen's staff in the Sinai.

SUPPLY, TRANSPORTATION AND COMMUNICATIONS

A great deal of the operational planning and the drafting of the future Standard Operating Procedures of the Force was accomplished at the Virginia Headquarters. The nucleus of a staff had been recruited and many of the essential decisions relating to the supply, communications and transportation systems in the Sinai had been made.

In November 1981, final decisions were reached on a number of crucial issues regarding the logistical support for the troops in the Sinai. To the extent possible, equipment would be standardised to facilitate maintenance. The MFO would develop a unified, efficient and cost-effective logistics system, designed to provide a full range of mission and life support elements - everything from food to aircraft spare parts. Goods and services would be competitively procured from reliable sources of supply preferably in nations financing or supporting the MFO, at the lowest possible cost.

The principal supply support in the Sinai would be provided by the U.S. Army's Logistics Support Unit, later renamed the lst Support Battalion, part of the U.S. Contingent. Services such as food preparation, laundry, recreational services, maintenance of facilities and equipment, groundskeeping, as well as the installation of the communication equipment, would be handled by a private contractor with experience in remote areas.

In November, six companies presented competitive bids for the service contract and six others bid for the contract to install the communications equipment. After thorough evaluation by MFO managers and technicians, and some modifications of the proposals, the support service contract was awarded to E-Systems, Inc., and the contract for the installation of the communication system was awarded to Federal Electric International.

In December, Director General Hunt made several trips to the Middle East with Force Commander Lt. Gen. Bull-Hansen. Discussions took place with officials of the Egyptian and Israeli Governments concerning financial details, the establishment of the Liaison System called for in the Protocol and the basic operational concept to be employed by the MFO in the Sinai. The completed operational concept was presented to the Parties and additional discussions were held on Force organization and plans for the future.

THE MISSION BEGINS

By January of 1982, it became clear that the MFO would meet its deadline. The Force would be in place by March 20, 1982 and the mission of the MFO would begin on April 25, 1982, the day that Israel would return the Sinai to Egyptian sovereignty. In February, the MFO opened a small office in Cairo. This office, like its counterpart in Tel Aviv, began to lay the foundation for the procurement and diplomatic duties that would eventually take place in the two Receiving States. During the first part of 1982, the selection and training of military personnel took place in the Southern Pacific, the Americas and Western Europe as the ten Participating States prepared their contingents for deployment to the Sinai.

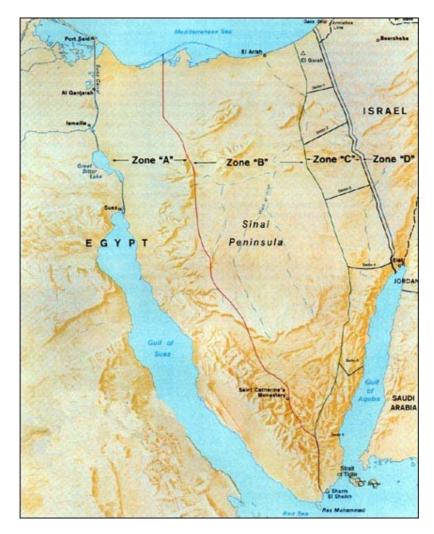
On April 25, 1982, the date specified in the Treaty of Peace, representatives of Egypt, Israel and the MFO met at North Camp. After brief, cordial conversation, Israel's Star of David was replaced with the red, white and black banner of the Arab Republic of Egypt. At that significant moment in the turbulent history of the region, the Sinai was returned to Egyptian sovereignty and the MFO took up its mission of peace.

THE MISSION OF THE MFO

The mission of the MFO can be stated very simply: observe and report. Article II of Annex I to the Treaty of Peace establishes four security zones. Of these, three zones are in the Sinai in Egypt and one is in Israel along the international border. Limitations on military forces and equipment within each zone are stipulated in the Protocol to the Treaty.

In all, there are four essential tasks assigned to the MFO:

- 1. Operation of checkpoints, reconnaissance patrols, and observation posts along the international boundary and line B, and within Zone C.
- 2. Periodic verification of the implementation of the provisions of the Annex to the Treaty of Peace, to be carried out not less than twice a month unless otherwise agreed by the Parties.
- 3. Additional verifications within 48 hours after the receipt of a request from either Party.
- 4. Ensure the freedom of navigation through the Strait of Tiran



LIMITATIONS ON MILITARY PERSONNEL AND EQUIPMENT PERMITTED

- **ZONE A:** One Egyptian mechanized infantry division containing up to 22,000 personnel, its military installations, and field fortifications. Early warning systems.
- **ZONE B:** Four Egyptian border unit battalions manned by up to four thousand personnel, associated military installations and field fortifications, land based low-power short-range coastal warning points.
- **ZONE C:** Military components of the MFO only but Egypt may maintain civil police units armed with light weapons.
- **ZONE D:** Deployment of up to four Israeli infantry battalions totalling not more than four thousand personnel. Early warning systems.

KEY EVENTS IN THE HISTORY OF THE MFO: TRIAL, ADJUSTMENT AND PERFORMANCE

With the successful start of the MFO, the Director General could concentrate on his search for a permanent headquarters in a location near but not in the two Treaty States, with good transportation and communication links. This search was quickly resolved by an invitation from the Government of Italy to establish the MFO Headquarters in Rome. In November 1982, the Director General and his staff completed their move to Rome from the temporary headquarters in the U.S.

The first full year of operations for the MFO was 1983. For the Force it was a year of settling in and establishing procedures for coordination with the Headquarters staff in Rome and for liaison with the Parties. Procedures for operations in the field and procurement and logistic support for the Force were tested and refined. Also in 1983, additional facilities such as a cold storage building, expanded office space, officers' quarters and a vehicle maintenance center were constructed.

On February 15, 1984, tragedy struck the MFO: Director General Hunt was assassinated in front of his residence in Rome, apparently by a unit of the Red Brigades. While stunned by the senseless loss of a dedicated servant of peace, the MFO continued operations with an even deeper commitment to the goals for which the organization had been created. On October 3, 1985, the first Director General's Award for Excellence was presented at a ceremony in Washington, D.C. to Joyce and Bryan Hunt, the widow and son of the late Director General. They accepted the award in honor of Director General Hunt's accomplishments in building and leading the MFO.

On the day following the assassination of Director General Hunt, former Deputy Director General Victor H. Dikeos was appointed Director General of the MFO. He returned to Rome for an agreed period of six months. With the concurrence of both Egypt and Israel, Director General Dikeos appointed Lieutenant General Egil J. Ingebrigtsen of Norway to take over as Force Commander from Lieutenant General Fredrick V. Bull-Hansen who would leave the MFO to become the Norwegian Chief of Defense.

Lieutenant General Ingebrigtsen's extensive military career included service as a United Nations Observer in Syria and Israel and as Inspector General of the Norwegian Army. Lieutenant General Ingebrigtsen began his duties as Force Commander of the MFO on March 27, 1984 and served until March 30, 1989.

On September 1, 1984 a former U.S. Ambassador to Zaire and Deputy Assistant Secretary of State, Peter D. Constable, replaced Mr. Dikeos as Director General of the MFO. With the organization now physically in place and operating successfully, the new Director General focused his energies on improving administrative procedures, adjusting the organizational structure and streamlining the operations of the organization.

Consistent with this theme, the principal support services contract in the Sinai was recompeted, resulting in the selection of a new contractor. In 1985, Holmes and Narver Services, Inc.(HNSI) took over this function from E-Systems, Inc.

During the spring of 1985, the Australian Government announced that it would not renew its commitment to the MFO beyond April 25, 1986. For the first four years of the MFO, Australia, together with the New Zealand contingent, supplied the Force with a Rotary Wing Aviation Unit (RWAU).

In April 1985, Canada expressed its willingness to participate in the MFO, and negotiations began on the terms and conditions. One year later, in April of 1986, the MFO joined with the Governments of Egypt and Israel to welcome the Canadian RWAU to the Force. The New Zealand Government, wishing to continue its participation with the MFO, took on a new mission of specialized support providing a much needed training and advisory team, and later, transport drivers.

The final weeks of 1985 brought another tragedy. On December 12, 1985, a chartered commercial aircraft crashed in Gander, Newfoundland, Canada. All of the 248 U.S. soldiers on board were killed. These young men and women of the 101st Airborne Division were returning home after having just completed a sixmonth tour of duty with the MFO. In May, 1986, a memorial was dedicated at the U.S. Battalion Headquarters in South Camp in honor of these dedicated soldiers and their contributions to peace in the Sinai.

The mission of the MFO temporarily expanded in January, 1987 after the Governments of Egypt and Israel asked the MFO to construct and operate an observation post at Taba, a disputed border area located at the northern edge of the Gulf of Aqaba. Pursuant to the *Compromis* agreed to by the two countries to arbitrate this and other boundary disputes, the MFO agreed to remain at Taba until the arbitration over the area was completed and the award implemented through agreed procedures.

Pursuant to the award, Taba reverted to Egyptian sovereignty on March 15, 1989, and the OP at Taba was closed immediately thereafter. The MFO also assisted the two Parties throughout the arbitral process by

facilitating survey and border-marking activities and the arbitral panel's on-site visit. With the resolution of the Taba dispute, the territorial aspects of the Treaty of Peace became fully implemented in accordance with its procedures on dispute settlement.

In July, 1988, Director General Constable was succeeded by Wat T. Cluverius IV, former U.S. Ambassador to Bahrain, Consul General in Jerusalem and Deputy Assistant Secretary of State. The U.S. Secretary of State, in 1985, had appointed him Senior Advisor for Middle East Peace, a position he held until coming to the MFO. One of the new Director General's first tasks was to secure a replacement for retiring Lieutenant General Ingebrigtsen as Force Commander. After considering candidates from several countries, Director General Cluverius nominated Lieutenant General Donald S. McIver of New Zealand, who was then serving as Chief of the General Staff of the Army. After approval by the Parties, Lieutenant General McIver assumed command of the Force on March 30, 1989.

Lieutenant General McIver returned to New Zealand to accept an important position with his Government in April of 1991. He was succeeded as Force Commander by Lieutenant General J.W.C. van Ginkel of the Netherlands, who was then serving as Deputy Chief of Defense Staff (Operations).

October 1992 saw the departure of the United Kingdom Contingent, which had filled a variety of administrative positions on the Force Commander's staff since the MFO's inception. Following indications that Australia would consider returning to the MFO and successful negotiations, the MFO was pleased in January 1993 to welcome Australia back to replace the UK contingent.

As part of an effort to broaden the base of financial support, the MFO approached the Governments of Japan and the Federal Republic of Germany in 1986 to join the other Group of Seven industrialized states in supporting the MFO through an annual donation to the organization. In 1988, Japan initiated this new form of contribution by providing \$1 million towards the food and the civilian personnel costs of the MFO. In 1991, Germany initiated a contribution of DM 1 million. From 1994 to 1998 a third donor, Switzerland, agreed to a yearly contribution of CHF 300,000. Efforts continue to attract new sources of funding to the MFO in order to reduce the financial burden on the Treaty Parties, and in keeping with the importance of this Treaty to the entire world community as the anchor of the Middle East peace process.

In April 1994, Lieutenant General van Ginkel departed the MFO, succeeded by Major General David Ferguson of Australia. Major General Ferguson's career with the Australian Defence Forces included active service in Malaya, Borneo and Vietnam. His last posting had been the Director General, Defence Force Plans and Programs at Australian Defence Force Headquarters.

May 1995 saw the departure of the Netherlands Contingent which had provided specialized personnel in communications and military police since the inception of the MFO. The MFO was pleased in September 1995 to welcome Hungary as a Participating State. This was an historic event for Hungary, with its first unit-sized peacekeeping deployment, and a precedent for the MFO, welcoming its first East European participant. Hungary provides a Force Military Police Unit and staff officers.

In April 1997, Major General Ferguson was succeeded by Major General Tryggve Tellefsen of Norway. Major General Tellefsen's immediate last position was Commandant of the Akershus Fortress, in Oslo. He had served with the MFO from 1987-88 as the Chief of Operations, and in 1994-95 served as Commanding Officer of UNPREDEP, the UN preventive deployment force in the former Yugoslav Republic of Macedonia.

In August 1998, after ten years of distinguished service, Director General Cluverius was succeeded by Ambassador Arthur H. Hughes. Director General Hughes had been a career Foreign Service Officer of the United States. His last position with the U.S. State Department was as Deputy Assistant Secretary of State for Near East Affairs, and he previously served as Chief of Mission in Yemen and as Deputy Assistant Secretary of Defense for Near East and South Asia, as well as in other senior positions in the Middle East and Europe.

OBSERVANCE OF THE TREATY

During its years of operation, the MFO has been able to assure Egypt and Israel that the terms of their peace are being observed on both sides of the border. Over the years, the Civilian Observer Unit and members of the Force have observed and reported acts by both sides that the MFO determined to be violations of the Treaty. In all cases these violations were confirmed as such to the Parties. In most cases, rectification was immediate; in other cases it followed a period of dialogue between the MFO and the

appropriate Party. In essence, the MFO has served as intermediary between the Parties, and it has done so successfully, largely because its neutrality and objectivity have never been in doubt.

In addition to discussions concerning violation reports or potential violations, an informal, constant dialogue takes place among the Force Commander and the Chiefs of the Egyptian and Israeli Liaison Systems. At the working level, military officers from the Force Commander's staff meet daily with their counterparts in the Egyptian Liaison Agency with International Organizations (LAWIO) and the Liaison Unit of the Israeli Defense Force (IDFLU). Frequent discussions also take place between the Director General, his representatives in Cairo and Tel Aviv, and responsible officials in the Defense and Foreign Ministries of Egypt and Israel. These exchanges serve to reassure the Parties that compliance with the Treaty of Peace is being effectively monitored and to maintain confidence in the structure of the peace. Annual Trilateral Meetings in Rome provide opportunities for the Parties to exchange views at a senior level on the MFO has matured as an organization, reduced its operating costs, improved its efficiency and performed its peacekeeping mission with professionalism and pride. The continued success of the Organization is based on the active support of the Receiving States, Egypt and Israel, the Troop Contributing States whose contingents make up the Force, and Donor States.

ORGANIZATION OF THE MFO

The MFO is an independent, international organization whose expenses, less the contributions from the Governments of Japan and Germany, are funded in equal parts by the Arab Republic of Egypt, the State of Israel and the United States of America. The ten Participating States -- currently Australia, Canada, Colombia, Fiji, France, Hungary, Italy, New Zealand, the United States, and Uruguay -- provide the MFO with military contingents that make up the Force and perform specific and specialized tasks. Though not technically a Participating State, Norway, in addition to the current Force Commander, provides the MFO with five staff officers. Responsibility for the direction of the MFO is vested in the Director General by the Protocol to the Treaty of Peace. He exercises his authority through his staff at the Headquarters in Rome, the Force Commander and his staff in the Sinai, and the Director General's Representatives and their staffs in Cairo and Tel Aviv.

OFFICE OF THE DIRECTOR GENERAL

MFO HEADQUARTERS, ROME

From MFO Headquarters in Rome, the Director General and a multinational group of professionals exercise policy and management direction over MFO activities. The Director General and his staff oversee all MFO operations including legal and financial matters, contracts, procurement, facilities management, personnel and recruitment, morale and welfare programs, troop rotation arrangements, and program evaluation. Diplomatic contacts and political matters involving the two Receiving States and the Troop Contributing and Donor States are also conducted by the Director General directly and through his Representatives in Cairo and Tel Aviv.

MFO IN CAIRO AND TEL AVIV

During early planning stages, it became obvious that the MFO would need a mechanism in each of the Receiving States to deal with those issues of policy and administration outside the scope of the Force's relations with the Egyptian and Israeli Liaison Systems.

On April 25, 1982, the offices established by the MFO in Cairo and Tel Aviv officially became the offices of the Director General's Representatives in those two cities. Each official serves as the Director General's personal representative to the Governments of Egypt and Israel, respectively, as well as to the diplomatic missions of the Troop Contributing and Donor States in those countries. In addition, these offices carry out MFO activities such as local procurement, logistical support and liaison.

THE FORCE AND OBSERVERS

The Force Commander, stationed at North Camp, is responsible for the command and control of the MFO in the area of operation. The Force Commander is responsible for approximately 2000 multinational military and civilian personnel, principally located at two main sites in the Sinai.

NORTH CAMP

The MFO's North Camp is the site of the Force Commander's Headquarters. It is located at el Gorah in the northern Sinai approximately 20 kilometers south of the Mediterranean coastline. It provides the required facilities for both the operational and logistical needs of the Force as well as a suitable living environment for military and civilian personnel. Covering approximately 2.7 square kilometers (660 acres) reclaimed from the desert, the camp contains such diverse facilities as aviation support buildings, a gymnasium, a theater, barracks, a fire station, administrative buildings, clubs, dining facilities, sports fields and a swimming pool.

The utilities that support the camp come from a variety of sources. Water for the camp is purchased from local authorities. Continuous electrical power is supplied to the Camp by an internal electrical power plant of six power generators. A wastewater treatment plant on the Camp provides the Force with treated non-potable water for irrigation purposes. This system has allowed the Force to sustain vitally needed trees, shrubs, and some grassed areas in order to hold down the sand and provide some protection from the wind.

SOUTH CAMP

The smaller South Camp, near Sharm el Sheikh on the southern tip of the Sinai Peninsula, is situated on a bluff overlooking the Red Sea. The Camp contains all facilities normally required to support a reinforced battalion-sized military unit. As at North Camp a multinational dining facility serves all MFO personnel located in the area, and housing units are utilitarian but comfortable and air conditioned. Other general use facilities such as a laundry, Force Exchange, library and gymnasium, an adjacent beach, clubs and a travel agency are also available at the Camp.

South Camp receives its potable water from a reverse osmosis water desalinization plant and in part from the local Egyptian water system originating at wells in the el Tor area near the southwestern coast of the Sinai Peninsula. As at North Camp, an electrical power plant run by the MFO provides a reliable source of electricity.

REMOTE OPERATIONAL SITES

As of June 1998, thirty remote operational sites -- Observation Posts (Op's) and Check Points (CP's) -- are located throughout Zone C. The MFO soldiers at these sites perform the vital "observe and report" functions of the peacekeeping force, and are supported at their posts by the MFO logistics and communications systems. All required water, food, fuel for on-site generators and other necessary supplies must be transported from the Camps to support the soldiers who are on duty at these generally isolated sites. Expanding infrastructure in the Southern and Northern Sinai is permitting incremental connection of MFO sites to Egyptian civil electrical and telephone systems.

THE CIVILIAN OBSERVER UNIT

A large part of the MFO's basic mission in the Sinai is performed by the relatively few men and women who comprise the Civilian Observer Unit (COU). The COU has its origins in the U.S. Sinai Field Mission (SFM) which came into existence with the Sinai II Agreement of 1975. On April 25, 1982, SFM ceased operations and its members transferred to the COU. The present COU contains fifteen members, all of whom are U.S. nationals. Roughly half are seconded from the U.S. Department of State and the other half are directly hired by the MFO.

Quite separate from the observation carried out in Zone C by the three infantry battalions of the Force, only the COU performs regular observation and verification missions throughout all four zones of the Treaty area in Egypt and Israel. The purpose of the missions is to verify implementation of Peace Treaty limitations on military personnel, armaments and infrastructure. Such missions are carried out not less than twice a month, and the cycle includes prior reconnaissance flights to prepare observers for their missions. As set out in the Treaty Protocol, observers must also be prepared to undertake additional verifications within forty-eight hours of a request from either Party.

A typical verification mission lasts from two to four days and involves the use of MFO vehicles and helicopters to move the teams of observers throughout the four zones. On missions involving Zones A, B, and C in Egypt, the observers are accompanied by Egyptian Army liaison officers, while in Zone D in Israel they are joined by Israeli liaison officers. In the course of a complete cycle of missions, the observers cover all the Egyptian and Israeli installations in the four zones.

THE CONTINGENTS

THE INFANTRY BATTALIONS: COLOMBIA, FIJI AND UNITED STATES

Three battalions, one each from Colombia, the Republic of the Fiji Islands and the United States, perform observation duties throughout Zone C. The Colombian and Fijian Battalions are based in North Camp, while the U.S. Battalion is located at South Camp.

Although the basic duties of the three battalions are similar, their composition and length of tours vary. The Colombian personnel serve an eight-month tour of duty, with one half of the battalion rotating every four months. Fijian personnel serve a one-year tour of duty, with approximately one quarter of the Fijian Battalion rotating every three months. U.S. Battalion personnel serve for a six-month period, and the entire unit rotates over a three-week period.

There are 6 sectors which make up Zone C (see map on page_____). The Fijian Battalion (FIJIBATT) is deployed in the northern two sectors; the Colombian Battalion (COLBATT) is deployed in the central two sectors; the U.S. Battalion (USBATT) is deployed in the southern two sectors.

Sector Control Centers (SCC's) are colocated at seven of the remote sites in Zone C to serve as Sector Headquarters and control the CPs and OPs in each sector. SCCs vary in number of personnel but consist of a command element, a communications element, and a patrol/protection element. CPs and OPs are similar in composition to the SCCs, but are smaller and have the more specific tasks of either verification at paved access roads into Zone C or local observation and reporting. In addition, each battalion conducts a number of helicopter, vehicle and foot patrols and temporary deployments from the main camps, battalion SCCs, CPs and OPs.

The amount of time spent on duty in the sectors varies from battalion to battalion, but personnel rotate through the CPs, OPs and SCCs every three to six weeks. The country, though ruggedly beautiful, can be desolate, and the climate, harsh. Most posts are isolated and are dependent upon the leadership of junior officers and non-commissioned officers and on small unit integrity to accomplish their part of the peacekeeping mission.

THE COASTAL PATROL UNIT: ITALY

The MFO's Coastal Patrol Unit (CPU), which monitors freedom of navigation through the Strait of Tiran at the southern entrance to the Gulf of Aqaba, is provided by the Italian Contingent and is based at the Egyptian port of Sharm el Sheikh. With three patrol vessels, the CPU works closely with the OPs in the southern sectors of Zone C. On a rotational basis, the Italian vessels operate regular patrols of the Strait and its approaches and possess an enviable availability record. Italian personnel serve one-year tours.

THE FIXED WING AVIATION UNIT: FRANCE

The French Contingent provides the MFO with its Fixed Wing Aviation Unit (FWAU) and officers who serve on the Force Commander's Staff. The FWAU originally consisted of two DHC-6 Twin Otters and a C160 Transall. As a result of cost cutting in 1991, the FWAU now consists of one DHC-6 Twin Otter which provides transportation between North Camp and South Camp, support to the Civilian Observer Unit, and administrative and visitor support. The DHC-6 aircraft has maintained an outstanding safety and readiness record. French personnel serve three-month to one-year tours of duty.

THE CANADIAN CONTINGENT

The Canadian Contingent provides officers to the Force Commander's Staff, including the Chief of Liaison, and personnel in staff, air traffic control and morale support services.

FORCE MILITARY POLICE UNIT: HUNGARY

The Hungarian Contingent provides the Force Military Police Unit (FMPU) and staff officers. In addition to the normal MP duties such as traffic control, routine patrols and investigations, the FMPU also conducts vehicle controls and searches of MFO vehicles that cross the international border between Egypt and Israel.

TRAINING AND ADVISORY TEAM: NEW ZEALAND

The New Zealand Contingent provides a Training and Advisory Team (TAT) that conducts training courses, prepares training packages for use both in the Sinai and in pre-deployment training, and evaluates training effectiveness. New Zealand also provides drivers and engineering personnel, an operations officer, as well as an officer on the Force Commander's personal Staff. The products of the MFO's active training program have been shared with the United Nations and training centers of over 40 countries and international agencies. The MFO has hosted peacekeeping and liaison training programs of both Treaty Parties.

THE HEADQUARTERS UNIT: AUSTRALIA

The Australian Contingent's contribution to the MFO is a Headquarters Unit with personnel serving in a variety of engineering, security, administrative and medical support roles at the Force Headquarters. Key to Australia's contribution is the manning of the Force Operations Center and the Force Headquarters Executive Secretariat.

THE SUPPORT BATTALION AND U.S. ARMY ELEMENT: UNITED STATES

Although units from most contingents participate in the enormous task of supporting the Force, the major logistics unit is the U.S. 1st Support Battalion. It is dual-based at North and South Camps and is an integral part of the MFO supply system. It also provides the Force with an aviation company consisting of ten UH-IH utility helicopters supporting all three battalions and the Civilian Observer Unit; fully staffed medical dispensaries; logistics support; transportation; veterinary, sanitation, and water quality services; as well as explosive ordnance disposal.

The U.S. also provides a small group of officers and NCOs known as the U.S. Army Element (USAE) to serve on the Force Commander's staff. The USAE represents a wide cross section of U.S. Army personnel with many specialized skills. The USAE includes the Chief of Staff and the Chief of Support.

MOTOR TRANSPORTATION UNIT AND FORCE ENGINEERING UNIT: URUGUAY

A large number of the drivers in North Camp are provided by the Motor Transport Unit of the Uruguayan Contingent. Assembled from different units of the Uruguayan Armed Forces, the personnel undergo a comprehensive three month training program on mechanical maintenance of MFO-type vehicles before departing Uruguay for service in the Sinai.

A second company, selected from among the best engineers of the Uruguayan Army, operates bulldozers, cranes, front loaders, compactors and road graders to maintain MFO's vital road network which connects central sector Zone C remote sites with North and South Camps. Similar to the Motor Transport Unit all engineers also receive a three month training program in Uruguay before joining the MFO.

CIVILIAN SUPPORT

The Force in the Sinai is supported by MFO direct hire civilians and contractor personnel. The MFO direct hire civilians, from various countries, play a vital role in procurement, contracting, morale support, secretarial services, and legal and financial functions. In addition, the Force Exchange and the libraries are staffed with civilians.

Also key to the smooth functioning of the Force is the work carried out by the support services contractor. These services, consisting of vehicle, utilities and facilities maintenance, food services, laundry, fire protection, grounds maintenance, custodial services, as well as clubs, shoe repair, hair cutting and tailoring, are currently performed by Holmes and Narver Services Inc. (HNSI), which supplies the MFO with personnel through HNSI direct hire and an Egyptian subcontractor, CARE Services, Ltd.

MFO LIFE IN THE SINAI

Inevitably, the success of the MFO as an organization rests with its people in the Sinai. These professional peacekeepers perform a mission that is difficult, often repetitious and always marked by the sacrifice of the comforts of home and family as well as the endurance of the unavoidable limitations imposed by the desert.

Beyond the obvious variations of national culture, the people of the MFO, as individuals, form a group of considerable variety: men and women, the young and not so young, soldier and civilian.

The MFO does its best to provide for the education, welfare and recreation of its members. Education facilities and programs from numerous colleges and universities, and chaplains and medical professionals, are present at both camps. Arrangements are also in place for treatment of serious illness or injury in cooperating regional hospitals. Facilities are available for soccer, cricket, volleyball, rugby, basketball, football, softball, track, racquetball, tennis and squash. The gymnasia at both camps are run by professional staffs, and instruction is available in a variety of sports.

The base libraries now contain over 15,000 books and periodicals in all of the national languages represented in the Force. Professional entertainers are provided by Troop Contributing States on a regular basis for performances at both camps. Two Force Exchanges provide a range of necessities as well as books, magazines, cameras, radios and clothing at reasonable prices. Clubs are available for all MFO personnel.

Tour and travel programs offer a wide range of excursions and accommodations throughout Egypt and Israel. Feature films are shown in the theaters, and satellite TV/Radio stations provide live programs from the U.S. Armed Forces Radio and Television Service and other sources. Beyond these activities directly supported by the MFO is a spontaneous and entirely welcome system of individual contingent clubs, libraries and recreational activities.

LOGISTICS AND PROCUREMENT

The MFO logistics system supports the Force in procurement and supply, transportation, contracting and maintenance, and is unique in light of the independent mission of the MFO and the diversity of the units supported.

All supplies and equipment, including vehicles, helicopter components, electronics, food and repair parts, are procured from various sources in Egypt, Israel, the U.S. and other countries. While all procurement decisions are based on a cost/benefit analysis and the principle of open competition of requirements, first preference is generally given to vendors located within the Funds-Contributing States when these are competitive, with second preference to those located within countries providing contingents or additional funding to the MFO. The logistics system moves parts and supplies from Europe, North America, Egypt and Israel to the Force in the Sinai. This involves a very complex system of scheduling, transportation, customs

clearances, receiving and warehousing of goods which are conveyed by land, sea and air.

The goals of MFO logistics have been to assure support of the mission through competitive procurement of goods and services meeting our requirements: just-in-time delivery to minimize inventory levels; standardization of key materiel; and interoperability by all MFO contingents of MFO-furnished equipment for the mission.

Contracting and Procurement Officers at each MFO location are responsible for the provision of goods and services in support of the MFO mission. Administration of the support services contract is the main responsibility of the contracting staff. Other contracts run the gamut of needs of a diversified organization from waste disposal, copier supply and food, to dry-docking and repair of delicate equipment.

Equipment maintenance is, of course, essential to the accomplishment of the MFO mission. This responsibility is even more critical considering the harsh environment within which the MFO operates and the relatively long chain of supply. All MFO equipment is maintained to a high state of operational readiness by the cooperative efforts of contingent mechanics and technicians, and maintenance services provided by contractor personnel.

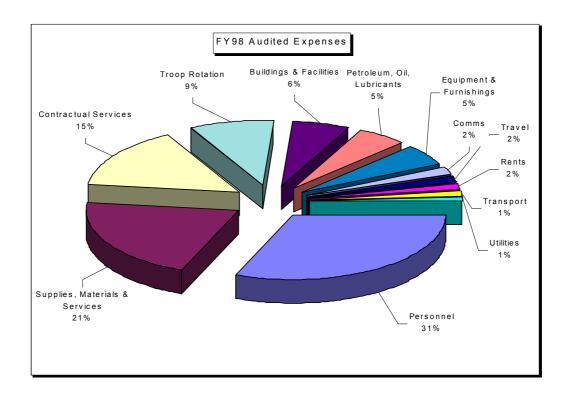
FINANCIAL OPERATIONS

The three Funds-Contributing States, Egypt, Israel and the United States, each contribute one third of the MFO's annual budget, less the Japanese and German Government donations and any other external contributions which may be received.

Budgeting philosophy and financial techniques used by the MFO are commercially oriented and comparable to the private sector. The MFO's financial operations are based on an integrated budgeting and funding procedure, designed to meet the particular needs of the organization. MFO's financial reporting and accounting procedures follow generally accepted U.S. accounting standards for non-profit organizations. The annual financial statements are audited by one of the major international auditing firms. Financial results of each fiscal year are presented to the Funds-Contributing States at the annual Trilateral Meeting.

Each Spring, the MFO prepares and submits to the Funds-Contributing States for their approval an initial budget amount for the next fiscal year (FY), commencing 1 October. At the beginning of each FY, the three Funds-Contributing States provide the MFO with a letter of credit or equivalent commitments to cover the year's contributions. There is an implicit limitation on the MFO to withdraw monies against these letters of credit only on a monthly basis and only in amounts needed to meet short term cash requirements. The MFO identifies and forecasts its near term (30 to 45 day) requirements, limits funds withdrawals accordingly, and makes prompt payment to its creditors. Funds authorized but not expended during the fiscal year are returned to the Funds-Contributing States.

The MFO budget requirements generally fall into the following categories:

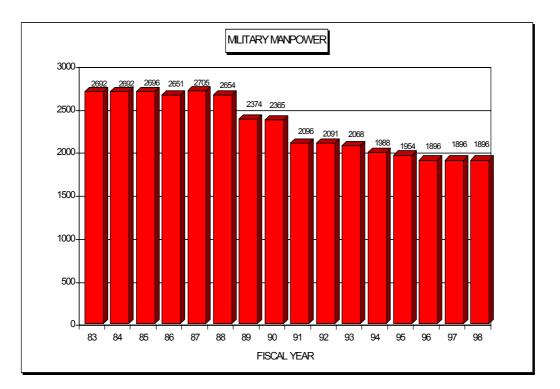


Successful peacekeeping is not without its price, but, with the support of the Funds-Contributing States and a unique commercial management philosophy, the MFO has achieved exceptional "bottom line" results:

1900-1990		
	MFO BUDGET	-Down 33%
	ROME HQ BUDGET	-Down 38%
	No. OF HQ PERSONNEL	-Down 41%
	No. OF MILITARY PERSONNEL	-Down 21%
	AIRCRAFT FLEET	-Down 50%
	VEHICLE FLEET	-Down 44%

MANAGEMENT ACHIEVEMENTS 1988-1998

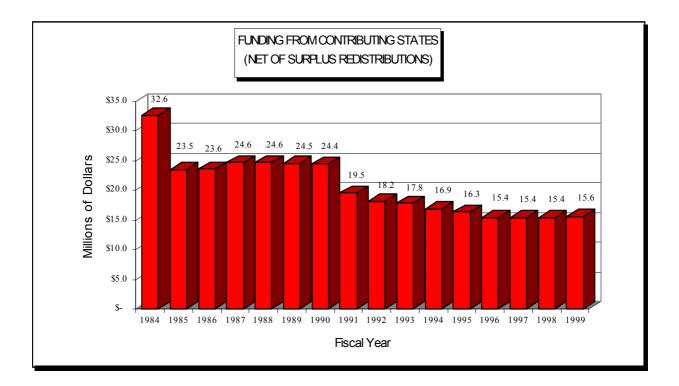
While the MFO cannot alter its main elements and their deployment for mandated operations without the consent of the Treaty Parties, they have cooperated in military personnel reductions, and in selective remote site closures and relocations, in order to trim Force strength without adversely affecting the successful performance of the MFO's missions.



Though the MFO's application of a commercial "bottom line" approach to peacekeeping has met with exceptional results, the bane of the annual budget remains inflation. The MFO experiences both exchange rate fluctuations and inflation in all areas of its financial operations. Inflation might have resulted in substantial budget increases if not offset by MFO cost cutting. The MFO budget was \$73.7 million in FY 1988. It was reduced to \$51 million in FY 1995 and has remained stable in nominal dollars — a reduction in

purchasing power -- since then. As a result, the amount of funding required from Egypt, Israel and the United States has been declining since 1988.

An accompanying table gives the recent history of the size of annual requested funding from each of the three principal Funds Contributing States.



The MFO has not only been able to absorb the costs of inflation but also has returned a surplus to the Funds-Contributors each year. This surplus is returned to the Funds-Contributing States in the form of reduced contributions in the subsequent fiscal year and provides a tangible pay-back for trust in MFO management and its ability to administer the budget prudently. The MFO capacity to produce an annual surplus is also one measure of MFO ability to meet any significant unforeseen contingencies without reverting to the Funds Contributors for supplemental appropriations, an impracticable approach to emergency funding from three different countries. In addition, a combination of commercial insurance tailored to the MFO's needs and situation, a complementary Self-Insurance Fund for losses not commercially insured, and a Capital Asset Replacement Fund assist in meeting contingencies while maintaining budget stability.

The flexibility and independence of the unique MFO management structure, and its conscious political insulation, are three reasons for its success. They have permitted cost-effective innovation with a minimum of intrusion by extraneous political agendas and the bureaucracy that hamper effectiveness and change. Constructive trilateral review of the MFO has proven to be a persistent quality, with a declining budget and personnel count as the result.

APPENDIX

The Egypt-Israel Peace Treaty of March 26, 1979 Letters from President Carter to President Sadat and Prime Minister Begin The Protocol of August 3, 1981 Exchange of Letters between Secretary of State Haig and Foreign Ministers Ali and Shamir

NOTE: This Appendix presents those documents most relevant to the establishment and mission of the Multinational Force and Observers. It should not be considered a definitive collection of all the documentation relating to the Peace Treaty of March 26, 1979 or to the MFO. The following documentation is reproduced directly from the original documents.