

STATEMENT OF THE US DELEGATION REGARDING THE FINANCIAL MECHANISM

The United States has taken careful note of views of other delegations expressed at our last Working Group Meeting in Geneva in May. In preparing for this meeting we have sought to define a basis on which we could be part of a clearly developing consensus in support of a CFC Fund based on additional contributions from Parties to the Montreal Protocol not operating under Article 5.

I can now report that we are prepared to join such a consensus subject to the following conditions:

1. The Fund must be used only to assist developing countries operating under Article 5 with incremental costs associated with adjustments made necessary by the Protocol and related exclusively to that purpose.
2. The limited and unique nature of the Fund must be explicitly confirmed making clear that the Fund is appropriate because:
 - i. there is a scientifically documented connection between the substances controlled by the Protocol and ozone depletion;
 - ii the Fund and the actions being financed through it can reasonably be expected to address the problem of ozone depletion;
 - iii. the amount of funds needed is limited and reasonably predictable;
 - iv. any financial mechanism set out here does not prejudice any future arrangements the Parties may develop with respect to other environmental issues.

3. The Fund is to be operated and administered by the World Bank.
 - i. administration will be accomplished through a contract between the Parties to the Protocol and the Bank;
 - ii. direct oversight will be vested in an Executive Committee established by the Parties. The Committee must be limited in size and include balanced representation. As a major donor, the US would expect a seat on that Committee.

Regarding contributions, an indicative scale should be based on the World Bank assessment scale or the UN assessment scale. The size of the fund over the first three years should be agreed to by the Parties taking into account the estimates of requirements over the initial three-year period which were discussed at the May Working Group meeting.

All significant policy guidelines, operational policies, and administrative arrangements must be approved by the Executive Committee. This would include approval of major loans or grants, which in our view would include projects of \$100,000 or more.

Regarding voting rights, Executive Committee decisions would require a super majority, eg: two thirds with voting weighted in a way that takes into account contributions.