

ANNUAL REPORT
OF THE
DIRECTOR GENERAL



MULTINATIONAL FORCE & OBSERVERS

JANUARY 2001

The following annual report is drawn from the report of the Director General delivered to the Trilateral Meeting 13 November, 2000, which brings together MFO Management with the two Treaty Parties, the other primary Funds-Contributing State, and other States supporting the MFO. Appended are the audited financial statements for MFO Fiscal Year 2000.

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THE YEAR IN REVIEW

As you all know, the past year has seen the peace process lurch from great expectations to despair. The complex of unresolved issues is not within the mandate of the Multinational Force and Observers (MFO), but one thing is very clear: the Egyptian-Israeli Treaty of Peace remains as a cornerstone of any lasting comprehensive settlement, and mutual respect of its security Annex continues to provide the Parties with confidence essential to regional stability. By carrying out its responsibilities assigned by Egypt and Israel in the Protocol to the Treaty, the MFO continues to serve the cause of peace. All elements of the MFO contribute to this, but I would like to note here in particular the successful work of the liaison system. The MFO, under the capable command in the field of MG Tellefsen of Norway and with the good work of my Representatives in Cairo and Tel Aviv, has been well prepared and responsive to the Parties, using our best efforts to assist them in the core work of confidence-building, promoting effective communications, anticipating potential challenges, and cooperative problem-solving.

The MFO continues its successful mission in the present complex environment with the full support of both Parties' liaison organizations, headed respectively by MG el Hakim of Egypt's Liaison Agency With International Organizations, and BG Arditi of Israel's Defense Forces Liaison and Foreign Relations Division. Our collective success is founded on their joint commitment to the Treaty and its security Annex, and on the climate of cooperation and trust that they and their predecessors have fostered.

Adjacent to the northernmost section of the Parties' common international border, from the vicinity of the Rafah border crossing north and west to the Mediterranean Sea, are areas under the Palestinian Authority. The MFO has no responsibility regarding the normal policing of the international boundary or with respect to the Palestinian Authority. As occurred also in 1996, there has been recent unrest and violence in this region. Our MFO liaison branch has been maintaining a constant presence at the Rafah border crossing, and the Fiji Battalion has manned key temporary observation posts to observe and report on developments, in order to permit the MFO to continue to fulfill its responsibilities to both Parties in these challenging circumstances.

The safety of MFO personnel is critical. We appreciate very much the cooperation of the Parties in helping to ensure our security and we have asked them to make the Palestinian Authority, with whom the MFO has no direct contact, aware that we continue to discharge our peacekeeping duties.

The Rafah crossing point and adjacent roads are important avenues for MFO access and supply; their security is constantly monitored with the help of both Parties, and they have worked with us to prepare an alternative border crossing for use as required.

Regarding MFO management issues, we have devoted significant energies in Fiscal Year (FY) 2000 to increasing efficiency. We continue to maintain a successful mission, and to do so under budget despite skyrocketing increases in the cost of our helicopter maintenance, rising international oil prices and inflation which continues its slow but steady effect in increasing some of our expenses. The MFO FY 2000 budget was unchanged, and it will remain fixed at \$51 million for MFO FY 2001, a seventh year of a stable budget. We continue to review and re-examine how to do our work more effectively and at less cost consistent with the stated view of the Parties that now is not the time for any significant change in the MFO mandate or force structure.

Amongst the key management developments in this past FY are the following:

- ✓ A year-long review of how we use our automated databases to help do our mission concluded that we should replace two current databases that do not intercommunicate with a more comprehensive Enterprise Resource Planning (ERP) system. We sought competitive bids, reviewed the technical and other features of the systems offered, and recently decided on a purchase of a SAP-based system, subject to successful negotiation of all contract details.
- ✓ We initiated a new program to recruit Egyptian professional, “white collar” staff to fill a gap between expatriate personnel and largely blue-collar workers hired under a labor services subcontract. The initial Contract Hire Civilians (CHC) positions primarily have been in the electronics and computer professions. We have had growing pains in attracting professionals to the Sinai who otherwise would be working in Cairo or abroad, but we also have had successes. By reaching into a part of the Egyptian market place for talent heretofore untapped by the MFO, we believe this will evolve into a key component in assuring the right mix of expertise and skills in the civilian complement of the MFO in the Sinai.
- ✓ We have met significant challenges in maintaining a mission-capable fleet of aging UH-1 helicopters made available by the US Army, in the face of US Army-wide safety of flight and other maintenance problems. We have had to go significantly over-budget to secure parts and components and, in some cases, outside expertise. The MFO has made proposals to the US Government regarding both short term and long range issues to keep this critical helicopter resource safe and mission-capable.
- ✓ We have worked hard to make our logistics system more efficient, through better communication, greater delegation of authority to key players, and greater visibility of the information available on our current database. We are introducing performance measurement in procurement, inventory management and transportation, emphasizing internal MFO customer satisfaction. Our philosophy of competitively-based procurement has been enhanced by seeking longer-term stable purchasing relationships

policed by periodic price checking. We are eliminating bureaucratic steps that do not add value. The HQ has devolved significant contracting and budget authority to the Force and our Cairo and Tel Aviv offices in the areas of procurement, the main support contract (14% of the MFO budget), major helicopter repair parts, and capital equipment for communications and information systems. Paperwork will be reduced by maximizing use of the database we now have, and by avoiding repetitive steps in ordering commodities and supplies. Implementation of an ERP system will greatly facilitate all of our logistics agenda. Our emphasis on reduced inventory and just-in-time supply fits with growing reliance on vendors in Egypt and Israel, and we continue to return major portions of their financial contributions to their economies.

- ✓ Communications improvements facilitate our work, and lay the groundwork for effective utilization of tools like an ERP. Our wide-area network (WAN) for voice, email and data transmissions is working well between the HQ, Tel Aviv and the Force. Integration of our office in Cairo will be next. Local area networks (LANs) at both North and South Camps are near completion, and were greatly facilitated by Canada's contribution of a line team to finish installation of wiring. The team also assisted on MFO communications tower maintenance. A private Internet initiative has made available greater personal email access at the Force for soldiers and civilians, an important morale booster. We have added new lines.

This FY 2000 report to the Funds Contributing States and other States supporting the MFO describes an active year of continued service to the Parties, performing our mission, emphasizing safety, preparing for contingencies, working to make the liaison system ever more effective, taking care of the soldiers entrusted to us, and striving to do all this cost-effectively and ever more efficiently. Having completed two years of service as Director General, I remain impressed both by the soundness of the organization, and by the continuing potential for further innovation and improvement in the MFO's service to the Treaty Parties.

It is with great sadness that we learned of the death in October, 2000 of Peter Dalton Constable, Director General of the Multinational Force & Observers from 1984 to 1988. Before becoming MFO Director General, Ambassador Constable had a distinguished career in the U.S. Foreign Service, capping it as Ambassador to Zaire before coming to Rome.

I have known Peter Constable for many years. He was a man of compassion, integrity and intelligence. He was much respected by peers and friends and will be very much missed.

PARTICIPATION AND FINANCIAL SUPPORT

PARTICIPANTS AND DONORS

I am pleased to report that participation and donor relationships remained stable in FY 2000 and no change is expected in FY 2001. We have very loyal troop-contributors and donors and I am grateful to them all.

One of the most important functions I have as Director General is selection of the Force Commander. After almost four years of distinguished service, MG Tryggve Tellefsen will depart the MFO on 1 March 2001. I have valued his good judgement, the professional military and peacekeeping expertise he has brought to our deliberations, and his humour and sound instincts. He has served the MFO and the Parties well.

To seek a replacement of the same stature, I approached Canada, which has been associated with the MFO since 1985. Canada responded positively, with several nominations, all well qualified. With the approval of the Treaty Parties, I selected MG Robert Meating to succeed MG Tellefsen. MG Meating has had a distinguished career as an armored officer that includes several tours of service in Germany as well as Canada, and prior Mid-East peacekeeping experience in connection with UNEF II and UNDOF. His pre-MFO assignment has been as J2 at National Defence Headquarters in Ottawa. He is an officer of the Canadian Order of Military Merit, and holds the US Meritorious Service Medal. I thank Canada for its support and for making MG Meating available to serve with us. I am confident that he will be an able Force Commander, and will merit the respect and confidence of the men and women under his command as well as the two Parties.

Italy has now deployed two of three new fast patrol boats to the Coastal Patrol Unit (CPU). The second, the ITS Sentinella, joined the CPU last November. The third and final new vessel, the ITS Vedetta, is scheduled to join the CPU in the spring of 2001. This summer a scuba diver team was integrated into the CPU Ashore Support Element. Additionally two more technician petty officers are scheduled to arrive in the spring along with a six man Naval Marine

squad to assist with shore security at the CPU dock site. This addition of manpower will not increase the overall CPU strength as it is offset by a reduction in the manpower required by the smaller new patrol vessels. The ITCON strength thus will remain at 75 personnel.

Continuing a program of selective reductions in the US Contingent, in the past fiscal year six positions were deleted. The Force Engineer position was civilianized, resulting in one reduction to the United States Army Element (USAE) which forms part of the Force Commander's staff at North Camp. Five positions related to a US Army-based property book system were deleted from the US Support Battalion (SPTBATT) when we civilianized the system and converted it to a life-cycle asset management program on an MFO database. With these reductions, 52 positions have been cut in the US Army strength at North Camp over the past two fiscal years, a 13% reduction from prior levels. The US Army has welcomed these cuts, and we will continue to look at additional selective reductions in certain areas. In October 2000, the US contingent at North Camp, consisting of USAE and SPTBATT, has been reorganized under the command of the MFO Chief of Staff (a US Colonel). This is a purely internal reorganization that will not change the mission, add to the numbers of the two US units, or affect the manner in which the Force conducts its missions. It is designed to simplify and unify internal US Army command relationships, and for that reason I have welcomed it.

Authorized military strength and the impact of progressive downsizing of the MFO over time are indicated in the accompanying tables.

| CONTINGENT | STRENGTH NOVEMBER 1999 | STRENGTH NOVEMBER 2000 |
|---------------|---------------------------|---------------------------|
| AUSTRALIA | 25 | 25 |
| CANADA | 28 | 28 |
| COLOMBIA | 358 | 358 |
| FIJI | 338 | 338 |
| FRANCE | 17 | 17 |
| HUNGARY | 41 | 41 |
| ITALY | 75 | 75 |
| NEW ZEALAND | 26 | 26 |
| NORWAY | 5 | 5 |
| URUGUAY | 60 | 60 |
| UNITED STATES | 871 | 865 |
| TOTAL | 1844 | 1838 |

Table One.

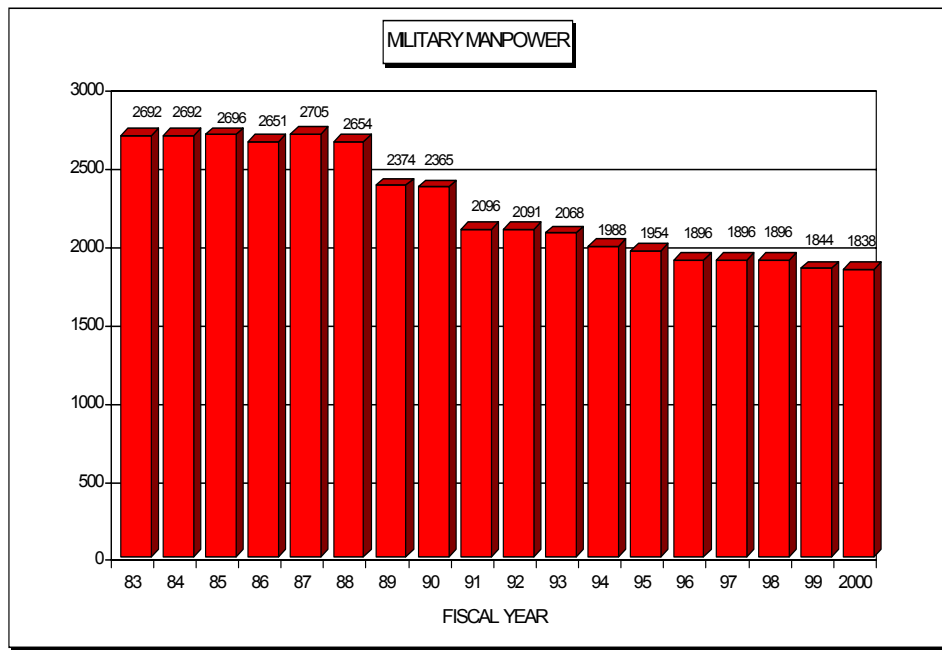


Table Two.

VISITORS TO THE MFO

One aspect of support for the MFO is the interest in the mission and our personnel shown by Participating States and Donors and reflected in the Force’s busy visitor program. It is important for the Participating States and Donors to be able to see their contributions in action. In these times of shrinking budgets, I understand the importance of being able to observe on-the-ground with us and the Parties the implementation of our tasks and fulfillment of our mission. The liaison systems of the two Parties have whole-heartedly supported our visitor activities.

This past fiscal year the many senior civilian and military dignitaries from Participating States who visited us included:

- ✓ From Australia, the Chief of Staff Land Command, Australian Land Forces, BG A.G. Warner;
- ✓ From Canada, Canadian Forces Assistant Deputy Minister for Material, the Honorable Alan Williams, who visited the Force in December in connection with logistic studies relating to peacekeeping operations in Bosnia; the Deputy Chief, Canadian Defense Staff, LTG R.R. Henault; Head of Military Material and Logistics, Canadian Command Forces

BG Lawrance Lashkevich; and the Canadian Forces Chief, J3 Branch, BG David Jurkowski;

- ✓ From Colombia, the Commander, Colombian Army's 18th Infantry Brigade, BG Luis Hernando Barbosa;
- ✓ From France, the Deputy Commander of Technical Affairs, French Air Force, BG Daniel Pillod came to see how he could improve France's support for the DHC-6, Twin Otter, provided to the MFO;
- ✓ From Hungary, the Commander, 2nd Mechanized Division, MG Tamas Suto;
- ✓ From Italy, Italian Under Secretaries of Defense the Honorable Fabrizio Abbate and the Honorable Gianni Rivera whose visits focused on the Italian CPU mission;
- ✓ From Norway, the Chief, Norwegian Army Staff, MG Roar Jens Haugen who visited our small but key Norwegian staff contingent that includes the Chief of Operations, Chief of Personnel Services, and liaison positions; and a visit by cadets from the Norwegian Military Academy ; and
- ✓ From the USA, a significant number of visits reflected the size of the US Contingent and the importance of the US commitment to the MFO as both a Participating and Funds Contributing State. The senior civilian visitors included the Secretary of the Army, the Honorable Louis Caldera; the Under Secretary of Defense for Personnel and Readiness, the Honorable Dr. Bernard Rostker; Assistant Secretary of Defense for Reserve Affairs Charles Cragin; and Principal Deputy Assistant Secretary of Defense for Force Management Policy Gail McGinn. Senior US military visitors included the former Commander, U.S. Central Command, GEN Anthony Zinni who visited South Camp and his successor GEN Tommy Franks who called on the Director General; Commanding General, XVIII ABN Corps, LTG William Kernan; Chief of the US National Guard Bureau, LTG Russell Davis; the Commander of the US 101st Airborne Division, MG Robert Clark and the Commander (designate) for the US 82nd Airborne Division, MG John Vines; MG Richard Cody, Director Operations, Readiness and Mobilization, HQ Department of the Army; and the Commander, US Army 1st Corps Support Command, BG Terry Juskowiak. Such a high level of interest in the mission and the soldiers assigned to the MFO is gratifying. These visitors have heard positive reports from their assigned personnel in terms of small unit training opportunities, good morale, and more opportunities than back home to earn Expert Infantry and Expert Field Medical Badges and to obtain college educational credits. Moreover, re-enlistment rates usually are higher than in units in the USA.

A further aspect of Participating and Donor State support is visits by the Ambassadors accredited to the two Receiving States. This year we welcomed Ambassadors accredited to Egypt from Australia, Colombia, France, Hungary, Italy, Norway, and Uruguay; and Ambassadors accredited to Israel from Hungary, Japan, Norway, Switzerland, and Uruguay. We also welcomed the Australian and Colombian Consuls accredited to Israel and the Colombian and Hungarian Charges d’Affaires accredited to Egypt.

We were privileged this past year to be able to support several professional development visits that included students of the Norwegian Military Academy noted above, the US Military Academy, and the US Air War College. We received several Egyptian staff college visits including two groups from the Nasser War College in November 1999, one group at North Camp and one at South Camp, and a group from the Defense Academy which visited South Camp in September 2000. A day-long visit to North Camp by the IDF International Liaison Officer’s Course included briefings both by LAWIO and the MFO; the visit comprised 29 senior field grade and general officer military attaches accredited to Israel and 30 field grade officers from Botswana, China, France, Germany, Ghana, Great Britain, Greece, Hungary, India, Ireland, Israel, Italy, Jordan, Romania, Russia, South Africa, and the United States. It was our pleasure to have the opportunity to show these soldiers how we perform our mission.

During this past fiscal year, interest in the MFO from outside the community of States supporting the MFO was reflected in visits by MG Ford, the Chief of Staff of UNTSO; COL Kowalczyk, Chief of Staff of UNDOF; Mr. Lionel Rosenblatt of Refugees International; the Ambassadors accredited to Israel from Denmark, Finland and Sweden and the Ambassador of South Africa accredited to Egypt. We were also pleased to welcome back our first Force commander General (Retired) Fredrik Bull-Hansen of Norway, on a private visit.

FY 2000 – OPERATIONS

INTRODUCTION

The 1979 Treaty of Peace between Egypt and Israel, its security Annex and its Protocol together form the basis for the mission of the Multinational Force and Observers. The MFO is a joint arms operation with civilian observer and support elements. The purpose of the MFO is to provide the Treaty Parties a means to impartially verify compliance with the security arrangements of the Treaty of Peace and to use its best efforts to prevent any violation of them. The MFO combines static and mobile means of observation by air, land and sea to execute its mission to "observe and report". The MFO currently mans thirteen Checkpoints (CPs) and seventeen Observation Posts (OPs) in Zone C, augmented by the CPU which covers the Strait of Tiran and its approaches. Checkpoints monitor traffic into and out of Zone C on all main roadways. Observation Posts observe and report activity in, or near, Zone C. These static CPs and OPs are supplemented by Temporary Observation Posts (TOPs) based on small detachments operating at remote static positions. On average, nearly 50 TOPs are sent out per week. In addition to these TOPs, regular vehicle patrols are sent out at an average rate of over 100 per week to observe and maintain a high MFO visibility in Zone C. Our activity in Zone C has remained steady over the past year, ensuring a continuous MFO presence throughout the area. The Civilian Observer Unit operates in all four zones to conduct impartial periodic verifications of the implementation by both Parties of the treaty's security arrangements.

The basic organization of the MFO has proven sound since its inception. It consists of four major components. These are the Headquarters in Rome, the two Director General's Representatives' Offices in Cairo and Tel Aviv, and the Force and Observers in the Sinai.

The Headquarters in Rome provides direction and supports the Force and Observers through its operational, logistical, legal, personnel, financial and other specialist staff. Many programs are centrally managed in Rome, including international civilian staff recruitment, troop rotations, central accounting and external audits, participation and donor agreements and related financial arrangements, litigation and claims, and commercial insurance. The HQ staff supports the Director General in his responsibility for direction of the MFO and for determining the MFO's policies, programs and budgets in accordance with the Treaty and Protocol.

The Director General's Representatives (DGRs), Mr. Joseph Englehardt in Cairo and Mr. Michael Sternberg in Tel Aviv, and their able staffs represent the Director General to their respective host governments on policy matters and conduct liaison with the embassies of the MFO's supporting states. Their offices support the Force in procurement, shipping and transportation, liaison, personnel movements and disbursements. They also provide other significant services such as coordinating and dealing with press interest in the MFO, and with customs, police, airport and other authorities on routine, day-to-day business.

The Force is a joint organization with army, air and naval components. It is comprised of military personnel from eleven countries: Australia, Canada, Colombia, Italy, Fiji Islands, France, Hungary, New Zealand, Norway, United States, and Uruguay. Its organization consists of three Infantry Battalions; one Support Battalion including a multinational Transportation Section and a Rotary Wing Aviation Unit; a Coastal Patrol Unit; a Force Military Police Unit; a Fixed Wing Aviation Unit; an Air Traffic Control Section; branches for Operations, Supply, Engineering, Communications and Information Systems, and Personnel; and the other multinational, civilian and military staff of the Force Commander. In addition to maintaining coverage of Zone C, Force units continued to conduct regular training in the basic military skills that are essential to operational effectiveness, including joint training to improve inter-operability, a constant activity throughout the last year.

OBSERVER OPERATIONS

The Civilian Observer Unit is the MFO's primary tool to verify the security arrangements of the Treaty of Peace, being the only arm of the MFO conducting verification of the Treaty Annex in all four Treaty zones. The Observers completed their 473rd reconnaissance and 442nd verification missions at the end of FY 2000. The professionalism, dedication and impartiality that the members of this unit display as they travel throughout the four zones are important elements in building the confidence and trust that both Parties must have in the MFO. The interactions between the COU and both Parties' liaison units continue to be excellent. I would like to thank both Parties for this support.

During this past summer, a new Chief of the Unit arrived, Mr. Douglas Kent, and there was the usual cycle of annual turnover of seconded US State Department personnel. Compounding the impact of usual rotations, four of our retired military observers also departed. I am happy to report that we were able to recruit excellent, highly qualified personnel to replace them. The COU maintained its high standards throughout this personnel transition.

LAND OPERATIONS

THE BATTALIONS

Northern Sector

The Northern Sector of Zone C is monitored by FIJIBATT, Second Battalion, Fijian Infantry Regiment. The northwest boundary of this sector is the Mediterranean Ocean where FIJIBATT monitors maritime and naval activity from its OP and nearby TOP sites on the coast. I have noted previously that FIJIBATT also maintains vigilance at TOP sites in Egypt across from the border with Israel adjoining areas under Palestinian administration in Gaza. Throughout its sector, FIJIBATT maintains six CPs and five OPs. Patrols and TOPs extend the coverage from these permanent positions. On its southern boundary, FIJIBATT conducts patrols in cooperation with COLBATT. In North Camp, FIJIBATT maintains a Quick Reaction Force (QRF) comprised of an infantry squad and the Headquarters element for use in emergencies.

FIJIBATT is an experienced unit and has continuously served in the MFO since 1982. Most members of the battalion have served several tours in the Sinai and with the United Nations Interim Force in Lebanon (UNIFIL). As it has in the past, FIJIBATT continues to perform with excellence, the result of many years of corporate and individual experience combined with dedication and professionalism. The FIJIBATT domination of the Force Skills large unit competition over many years testifies to this level of professionalism and dedication.

Central Sector

The Central Sector is monitored by Colombia's Infantry Battalion Number 3 (COLBATT). COLBATT maintains two CPs and five OPs augmented by daytime vehicle patrols and day and night TOPs. On its northern and southern boundaries, COLBATT conducts patrols in cooperation with FIJIBATT and USBATT, respectively. On North Camp, COLBATT provides the guard reserve and maintains control of the Camp gates and perimeter. As in the past, COLBATT continues a vigorous program to develop small unit leadership within the battalion. This training has proved its value when, due to the remoteness of its sector, COLBATT elements have been called upon to provide the first response to serious vehicle accidents.

COLBATT has been a vital element of the Force since the inception of the MFO in 1982. COLBATT's professional performance remains outstanding, and the unit remains one of the Force Commander's major assets.

Southern Sector

The US Battalion (USBATT) monitors the Southern Sector, focused on our South Camp, with five CPs and seven OPs supplemented by vehicle patrols and day and night TOPs. Like Colombia and Fiji, the United States has provided an infantry battalion to the MFO since its commencement in 1982. In contrast to the other battalions, the USBATT rotates as a unit every six months. The fiscal year started with the 1-502 Infantry from the 101st Airborne Division, in place until January 2000. In that month, Task Force 1-5 from the 25th Infantry Division (Light) took its post in the Southern Sector and served until it, in turn, was replaced by 2-505 Parachute Infantry Regiment from the 82nd Airborne Division last July. The 2-505 will serve in the MFO until January 2001.

Successive USBATTs have maximized the opportunities from MFO deployment to validate junior officer and NCO leadership skills, to learn the arts of peacekeeping and to conduct small unit and individual training. Because of its sites along the Gulf of Aqaba, USBATT is able to conduct joint training and operations with the CPU to the benefit of both organizations. Individual training culminates in the Expert Infantry Badge and Expert Field Medical Badge programs. I would like to take this opportunity to commend the USBATTs for extending these excellent training opportunities to the other two infantry battalions. Members of both FIJIBATT and COLBATT have also earned these prized badges denoting high standards of professionalism in both infantry and medical skills. USBATT individual training includes personal education. Through innovative scheduling, the soldiers of USBATT were able to take college courses between rotations to the remote sites. Finally, through effective use of Force liaison assets and close cooperation with LAWIO, USBATT has been able to balance training needs and the needs of local development in the continued use of the off-camp Peacekeeper Range, so important to the training program. I greatly appreciate the full support of Egypt in continuing to make this range available.

The Southern Sector continues to witness tourist and economic development at breathtaking speed. Such development is a fruit of the peace, presenting the MFO with both opportunities and some challenges in the conduct of its mission. One challenge is maintaining stand-off for force protection and security. This has required close cooperation and the support of LAWIO, the South Sinai Governate, and other local authorities. I am particularly grateful for MG el Hakim's constant support and that of his LAWIO staff on these issues so important to the Force Commander and me.

SEA AND AIR OPERATIONS

COASTAL PATROL UNIT

The CPU consists of three patrol vessels, currently the ITS Palma, ITS Esploratore and ITS Sentinella, and a shore support element. In November 1999 our second new patrol boat, the ITS Sentinella, arrived to replace the ITS Bambu. These new patrol vessels, designed specifically to support the MFO's needs, concretely testify to Italy's strong commitment to supporting the peace. The anticipated arrival of the third Esploratore class ship, ITS Vedetta, in the spring of 2001 will see repatriation of the ITS Palma, the last of the wooden hull class of ships that has been serving with the MFO since 1982. The CPU strength consists of nine naval officers, 30 petty officers and 30 sailors. In addition there is an officer who serves as the Force Commander's Senior Staff Officer Naval, who also represents the Italian Contingent Commander in North Camp, and Italian officers who serve as Liaison and medical officers in South Camp.

During the last 12 months, the CPU conducted 205 missions with 925 hours on patrol to confirm freedom of navigation through the Strait of Tiran. The CPU conducts joint/combined exercises with USBATT on maritime triangulation, observation and tracking, OP 3-11 re-supply missions, remote site evacuation drills and ship orientations. During the past year the CPU also was called on to join in a search and rescue effort for the crew of a German sailing boat which had become grounded on the Jackson Reef in the Strait.

FIXED WING AVIATION

The French Fixed Wing Aviation Unit (FWAU) flew 695.5 accident-free hours utilizing its Twin Otter (DHC-6) aircraft. The Twin Otter continues to be the primary platform for COU aerial reconnaissance of our large mission area. It is also a time-saving means of linking our two camps and, as required for meeting schedules, transporting liaison system and Force leadership. This critical asset is also available for medical evacuations (MEDEVAC); this FY the DHC-6 performed one MEDEVAC to Cairo for an Egyptian national employee. The Twin Otter continues to be extremely reliable and superbly maintained with a 92.3% operational readiness rate throughout the year, a direct reflection of the professionalism and dedication of all of the members of the FWAU. I was pleased to receive word from the chief of the French Air Force's maintenance department, BG Daniel Pillod, during his visit to the Force in July, that the French Air Force is bringing a third Twin Otter on line. This will be available as a replacement as needed to provide continuous support to the MFO. I thank the French Government for its sustained commitment to the MFO.

ROTARY WING AVIATION

The Rotary Wing Aviation Unit (RWAU) of SPTBATT performs a variety of missions including flights for MEDEVAC, COU reconnaissance and verification, command and control, VIP transportation, and for re-supply missions and personnel rotation at our more remote locations within the Sinai.

The RWAU flew 2,110 accident-free hours in support of the Force. Maintenance and safety of flight requirements have significantly impacted on our ability to fully support the mission and meet training goals, and as a result our final flying hour total was well below the target flying hour program of 2,870 hours.

After nearly two decades of loyal service to the Force, the UH-1 fleet is beginning to show its age. We have experienced a succession of problems relating to the spur gear/nose reduction assembly, tail booms, mast poles, and other components. Minimum essential mission requirements are for five mission-capable helicopters at any one time. Other operational and training requirements require the availability of up to three additional mission-capable helicopters. In contrast, fully mission capable helicopter availability in the past twelve months has averaged 59% of the ten helicopter fleet, and that rate is due only to exceptional efforts by the US Aviation Maintenance Company (AVCO).

In the past 18 months, due to the spur gear problem and related vibrations, we have had to replace eight engines. New engines can cost over \$400,000. Replacement engines, however, come with no guarantees, and have been failing after an average of only 224 hours; one engine failed immediately after delivery. We are required to X-ray each helicopter's tail boom assembly after every 75 hours of flight. In June all of our UH-1 rotor masts had to be inspected, with the result that eight out of ten helicopters required new masts.

Such events preclude accurate forecasts of maintenance and budget requirements. Helicopter maintenance and depot-level repairable costs have soared from a total of \$108,000 in FY 98 to \$2,229,000 in FY 00.

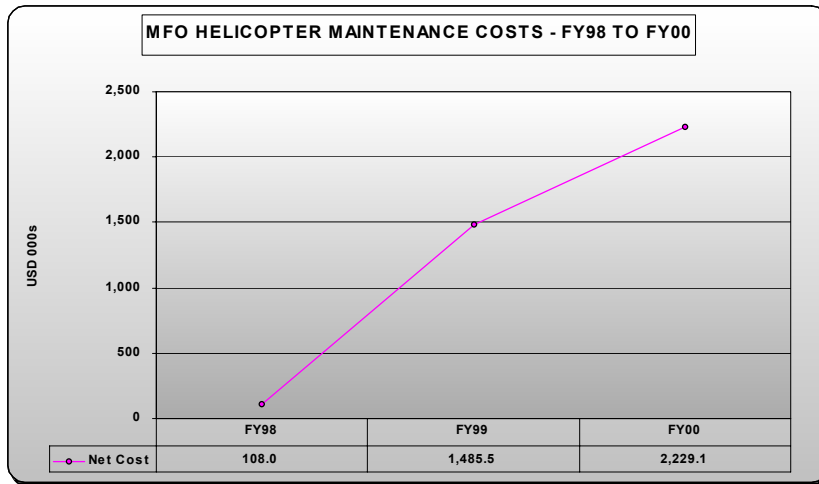


Table Three.

The solutions to the US Army's system-wide challenges with the UH-1 lie beyond the MFO. In my recent visit to Washington, I made a series of immediate and long-term requests and recommendations with respect to the RWAU mission. There are interim measures that will provide relief, such as delisting UH-1 components in light of the US Army's decision to completely retire this platform in four years, and utilizing the existing inventory of serviceable components at no additional cost as helicopters elsewhere are taken out of regular US Army service. For the longer term, I have urged initiation of joint planning on possible replacement options after the UH-1 is withdrawn from US Army service. Until that occurs, I have recommended that the US Army assume full management of the helicopter maintenance program. In this way the US Army could take advantage of all the resources for cost-effective management including retired aircraft and components that it alone has available. I believe that safety and performance would be enhanced still further through unity of command and control.

I am very grateful to the US Army for their priority support for the MFO mission and resourcefulness in addressing our common maintenance and safety-related concerns. I hope that our proposals find favor in resolving these concerns. In spite of this difficult maintenance environment, the outstanding work of our maintenance personnel and careful management of our helicopter fleet allowed the MFO to assure safe accomplishment of priority missions at the most difficult of times. I would like once again to commend AVCO personnel for their dedication and perseverance in the face of the considerable challenges of the past year.

A priority mission of the RWAU is medical evacuation support to MFO personnel and to the local population and tourists in cases where there is a threat to life, limb or eyesight. The RWAU performed 21 MEDEVACs involving MFO personnel during the past year. The total flying hours-expended on MEDEVACs

were 36.8 hours, as compared to the previous year's 15 MEDEVACs requiring 38.9 flying hours. Once again the MFO was able to utilize its assets to fulfill its role as a good neighbor. There were two RWAU missions involving non-MFO personnel: an Egyptian national who had been bitten by a poisonous snake; and a search and rescue mission for two German nationals who had been diving in the Strait of Tiran.

ATC/FLIGHT FOLLOWING

I have noted that development in the Sinai brings opportunities as well as challenges for the MFO. Examples of opportunities include the large volume of commercial air traffic directly into Sharm el Sheikh, which we take advantage of for certain rotations, and new Egypt Air flights into the El Arish airport, convenient to North Camp. Challenges have been posed by new air traffic control (ATC) measures in the Sinai, civil and military, associated with this increased traffic and by flights in transit in northern Zone C to and from the Gaza airport. During the past FY, we were advised by LAWIO that MFO would henceforth need to obtain Egyptian clearance numbers for all flights in the Sinai. This has increased the need for close coordination between the Force and LAWIO, particularly to be able to respond to the inevitable unforeseen changes. In conjunction with LAWIO we have put into place procedures that should minimize any problems. This will help us to maintain required flexibility while maximizing accommodation to both military and civil air traffic control procedures and provision to LAWIO of required information and support. I am fully committed to cooperation in air traffic safety, without prejudice to the essential freedom of movement accorded the MFO for the timely performance of its mission under the Treaty and Protocol. I am pleased that to date, with LAWIO's recognition of these fundamental MFO requirements, and through their good offices with both civil and military air controllers, we have achieved both objectives. I also want to thank MG el Hakim and his staff for their collaboration as we worked through the startup problems and continue to fine-tune these new procedures.

The Canadian Flight Following Section continues to provide high quality service and advice to the MFO and authorized visitor aviators. During this past year we have been able to maintain direct daily contact with air traffic controllers at the El Arish airport. We also conduct periodic meetings with the Civil Aviation Authority in Cairo, and hope to do so with military air traffic controllers as well, to lead to better mutual understanding of MFO and their concerns. We likewise conduct periodic meetings on air traffic control in Israel, in coordination with IDFLFRD, and procedures are working well there also.

FORCE PROTECTION

The Force Commander and I put a high priority on the safe execution of our mission. We conduct both internal and external reviews to enhance our force protection and security posture. We balance prudent security measures in light of the local threat assessment with the requirements of our operational concept to maintain a visible and active presence in our AO. At MFO initiative, in September 2000 a US DOD vulnerability assessment team again visited all of the remote sites and both North and South Camps. I appreciate their expertise and cooperation, and their review of our efforts over the past year. I am happy again to report that our measures continue to meet the standards applied by the team.

Force protection is an important part of daily life for the MFO and its personnel. It is a continuing process that will again be reviewed in light of the observations of the recent team. Our security posture is enhanced by our direct relationship with the two Treaty Parties, their openness in sharing security-related information with us and, in the case of Egypt, significant security measures external to the MFO in the Sinai. I appreciate their shared commitment to the safety and security of our personnel.

During this past year we did have one potentially serious incident when an unbalanced local resident fired shots at the MFO's Engineer Road Camp. No one was injured, and the response of the Uruguayan soldiers on duty was appropriately conservative. I would like to commend the Egyptian Central Security Police and LAWIO for their quick action to identify and arrest the person who committed the act. This incident caused the Force to review procedures and road camp site security.

The Force recently completed a review of methods of better protecting the MFO vehicle fleet from theft. Vehicle theft involves both economic loss to the MFO and potential security problems for the MFO and Receiving States. We are installing immobilizing alarm systems combined with extensive field surveys of secured parking sites in Egypt and Israel.

Another aspect of force protection is dissemination of routine travel and security advisories to the members of the Force, and conservative restrictions on travel and movements as the security situation in the region dictates. The excellent relations maintained with the two Parties, through the DGRs and the liaison system, ensure that our decisions are coordinated with them and initiated on the basis of timely information and good advice.

TRAINING

Responsibility for the implementation of the critical training and evaluation program falls under the Training and Development Section. The Section, under the Senior Staff Officer Operations and Training (New Zealand LTC), consists of the Staff Officer Training (Canadian Major), a Warrant Officer Training and Development (Australian WO1) and the New Zealand Training and Advisory Team (NZTAT), comprising eight members. The Team makes a contribution to the Force out of proportion to its small size in providing operational and driver training to successive rotations of units and personnel across the Force.

During this FY the Training Section conducted 19 Remote Site Commanders Courses, 24 Range Conducting Officers Courses, ten Operational Readiness Checks, two Force Skills Competitions and a number of no notice exercises, inspections and site assistance visits. The section trained and tested for driving licenses 1,684 drivers. It conducted eight Unit Driver Instructor courses and ten Duty Investigator courses.

MFO training is broken into three distinct categories: the training period preceding arrival in-theater (pre-deployment training); the training period immediately after arrival in-theater (orientation training); and skill maintenance and continuation training to sustain results during the tour of duty. The Training Section's approach is to train the trainers, and maintain a high, common operational standard among the units and contingents in the MFO, focused on individual and unit skills that directly relate to the mission.

The primary responsibilities of the Training Section are: to oversee training standards and training packages according to Force Standard Operating Procedures; plan, conduct and supervise the Force operational evaluation program through Operational Readiness Checks (ORCs) and no-notice inspections and exercises; conduct site assistance visits; and to monitor after action reviews of training events and operations to extract lessons to apply in future training.

The ORC process has been improved to ensure that ORC recommendations are followed up. The scope of no notice inspections has been increased to cover all facets of remote site operations while concentrating on areas of weakness that have been identified in units during the inspection process and as a result of routine monitoring of unit operations.

A significant Force training event since 1982 is the semiannual Force Skills Competition. The competition provides an opportunity for the Force family to come together with one common purpose: to compete in soldierly skills both physical and mental. The competition emphasizes critical operational skills that are at the heart of our ability to achieve the MFO mission. The spirited competition occurring over a five-day period allows all contingents to match their soldier knowledge and skills, physical endurance and determination in a truly

multinational competition. Preparing for such a competition requires many hours of structured, well monitored training. Competition includes detection and marking of land mines, map reading, first aid, re-supply, reporting, aircraft recognition and the always popular, at least among the spectators, obstacle course. For Force drivers there is a special competition that includes all aspects of driving, safety, basic repairs, and accident scene handling and casualty treatment.

On 23 August, the Force conducted a mass casualty exercise at North Camp with a simulated accident. The exercise was an opportunity for all participants - Aviation, Medical, Fire Department, QRF, Operations, Explosive Ordnance Disposal, and others - to see all the 'moving parts' of a mass casualty evacuation to enhance cross-training, mutual understanding and clarification of individual tasks. This exercise was followed up on 29 August by a no-notice exercise. Response times throughout the exercise were good. We learned a lot to help us to deal with the real thing when and if we have to.

LIAISON

The liaison system continues to be a key player in the implementation of the Treaty of Peace. The relationships between the MFO and LAWIO and IDFLFRD continue to be professional and very productive. In June we welcomed MG el Hakim as Chief of LAWIO. He has ably continued the record of the liaison system as a model working relationship among the Force Commander and the Chiefs of IDFLFRD and LAWIO, bolstered by the dedication of all of the liaison officers assigned to their offices and the MFO.

The recent violence in the area that I have already noted is the greatest challenge facing the liaison systems. The Force has been developing and coordinating contingency plans with LAWIO and IDFLFRD to maintain our mission and protect our soldiers and civilians as we respond to possible future developments.

We continue our policy of being a good neighbor of the other residents of the Sinai. The MFO recognizes that its personnel are guests there. The Force Liaison Branch, including the civilian Force Area Specialist, in conjunction with LAWIO continues to work hard to maintain amicable relations and promote understanding of the MFO mission.

The Force Liaison Branch, under a Canadian Chief of Liaison (CLN), includes personnel from seven of the countries represented in the MFO, working out of both camps and at both key border crossings at Rafah and Taba. Liaison officers, military (US Major) and Egyptian civilian in Cairo, and Israeli civilians in Tel Aviv, working under the DGRs, extend the reach and scope of the connections between the Force Liaison Branch and the Parties' liaison systems.

In July the outgoing CLN represented the MFO at a conference in Cyprus on "Arms Control and Security Improvement in the Middle East." This was hosted by the Center for International Relations of the University of California's Institute on Global Conflict and Cooperation and was sponsored by the U.S. Department of State as part of the multilateral Middle East peace process. The CLN described the working of the liaison system, which has rightly been described as a model for peace operations.

COMMUNICATIONS AND INFORMATION SYSTEMS (CIS)

Reliable communications continue to be essential to the operation of the MFO mission. We have made significant improvements in both voice and data communications, and in data systems.

The integration of voice communications into data networks by creation of the Wide Area Network (WAN) has been the most significant technical improvement in the past FY. The WAN connects Rome, Tel Aviv and North and South Camps together for internal and external e-mail messaging, data transfer, and Internet access. The WAN has provided a return on investment in less than one year through savings on the cost of older analog tie lines. Connection of the DGR Cairo office is the next step.

Both camps now have internal local area network (LAN) connectivity. Canada contributed a line team to help us complete our LAN installation and to do required maintenance on our communications towers beyond our in-house expertise. The cost to the MFO was only travel and materials. We are very grateful for this very professional support.

A project launched over a year ago brought together professionals from all MFO locations to review improvements to our existing database systems. In part they are old MS/DOS based systems that have been discontinued in the marketplace and that require periodic maintenance efforts by outside specialists. Logistics and finance systems are not connected, and finance work is done on two different platforms. Many significant areas have limited database capability. Maintenance and improvement of existing systems would require a significant short term investment, but still leave us with a database that is obsolescent, difficult to use, and short on management reporting tools.

We decided to look instead at an Enterprise Resource Planning (ERP) system to reach across all MFO locations and key functions on a unified basis. Hard work was done to map existing business practices in the MFO and document system requirements. A Request for Proposal was sent to almost 200 vendors, bids were analyzed and clarified, and finalists' systems were viewed in operation at their clients. We consciously limited the pool of eligible vendors to those with support capability in the three countries in which we operate.

After comparative analysis, the coordinating committee for this project recommended the SAP system proposed by IBM Israel on technical and cost grounds, and I accepted the recommendation. We are now initiating contract negotiations and, if these are successful, we hope to have an ERP installed by the end of 2001. The ERP tool offers us integration of information and visibility of data in a more accessible form than now, with a better capability to distill management reporting to assist us in cutting costs and improving our

effectiveness. We expect that resulting efficiencies over time will cover the investment in this system which we will pay for out of the Capital Asset Replacement Fund, discussed later in this report.

The new CIS branch has matured after a year of service, employing a mix of Egyptian and international staff civilians working with soldiers from Australia, Canada and the United States. The consolidated branch has accelerated the implementation and acceptance of new technologies. The development of the CHC program is expected to have a positive effect on attracting new talent from the Egyptian national market.

The CIS branch has initiated long-term, life-cycle planning for purchase and replacement of each type of CIS equipment over a 4 to 8 year economic life span. Planned rotation of assets should realize a staffing reduction over time as older equipment is replaced before predicted increases in maintenance costs, with a consequent drop in components inventory.

The former analog microwave system linking North and South Camps is currently maintained only in the southern sector linking South Camp to two sector control centers. As Egyptian cellular phone providers have increased the availability and reliability of their service in the Sinai, the Force has elected to make greater use of cell phones in conjunction with deployment of new digital Auto-Linking Establishment (ALE) HF radio units to all sector control centers and the three Battalion operation centers. When this process is completed, the last link of the old microwave will be decommissioned.

The communications program for the coming year will see significant effort put into the replacement and upgrade of the Force repeater fleet located throughout the Sinai, as all VHF communications rely on these radio repeaters. The goal is to use off-the-shelf equipment. The current customized equipment is less cost effective to maintain and over time it is harder to locate repair parts.

PERSONNEL SERVICES

The Personnel Services Branch continues to provide a broad range of administrative and personnel functions in the Force, including oversight of the Force Exchange and club systems, Force libraries, the Morale Support Program (MSP), and postal operations. The branch has the lead role in implementation of one of the most important initiatives of the past year, the CHC program mentioned previously.

CONTRACT HIRE CIVILIAN (CHC) PROGRAM

In order to attract better-qualified people and retain technical staff in jobs that have had high turnover, we initiated a new CHC program. In conjunction with Care Managerial Technical Services, a subsidiary of our labor services subcontractor Care Services (CS), the first CHC's were hired in March. Considerable work has gone into laying the ground work for this program and researching the competitive job market, and I want to thank the DGR in Cairo in particular for his efforts in supporting the successful launch of the program. The Force conducted an aggressive recruiting campaign to hire the most qualified applicants. The Force has now filled ten CHC positions at both North and South Camps in the areas of finance, work order control, information systems, asset management and communications repair. Additional positions are under review for possible CHC recruitment. As the Force CHC Program Manager, the Chief of Personnel Services (CPS) is continuously looking for ways to expand and enhance the outreach of the program, and to ensure we set our sights properly to remain competitive in the relevant job markets. CHC hires are to be offset by conversions or deletion of existing expatriate, military, or labor services subcontractor positions. For example, in the area of asset management previously noted, the hire of one CHC and two new subcontractor employees was offset by deletion of six positions, five military and one subcontractor; in accounting, a CHC position was offset by deletion of a international staff job.

MORALE SUPPORT PROGRAM (MSP)

With an operating budget of \$198,000 in its FY 00 funded from profits generated by a successful Force Exchange and the official clubs, the MSP was able to sponsor tours, sports activities and support the procurement of sports

equipment for both North and South Camps and remote sites. The MSP has been replacing and repairing sports equipment on remote sites, and has continued to fund some costs associated with the running of the library and the MFO TV station. The Force tours program is subsidized, thereby providing Force members an economical opportunity to experience the magnificent cultural and historical attractions the region offers. Of the approximately 40 scheduled tours, destinations included Port Said, Jerusalem, Cairo, Latrun, and Petra, Jordan.

During the past year the MSP has arranged competitions in volleyball, softball, basketball, cricket and successfully executed a Force swim meet and several 5K runs. We have also further improved our good relations with both parties on the sports field. MFO personnel enjoyed an excellent sports outing at the Wingate Institute in Israel where teams were also fielded from UNTSO, UNIFIL, and UNDOF, as well as two Israeli teams. The composite MFO teams had a very successful day, winning the basketball, swimming and tug-of-war competitions and placing a close second in soccer and volleyball. The MFO received a trophy for the most overall points for the day.

The MFO also participated in two Egyptian Sports Days this past year. The first Sports Day events consisted of basketball, volleyball and soccer. The competing teams were comprised of the MFO and Egyptian civilians mainly from North Sinai. The Governor of North Sinai and the Force Commander attended. The event was hosted at El Arish's outdoor sporting complex. The second event was a Sports Day with Egypt's 3rd Army held at North Camp in September.

The Force was able to conduct two "Tour de Sinai" bike races over the past year. There was a maximum of ten teams of four to six riders who traveled in a controlled group over a two day period during daylight hours. There were no official finishing times or placing as this was considered to be a recreational event to promote individual physical fitness.

While not funded by the MSP, a "private Internet" initiative previously mentioned is important to morale. It has made the MFO WAN available to Sinai personnel for private Internet access for a nominal charge. This private access is available only outside of normal business hours so as to avoid interference with MFO official traffic over the WAN.

SAFETY

During the past year, the Force has continued to stress safety in all of its operations. Unfortunately, despite all of our best efforts and all of our programs, we cannot achieve a zero-accident rate. A motor vehicle accident on 3 April 2000 cost the life of a SPTBATT soldier. The memorial service, which I attended, was a poignant tribute to this young fallen soldier and reminds us that the cost of peacekeeping can be high. I appreciated the time that MG El Amin, CLAWIO and LTC Mishali, Deputy CIDFLFRD took from their busy schedules to pay

tribute to this soldier. It is very fitting that a sculpted memorial is being erected at North Camp in recognition of all those who have died while in MFO service. The sculpture has been generously donated by the father of a soldier who served with us.

Historically the greatest threats to our soldiers have been excessive speed for conditions and driver inattention. These same factors were at work in the fatal accident. As a consequence, we have intensified our efforts to avoid similar accidents.

To monitor and help moderate speed, we have completed installation of DriveRight monitoring devices in our motor vehicle fleet. The Force has developed a process to assess DriveRight data to determine trends and to identify bad practices and habits before they lead to accidents. Commanders have access to this information to use for safety training. Additionally, we have a process to identify individual violators and to refer those individuals to commanders for remedial training. The results have been positive.

To combat various forms of inattention, the loss of situational awareness that can lead to poor judgment, the Force is increasing command emphasis and the role of small unit leadership in order to warn and remind our junior soldiers of the risks of the road and to prescribe measures to reduce risk.

Motor vehicle operation is not the sole focus of the Force safety program. This year the Force again hosted a visit from the United States Army Forces Command Safety Team that looked into occupational safety and environmental protection. The visit has led to renewed emphasis on identification of workplace hazards, measures to eliminate or mitigate them, and on procurement of new protective equipment. In a related area, we arranged for an ammunition specialist from the United States Army to assess the safety of our Ammunition Storage Points, the first in many years. Several areas need improvement, and the Force is taking corrective measures.

The work of the Hungarian Force Military Police Unit (FMPU) is a key component in our security and safety programs. The FMPU has increased its safety patrols on roads traveled by MFO vehicles, and its accident investigations are an important tool in identifying safety trends and problems. As in prior years, the MFO has benefited from the FMPU's thorough and conscientious discharge of its duties.

SUPPORT

As I noted in my introduction, the past FY has been very active in the logistics area.

We carried out a fundamental review and examination of our logistics operations, implemented new procedures, and set the course for more far-reaching improvements. We found that even a small organization may not communicate very effectively amongst its elements at all times. Through a busy cycle of consultations among our key professionals, we have mapped how we do business, examined why we have the processes we have, and streamlined our operations to standardize procedures and cut out steps that do not add value.

Communication and information sharing have been improved. Even in an age of automated data, there is nothing like face-to-face stock-taking and problem solving. We have worked to make our MFO customer requirements and performance standards and achievements more visible in the areas of procurement, inventory management and transportation. We have initiatives to reduce paperwork in the requisition process, to better manage blanket purchase agreements for bulk commodities, and to maintain agreed stockage levels of selected commodities. With the advent of the LAN, we have been able to give budget line managers at the Force near-real-time visibility of logistics database information. As noted previously, there has been greater delegation of budget and procurement authorities to the Force and the DGR offices. I want to record my great appreciation for the tremendous volume of good work and resourceful thinking the logistics leadership in the MFO has demonstrated in the past year, even as many key members participated at the same time in the process of selecting an ERP system.

Under the Chief of Support at the Force (a US Colonel), we have an able team of civilian and military professionals in the Sinai who see that the mission is properly and well supplied. The team includes, importantly, the US Support Battalion, Direct Hire and Contract Hire Civilians, and the expatriate and Egyptian national personnel provided under our support services contract. The DGR offices as noted above support the Force in their respective markets with procurement, customs, transportation, disbursement and other logistics services.

SUPPORT BATTALION

The Support Battalion or SPTBATT continues to handle the bulk of the Force's logistical support. It consists of headquarters, transportation, aviation and medical companies, and the Explosive Ordnance Disposal (EOD) Detachment.

The Transportation Company includes transportation sections from New Zealand and Uruguay. During the past year, the Transportation Company has performed over 5000 driver days of missions, driving more than 3.61 million kilometers in support of logistics missions.

High quality medical Treatment Facilities in both North and South Camps provide comprehensive medical and dental care to all of the MFO's personnel, both military and civilian. Upon request and authorization these facilities can provide emergency care for non-MFO personnel in their areas of operations when there is a threat to life, limb or eyesight.

The EOD destroyed over 2353 items of unexploded ordnance (UXOs) this past year. The Sinai continues to provide dangerous reminders of the many wars fought there, which the EOD removes to help provide a safe environment for both our soldiers and the people in the area. These UXOs shift with sands and currents, and arrive in unforeseen places as we were reminded when the EOD detachment was called to the CPU docks in Sharm el Sheik to destroy a WWII anti-tank mine that had drifted into the site. As always the EOD has performed its missions in a professional and excellent manner.

SUPPLY & PURCHASING

This FY we brought food and packaged petroleum products onto our automated inventory system. New controls on the food inventory have reduced stock holdings and shaved \$200,000 from the food budget. This and other measures have permitted no growth in the FY 01 food budget, offsetting the effects of inflation. At the same time, I am committed not to reduce food quality or variety.

Enhanced controls on the general supplies inventory, reliance on just-in-time service from regional suppliers, and increasing the number of Blanket Purchase Agreements have sharply lowered expenditures on this class of supply. This has happened with no decrease in commodity quality standards.

As noted previously, the asset management office, formerly known as the Force Property Book Office, has been converted from military to civilian management. Our property management objectives have come to more closely parallel those of commercial, not military, organizations. Asset records are being brought onto our logistics database. This will eliminate duplication of effort in vehicle, communications and computer hardware tracking and permits us to complete equipment entitlement tables by budget line and accountable equipment tables by user groups.

The Cairo and Tel Aviv procurement and logistics staffs, composed of all Egyptian and Israeli personnel respectively with one exception, continue to expand our pool of potential vendors in the region. Cost savings and a wider choice of products and services result from their knowledge of the local marketplaces, initiative in locating new products and suppliers, vigorous competition of requirements, effective use of multi-year blanket purchase agreements to stabilize prices, and price checks. In FY 00, our disbursements amounted to approximately \$12.5 million in Israel and \$14.4 million in Egypt. These amounts include official MFO, MFO Force Exchange (FX) and morale support program spending, but do not include the considerable personal spending by MFO members in both countries on travel and tourism.

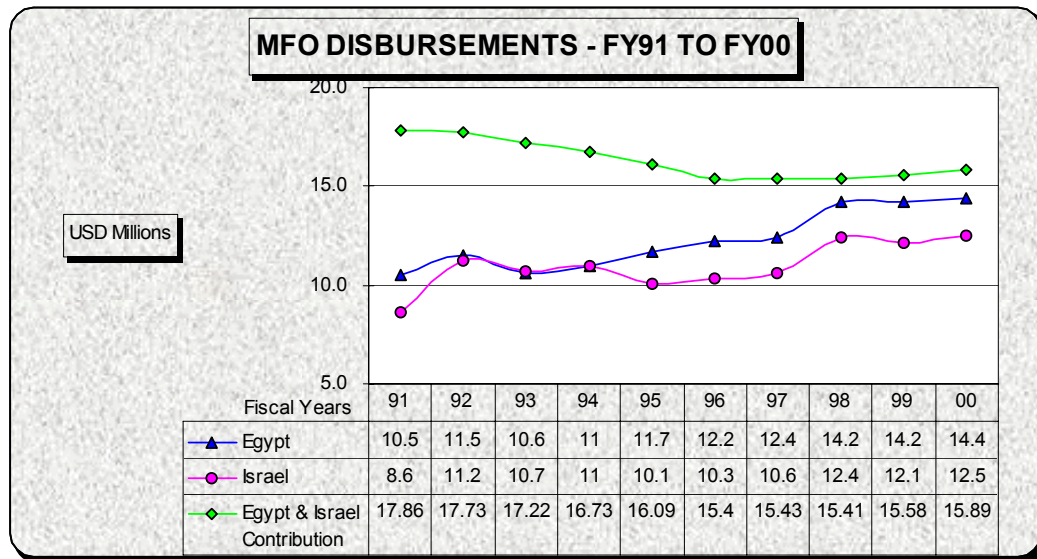


Table Four.

Reflecting the U.S. role as a primary Funds Contributor along with the two Treaty Parties, we maintained a significant level of net disbursements to U.S. sources, amounting to \$8.5 million in FY 00. Vehicle purchases, the net cost of aviation related procurement via the U.S. DOD, the support services contract and our U.S. national payroll remain the largest components of our spending in the U.S.A. MFO procurement spending reached several other Participating and Donor states including Canada, Germany, France, Fiji, Japan, Switzerland and Uruguay, as well as Italy, both a Participating and the Headquarters State.

In all cases, procurement is based on open competition of MFO-specified requirements. We are pleased that we can continue to return a great deal of money to both local economies. But the dynamics of market forces—not political quotas—guide our specific decision-making. Inevitably, changes in economic conditions and recompetition produce shifts of business back and forth over time.

VEHICLE MAINTENANCE AND FLEET MANAGEMENT

The Force Vehicle Maintenance Facility (VMF) had another successful year in reducing costs and improving efficiencies. The vehicle fleet was further reduced in FY 00; the accompanying graph shows the long-term effect of fleet reductions.

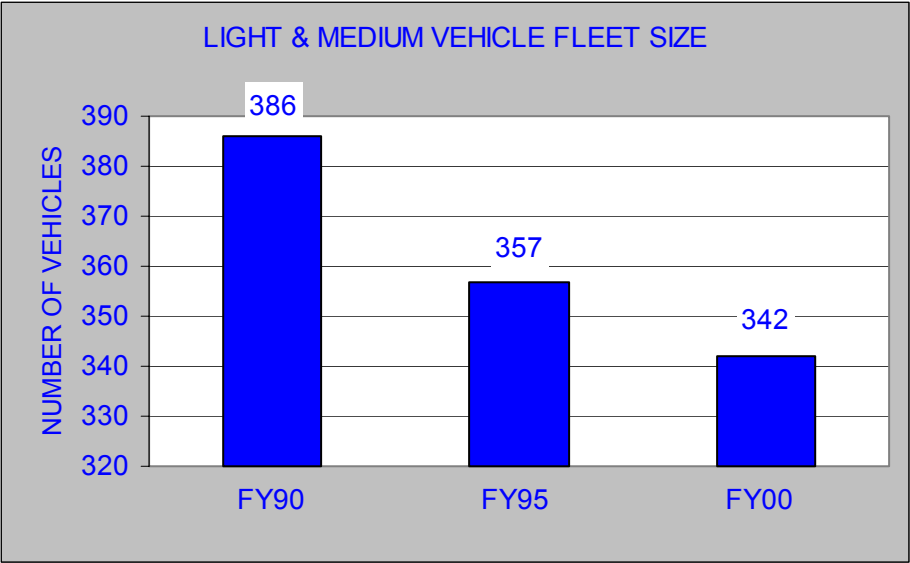


Table Five.

Major studies were conducted of the van fleet and buses resulting in reduced operating costs without affecting the operational or morale use of these vehicles. Force vehicles are also receiving higher returns for resale in Israel, even though we have gone from a three to a four year replacement cycle, in part due to vehicles generally being maintained in better condition.

Continuing to maintain tight controls, the Vehicle Maintenance Facility costs came in slightly under budget. Fleet readiness was maintained at 97% for the third consecutive year. These accomplishments were significant in light of several costly accidents. Warranty recoveries continued, although at a reduced rate over prior years due to improved product quality by General Motors. Nevertheless, the program has returned more than \$56,646 as of August 00.

Continued productivity of the VMF staff has resulted in a reduction in labor costs of \$90,000 per year. We are continuing to enhance responsibilities of the Egyptian workforce.

To provide enhanced security of MFO vehicles that travel in vehicle theft high-risk areas, alarms are being installed as well as disablers in those vehicles not equipped with this feature by the manufacturer. At present, approximately 77% of targeted vehicles have systems installed with completion scheduled for the end of November. It should be noted that the alarms were procured via the Internet directly from the manufacturer, saving almost 50% off of the distributor's price.

We made an initial purchase of diesel-powered Isuzu pick-up trucks in FY 00 in a break away from US-built light vehicles. An assessment is now underway of our experience with these units in service, customer reaction, and the vehicles' life cycle cost in comparison to other alternatives.

TRANSPORTATION

The Force Transportation Office (FTO) is responsible at the Force for planning, managing and supervising transportation support. It serves as the staff coordinating office for troop rotations, local and line haul transport services in the Sinai and to Israel, overseas surface and air movements, personal baggage shipments and for world-wide travel arrangements for official and personal travel. Rotation contract negotiations and implementation are handled by the Rome HQ, and DGR offices provide a variety of support services, including in the case of the Cairo office both direct and vendor deliveries to the Sinai.

This past year, the FTO was responsible for the planning and execution of the movement of more than 5,000 short tons of general cargo, 600,000 gallons of fuel and three million gallons of water across the Israeli-Egyptian border and throughout the Sinai.

In coordination with liaison from both Israel and Egypt, FTO successfully executed the rotation of more than 5,000 soldiers through 28 contingent rotations. The greatest challenge was the rotation of four United States Infantry battalions totaling more than 2,000 personnel in and out. I would like to thank LAWIO and the Egyptian Central Security Police, whose efforts have been instrumental in making these semi-annual movements smooth and secure.

The FTO has stressed use of commercial taxis to move small numbers of personnel to and from Cairo thereby avoiding the cost for additional buses.

The Rome HQ Chief of Personnel office has the responsibility for negotiating contracts with scheduled commercial carriers for contingent troop rotations managed by the MFO. We are reviewing our current contracts since

several are up for renewal in FY 01. Due to the global rise in fuel prices, we expect rotation costs to rise, breaking our pattern of stable costs for several years achieved through vigorous competition of requirements and negotiation of favorable terms.

FOOD SERVICES

The Force Food Services operation currently supports almost 2000 Force personnel at all MFO Sinai locations.

With the implementation of a standardized inventory list of food service equipment for remote sites, we have improved distribution, accountability, and procurement planning. A multi-year equipment replacement plan was put in place for camp dining facilities, remote sites and the Club System.

In order to improve the visibility both of work effort and food expenditures, Food Services developed, implemented and tracked workload statistics for the dining facilities as a baseline for review of manpower and funding levels.

We have formalized food service policies and procedures and improved our guidance to the support services contractor and users on such issues as transfers of rations and standards of service.

A planned North Camp Main Dining Facility (MDF) refurbishment project will entail replacement of floor surfaces, the reconfiguration of kitchen equipment and the installation of overhead extraction hoods. A special visit by a Canadian Forces kitchen design specialist was a key factor in moving this project ahead. Once completed, this project will make a significant difference to the quality of work life for those employed in the MDF by facilitating safe footing, proper temperature control and removal of air-borne grease particles. The equipment layout is designed to be more ergonomic and space/movement effective.

CONTRACTS

The MFO contracting effort centers on our support services contract, but includes engineering projects, rotation contracts, and numerous contracts primarily managed at the Force that affect many aspects of Force life and operations. These include bulk fuel supply, provision of copiers, refuse and scrap disposal, transportation services, aircraft maintenance, ship drydocking and contracting aspects of the Egyptian CHC program. Throughout the year, contracts were successfully completed, negotiated, and awarded to refurbish latrine facilities at South Camp, upgrade the Wastewater Treatment Plant at

North Camp, re-roof and re-paint the high-rise buildings at North Camp, and repair and repaint OP 1-1. A contract for drydocking service for the ITS Esploratore was recompeted.

The Force has conducted a complete review of our contracted services and has implemented a performance-based approach. Budget Line Managers are routinely provided with key financial performance indicators to ensure that contract expenditures stay within budget parameters. Our contract terms, conditions, and statements of work are carefully structured to obtain performance to our specifications, with adequate warranties and penalties for non-performance of contract requirements.

An example is a copier leasing contract with Xerox Corporation, by which the contractor took possession of the entire fleet of aged and marginally functional copiers and replaced them with new, contractor-owned copiers. The contract includes clear provisions on responsiveness to malfunctioning copiers, and allows for deductions for each day of downtime experienced.

Concurrent with our move toward performance-based contracting, we have developed and implemented a Review and Analysis program for our support services contract. Key performance elements of the contract have been identified and evaluated to determine the most effective means of demonstrating each element. Measurement and reporting mechanisms have been developed by which these performance indicators are routinely analyzed and reported. This has truly been a partnership effort, with key personnel of both the MFO and the support contractor Holmes and Narver Services Inc. (HNSI) working together to identify and resolve procedural, staffing, and information flow difficulties. I want to thank HNSI for their productive work together with us in this important effort.

This year we established the position of Force Contracts Analyst, through which we were able to successfully design and complete three major analytical investigations. These resulted directly in dramatic increases in trade-shop productivity while reducing the staffing levels by four positions. We identified five expatriate positions for conversion to Egyptian National positions. In addition, we made several changes to authorized manning levels as a result of our continuing reviews, with a small cut in the total CS personnel level. We are currently reviewing our staffing and substitution policies to ensure that required labor services are received in the most cost-effective manner possible. These and other measures not only have offset inflation but also have achieved reductions. FY 00 saw the lowest support contract cost ever and we have budgeted for only a modest FY 01 increase. I congratulate the contracts staff on these good results. Cost and manpower trends, both for expatriates (HNSI) and Egyptian nationals under the CS labor subcontract, are shown in the accompanying tables.

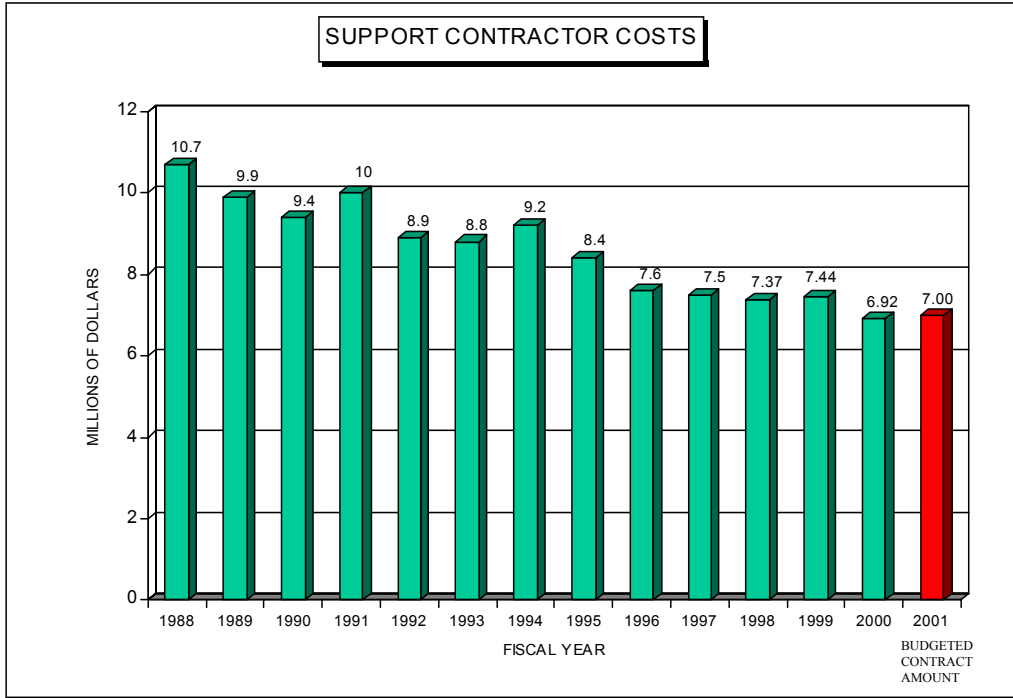


Table Six.

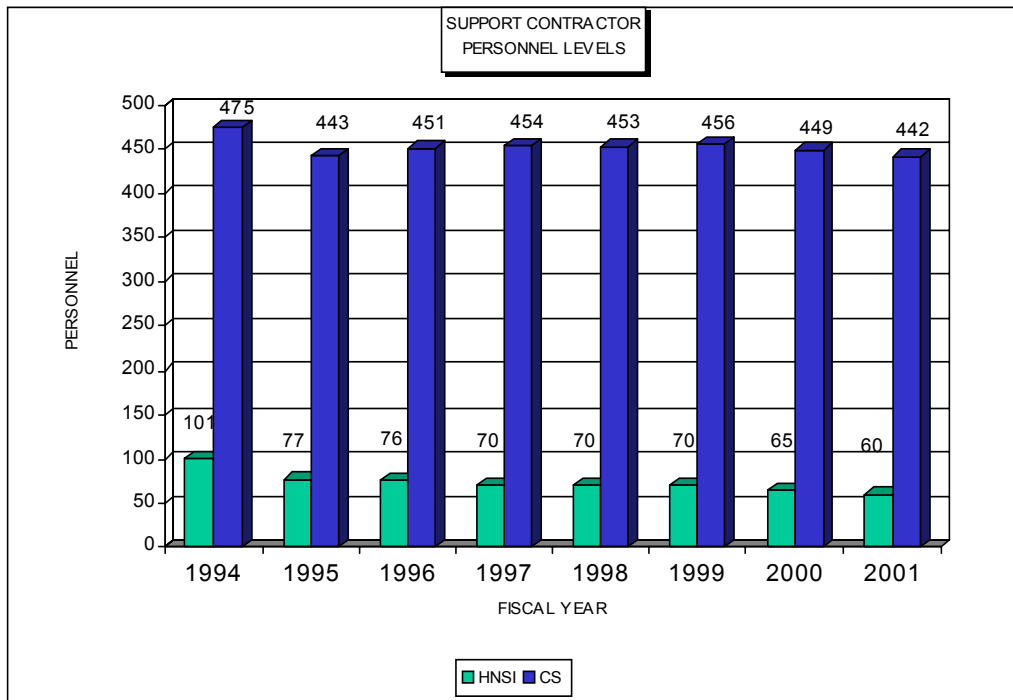


Table Seven.

As in past years, this discussion of the HNSI contract refers to contract costs and personnel supported by the MFO, and not costs and employees supported by the MSP. As has been noted, the MSP is largely self-financed by the profits of the FX and our official clubs. The cost of the separate MSP-related Supplemental Agreement in FY 00 was \$338,383, employing one HNSI and thirty-two CS personnel. I want to acknowledge with great appreciation HNSI's generous position that it will forgo any fee on this MSP-related work.

FORCE ENGINEERING OFFICE

In recognition of the Force Engineer Office's (FEO) key nature in the Force's day to day operations, this past year we made the FEO a separate branch and to match skills with work requirements, we converted the FEO position to a direct hire civilian. I made this change also to provide needed continuity in our long-term project planning and budgeting.

The Force Engineering Branch is responsible for real property maintenance activities at both camps and remote sites; construction; water production, supply and distribution; electrical production, supply and distribution; sewage treatment; unpaved road maintenance; fire protection and prevention; and the management of all accommodations and furnishings within the Force. The branch has 48 personnel representing eight nationalities, and manages a budget of over \$2 million. The branch oversees several key activities of our service support contractor, receives close to 2,000 facilities work orders per month, operates the two camps' electrical power plants, the North Camp wastewater treatment plant, the South Camp desalinization plant, and staffs the fire department. Major accomplishments during this past year include:

North Camp

- ✓ Barracks Latrine Project. New latrines were installed inside 31 barracks buildings formerly served by shared communal facilities. All walking outside of the barracks to reach latrines has been eliminated. This effort has tremendously improved the quality of life for the affected soldiers. I am pleased to report that we were able to accomplish this conversion at a substantially reduced cost by removing and re-utilizing a large number of items from the old latrines.
- ✓ Aviation Hangar Crane. A 5-ton capacity electric pillar crane was installed in the aviation hangar, making the maintenance of aircraft much safer and more economical. Given the continuing problems experienced with our helicopters, the crane has already been put to good use.
- ✓ North Camp MDF Water Tank. A new 20,000-gallon water storage tank was installed in the basement of the dining facility, thereby freeing up two water trailers previously used for holding our incoming daily supply. The tank includes a chlorinating system, eliminating the need to manually chlorinate the water, improving our control of water taste and quality.

- ✓ High Rise Re-roofing and Painting Projects. All nine of our three story barracks buildings have been re-roofed and repainted. The painting included all building exterior surfaces and common area interior spaces such as hallways and bathrooms.
- ✓ LAN/WAN Installation. 1,200 meters of underground conduit (with accompanying manholes) was laid at North Camp to support the installation of the fiber optic cable for the MFO LAN and WAN. A similar project involving 800 meters of conduit was accomplished at South Camp.
- ✓ Wastewater Treatment Plant (WWTP) Upgrade. A major upgrade of North Camp's camp's wastewater treatment plant was begun. This upgrade will result in the camp being able to fully treat all of its wastewater. The upgrade includes the installation of two large surge tanks, sludge processing equipment, and air compressors. We will continue to use treated effluent for camp irrigation purposes and vehicle washing.

South Camp

- ✓ Reverse Osmosis Desalinization Plant Upgrade. A major refurbishment included the replacement of the pump and piping within the plant. Additionally, a post-treatment filter was added to further improve the quality of the produced water. Two new wells to support the plant were drilled, and new well liners and well pumps added.
- ✓ South Camp and SCC-7 Commercial Electric Power. During this past year, we converted South Camp and SCC-7 to commercial electric power. Changing these sites to commercial electric power, rather than continuing to generate electric power on site, is expected to save the MFO money both for fuel and for contractor labor. At the same time, electric meters were installed at six other sites to assist the MFO in monitoring its electrical consumption and costs.
- ✓ Latrine Project. A latrine conversion project at South Camp (similar to the North Camp latrine project) was also begun to construct latrines inside 31 barracks buildings and permit closure of the former exterior shared facilities.
- ✓ MDF Rewire. A project to replace deteriorated electrical wiring and fixtures at the South Camp Main Dining Facility was begun.

Remote Sites

- ✓ At the MFO's most remote site, OP 3-11 located on an island in the Strait of Tiran, we added additional water, fuel and food storage capability.

- ✓ A program is underway to replace 50-liter fire extinguishers located at all helipads.
- ✓ Connection of four additional remote-sites to commercial electric power is planned for the coming year and we will continue to look for such opportunities as the infrastructure of the Sinai further develops.

All Locations

- ✓ Force Protection. Throughout the MFO's area of operations, over twenty force protection projects were executed. These included the completion of perimeter lighting at all 13 remote sites within the southern sector, the construction of several new guard towers, the construction of a berm at the North Camp airfield, and installation of an alarm system at North Camp. An alarm system and a new security drop gate at South Camp are current projects.
- ✓ Housing Management. Housing management within the Force was revamped this past year. FEO's Camp Commandant completed a detailed housing survey resulting in five barracks buildings to be permanently closed. This will result in decreased maintenance costs. Two building renovations were begun to provide accommodations for visiting family members.
- ✓ Materials. We conducted an evaluation of the entire materials control system within our Force Engineer Branch and identified numerous initiatives which will directly improve the accountability of existing materials, and which will better ensure that materials purchased are required, justified, and properly controlled.

**FORCE
ENGINEERING
UNIT (FEU)**

The Uruguayan Force Engineering Unit (FEU) continued to perform unimproved road maintenance and repair, and accomplished several Force Protection projects this past year. Additionally, the FEU took on the added job of clearing sand off numerous hard surfaced roads in the northern sector. Significant projects included excavation work for the WWTP upgrade, improvement of the access road to SCC-6, construction of a new entrance to CP 3-A, development of a new car park at CP 2-A, expansion of the SPTBATT parking lot at North Camp, and the previously mentioned berm at the aviation hangar.

FINANCE

FISCAL YEAR 2000

For the sixth straight year, the MFO maintained a budget of \$51 million. Inevitably in a budget process that begins more than a year and a half before the end of the fiscal year being planned, there are variations and unpredictable external factors that affect our bottom line. These affect both income and expenditure as estimated when we send our annual budget letters each May to the primary Funds-Contributing States (Egypt, Israel and the USA).

Revenue. Income for FY 2000 was budgeted at \$51,000,000. Actual income was slightly higher, at \$51,272,000. Several variations, including changes in foreign currency exchange rates and interest income, resulted in additional FY 00 revenue of \$272,000 more than budgeted.

Our FY 00 revenue includes \$818,000 of interest income on bank deposits (the MFO does not invest in equities), most of which was generated by the MFO's two reserve funds: the Self-Insurance Fund and the Capital Asset Replacement Fund. FY 00 interest income was \$68,000 better than originally budgeted.

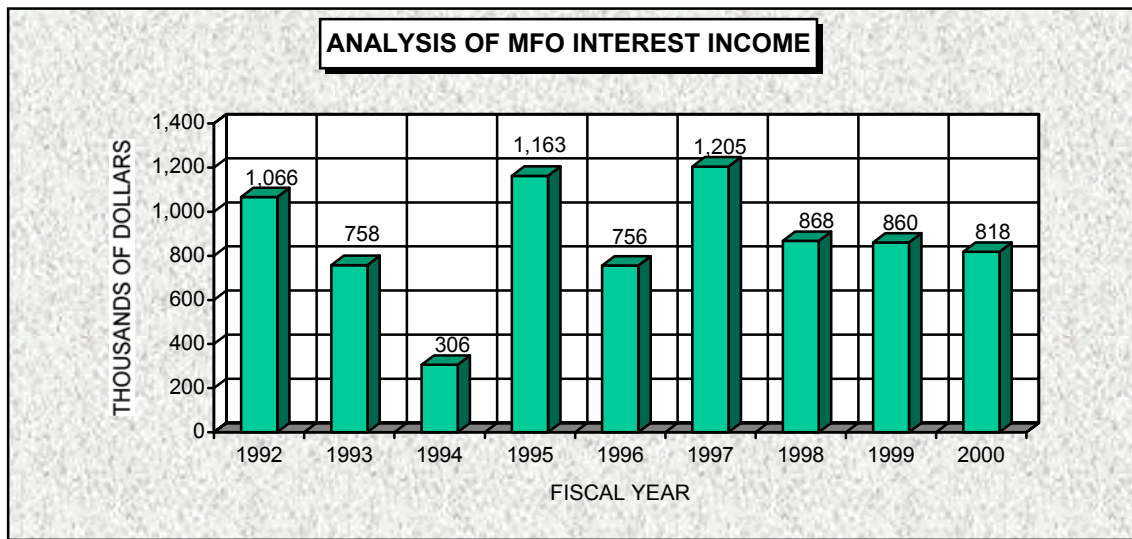


Table Eight.

The following were the sources of our FY 00 revenue:

Contributions of:

| | |
|--|---------------------|
| Primary Funds-Contributing States | |
| Egypt: | \$15,888,000 |
| Israel: | \$15,883,000 |
| USA: | \$15,902,000 |
| Donor States | |
| Germany: | \$297,000 |
| Japan: | \$914,000 |
| Switzerland: | \$157,000 |
| Previous Year's Surplus: | \$1,413,000 |
| Interest Income: | \$818,000 |
| TOTAL REVENUE ALL SOURCES: | \$51,272,000 |

I am grateful for the sustained support of the Donor States. By their annual contribution, they demonstrate their commitment to the peace and to the principle of a broader “burden-sharing” of the costs of consolidating the peace, reflecting its strategic significance far beyond the region. As requested, the Japanese contribution continues to be earmarked for food and civilian employee salaries.

I also wish to thank the primary Funds Contributors for their generally timely efforts to meet monthly payment obligations. This is very important for the MFO, as the MFO is based on a “pay-as-you-go” philosophy, drawing money only as needed for each month’s forecasted expenses from the letters of credit and funding sources they make available to us.

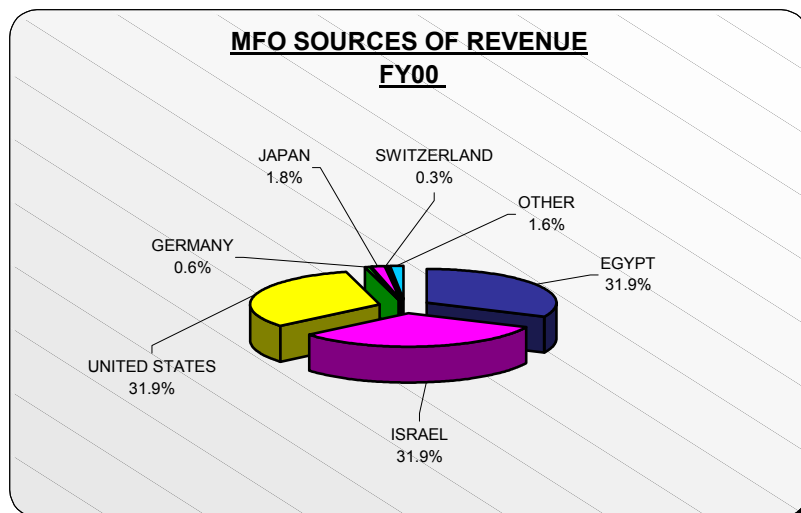


Table Nine.

Expenditures. FY 00 expenditures, including all encumbrances (those items ordered but not received), were \$50,072,000, compared to last fiscal year's expenditures of \$49,419,000. Given MFO total FY 00 revenue of \$51,272,000, this leaves a budget surplus of \$1.2 million which will be applied against our gross funding requests from the three Funds Contributing States for FY 01.

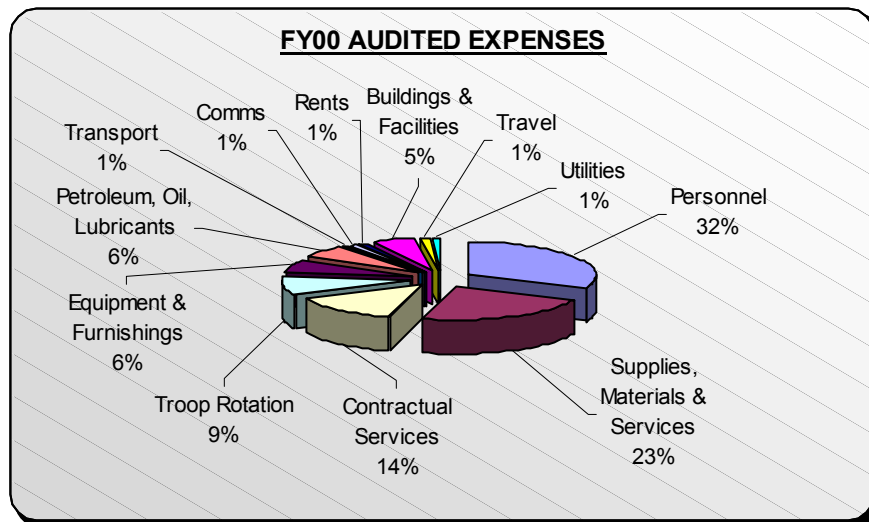


Table Ten.

The impact of inflation on the MFO budget was mild in FY 00, ranging from 2.2% in the USA, to 3.7% in Egypt. Israel (1.3%) and Italy (1.7%) are the other significant markets for the MFO. Applying these rates to FY 99 total expenditures, the MFO experienced an approximately \$1.2M inflationary impact in FY 00. Approximately half of this inflationary cost was offset by the strength of the US dollar throughout the FY, benefitting the USD-based MFO budget. Although the Israeli Shekel appreciated by nearly 5% against the US dollar during the year, US dollar exchange rates against the Egyptian pound and most of the European currencies the MFO uses in its operations have been at record highs over the life-span of the MFO.

Key Expenditure Variables Against Budget. The two main areas of unforecasted and significant expense in FY 00 I have already mentioned: helicopter maintenance and petroleum prices. Both arose due to external factors beyond MFO control.

- ✓ *Helicopter Maintenance.* The previous discussion of helicopter maintenance issues explains a substantial over-spend beyond what we budgeted. For the reasons I have mentioned, it has not been possible to forecast expense in this area accurately, even from month to month, given the high cost of many components and the unpredictability of failures and of US Army-issued safety of flight and maintenance alerts.

✓ **Petroleum prices.** We went \$530,000 or 23% over budget for petroleum products, reflecting major hikes in world oil prices since March 1999 that have been front page news and are well known to all. The accompanying table graphically shows the impact on aviation (JET A-1) and diesel fuel. The Force was able to offset some of the price increase by reducing bulk fuel purchases and consumption. As I have noted, we look to commercial power connections at the South Camp and at a greater number of remote sites to reduce the purchase of diesel fuel required to operate our own generators; there will be ancillary savings relating to maintenance and maintenance personnel.

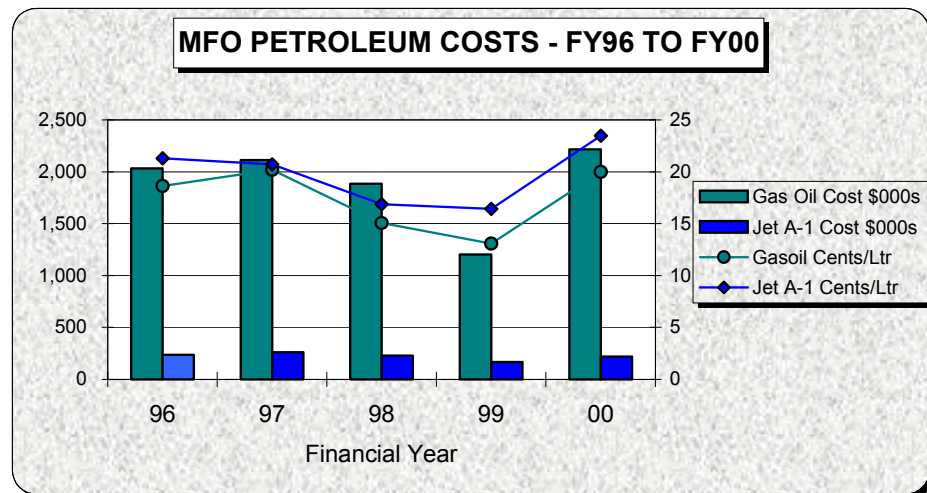


Table Eleven.

✓ **Vehicles.** We purchased all vehicles planned for replacement in FY 00 under our guiding multi-year plan and were able to bring forward certain equipment urgently needed from the FY 01 vehicle plan (four tankers and two small buses). At the same time, some vehicle budget funds were freed to compensate for the growing over-spend on helicopter maintenance and petroleum products

✓ **Engineering.** Savings were achieved both in FY 00 project costs by using HNSI overhires rather than outside contractors, and on materials. I look to the continuity of focus afforded by our new civilian Engineering Officer to achieve still further savings in manpower, inventory, and project costs.

✓ **Communications.** For reasons previously noted, communications costs are substantially under budget and lower than in FY 99.

- ✓ *Civilian staff benefits.* Getting and retaining good people is essential to a well-functioning MFO, yet we have to review ways to contain the impact of inflation on salaries of a very stable workforce. This pressure will only increase as comparable salaries in the labor markets in which we recruit rise due to low unemployment. I directed a number of changes in staff regulations that have produced modest savings while at the same time providing some benefit to employees. For example, I have revised the former home leave and R&R policy in a manner that gives a very varied and multi-national staff greater flexibility of destination while containing costs. Recontracting raises have been limited, with much greater emphasis on a new decentralized incentive awards program linking increased pay with demonstrated achievement. Finally, I have capped the amount of annual leave employees can accrue and cash out on departure from MFO service at a reasonable ceiling, grandfathering but also capping those who had reached a higher level.

- ✓ *Utility Costs.* These increased primarily as a consequence of unbudgeted water purchases from an alternate source during the extended period that the South Camp desalination plant was down for repairs.

Settlement of Canadian Government Claim. In December 1999, the MFO and the Government of Canada settled a long-standing claim by Canada growing out of the crash in December 1989 of a Canadian helicopter assigned to the MFO. This claim had been the subject of intermittent communications for many years. These resumed after a break of several years in May 1999, when Canada sent the MFO a recalculation of its earlier claims. I wanted to get this matter settled, and made a counter-proposal for a global settlement for \$3,650,000. Canada agreed. A formal claims settlement agreement was concluded in November 1999 and payment occurred in December 1999.

I am pleased that this long-running matter was finally settled on mutually agreeable terms. Consistent with previous representations in our financial statements that there would be no material uninsured liability in connection with this claim settlement, funds for the settlement initially came from the MFO's Self-Insurance Fund (SIF), which was subsequently fully replenished with proceeds from insurance maintained by the MFO on the helicopter. The SIF reserve for uninsured losses continues to stand at \$6.2 million.

Budget Line Management. I want to acknowledge here the important role of the Force Comptroller office and the budget line management system used at the Force to control costs and bring the Force financial plan under budget. This decentralized system puts in the hands of on-site managers budget responsibility for significant program efforts. It has worked well. Improvements this past year have included strengthened orientation and training for rotational positions and, thanks to the LAN and stabilization of the logistics database,

access to near real time information on the status and final costs of their purchases. Training is now underway in use of this database. The logistics community's initiatives this past year include closer coordination and cross-training of buyers and budget line managers. These measures taken together will strengthen this important level of budget management.

FY 00 Audit. The external auditor, Reconta Ernst & Young, audited the MFO's FY 00 financial statements, as they have since FY 96, and issued an unqualified audit opinion. This affirms that the accounts correctly represent the true financial position of the MFO. Reconta Ernst & Young applies generally accepted accounting principles relevant to "not for profit" organizations as required by the American Institute of Certified Public Accountants. Implicit in their unqualified opinion on the statements is that no material defect was found in our internal controls.

FISCAL YEAR 2001

The FY 01 budget is pegged at \$51 million, the seventh year that our budget will hold firm. I am very pleased that the good work of so many talented people in the MFO has once again controlled our costs and offset inflation to permit this budget level to be sustained another year.

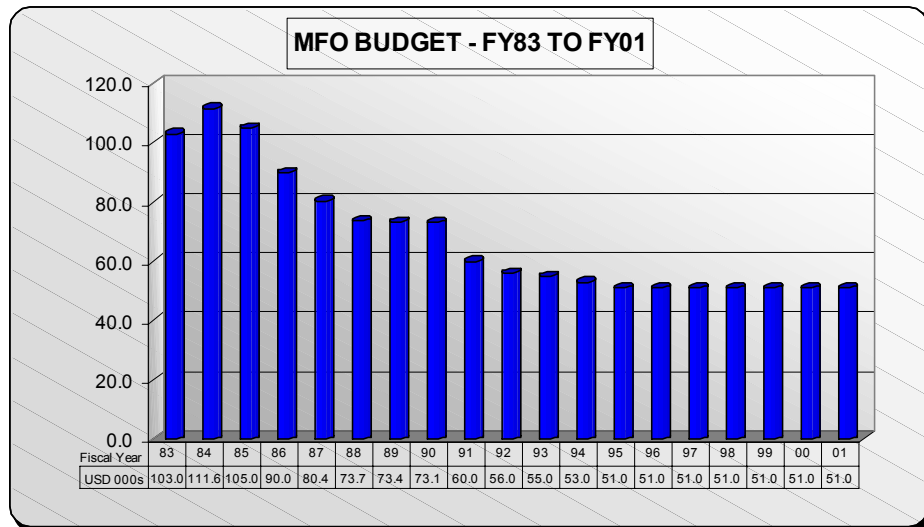


Table Twelve.

Long-term Trends. I believe the FY 01 budget is realistic but there continue to be significant risks from external causes beyond MFO control. The long-term trend is towards higher expenditure, lower surplus levels, and

incrementally greater contributions by the Funds Contributing States to meet the budget, despite our management initiatives. The budget surplus is our only source of uncommitted funding for extraordinary contingencies, given the impossibility of obtaining additional funds in a timely manner from three countries with very different fiscal processes and calendars. That surplus in FY 00 represented only 2% of our budget, and one million dollars buy only two helicopter engines at recent prices. This is a thin line of defense against spikes in expenditures. And a shrinking margin over time.

The long-term trend can be seen in Table Thirteen which compares the gradual increase in our expenses with the decline in our surplus. Of course, other factors such as interest on investments also influence our level of annual surplus. I pledge to work with our talented MFO family to maintain our \$51 million budget as long as possible, but we cannot maintain a stable budget indefinitely, despite our long record of success in appearing to do precisely that.

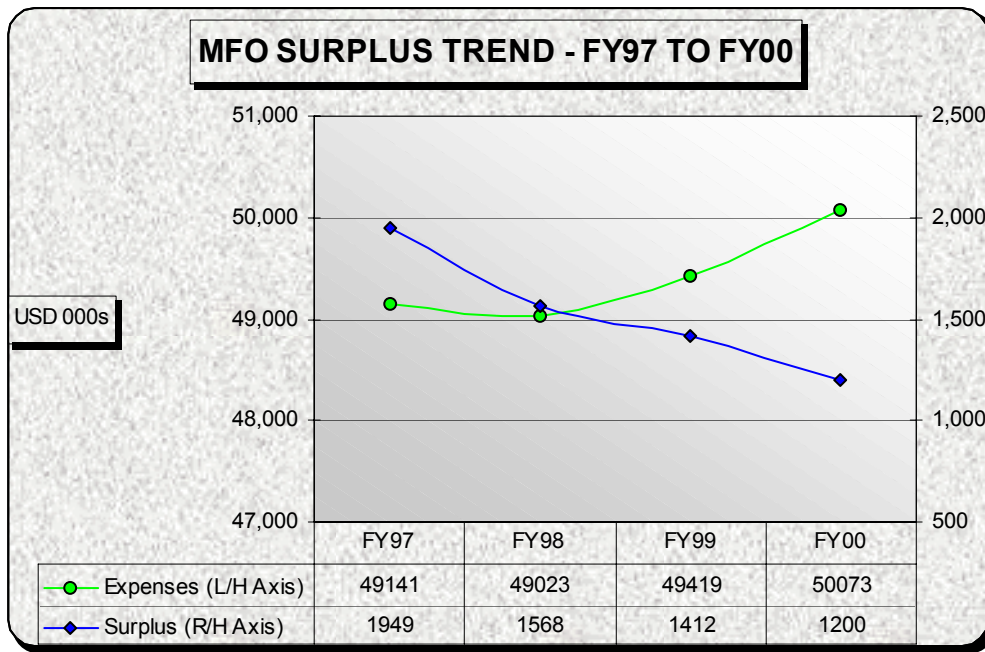


Table Thirteen.

FY 2001 Issues. In FY 01, we face continuing uncertainty over petroleum product pricing and whether current high costs will in fact decline to OPEC target levels. The regional situation may also impact on this. Higher costs of helicopter maintenance are likely to continue until some of the measures discussed previously are put into place, and I again thank the US Government for its willingness to consider my recommendations. We are prepared to respond quickly when they are ready to discuss them. Other imponderables include whether the US economy will continue to perform as it has, indirectly driving up the value of the dollar, and the future course of inflation trends and unemployment levels in the USA and Europe. Our continuing cost reduction through improved procedures and tighter controls will help the MFO in part to

offset inflation and unforeseen expenses. For example, we are currently recompeting most of our food requirements, and I have mentioned earlier in this report several measures that should contain any cost increases in the support services contract.

The ERP system previously discussed will be financed without effect on the FY 2001 budget. In September, I decided to authorize the use of \$1,579,684, plus necessary additional implementation costs, from the Capital Assets Replacement Fund (CARF) to pay for the acquisition and installation of an ERP system. I also decided that, as the MFO's financial condition warrants, the MFO will seek to replenish in full the amount withdrawn from the CARF, using to the fullest extent possible any future financial savings attributable to the ERP. The CARF provision is currently at \$4.2 million. Note that this use of the CARF will have some modest impact on FY 2002 by reducing interest income in FY 2001 as funds are withdrawn to pay for ERP expenses.

Prior to making this decision, I sought the views of the Chief Financial Officer, the General Counsel and our outside auditors. All agreed that this was an appropriate use of the CARF under the applicable principles. The funds will be used to procure a new software package of a kind normally regarded as a capital asset under modern business and accounting practices (although treated as an expense by the MFO). The new package will replace significant parts of the MFO's aging existing software. This is a large, non-recurring expense that meets the criteria established with the Funds Contributing States for use of the CARF.

FY 2001 Funding Request. For this FY 01, I request that the three principal Funds Contributing States make available the following amounts:

| | |
|---------------|--------------|
| Egypt | \$15,922,610 |
| Israel | \$15,916,461 |
| United States | \$15,948,122 |

I thank them in advance for this contribution.

CONCLUSION

In painting for you this picture of our activities for Fiscal Year 00 and previewing some things to expect in our present Fiscal Year, I focused on our various organizations and units. With few exceptions, I did not single out individuals for special mention or praise, not because such was not merited, but only because the list would be too long and the time required too great. The MFO and, indeed, the Treaty Parties, are well served by a dedicated, capable and loyal multinational group of soldiers, sailors, airmen and civilians. It is their combined efforts which enable us to perform the mission day in and day out, and which enable us to use wisely the human and financial resources provided by the countries you all represent. One reason the MFO has been effective is because it has good people. I am proud of them all.

Another basic reason for the MFO's success is that the Treaty Parties have given it a clear mandate. The August 3, 1981 Protocol clearly sets out what the Treaty Parties wanted and expected. This document and the goodwill of the Treaty Parties together have created a firm basis on which the MFO can carry out its responsibilities.

I said "the goodwill of the Treaty Parties." Above all, what makes the MFO work is the goodwill of the Parties, their commitment to the Protocol and their constant desire that the MFO be able to work. These are no small things. I can tell you as one who experiences them every day that I would be making a quite different report were they not so.

In these difficult times, in these troubled times, we in the MFO may be permitted to take a certain pride in performing a service, performing the mission and in living up to the expectations of those who depend on us. We are fully prepared to carry on as long as the Parties so desire.

I wish once again to express my appreciation and that of all of my colleagues in the MFO for the steadfast support of the countries you here today represent in your contributions of human and financial resources. And, finally, I wish again to thank Egypt and Israel for all of our work together to perform the mission in the cause of peace.

Thank you.