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**DRAFT GUIDELINES FOR PROPOSALS TO CHANGE
TECHNOLOGY IN APPROVED PROJECTS**

Introduction and Background

1. This paper is provided in response to Decision 21/7 (b) “ to request the Fund Secretariat to prepare draft guidelines for proposals to change technology in approved projects in collaboration with UNDP, UNIDO and the World Bank for Submission to the Twenty-second Meeting of the Executive Committee.

2. Two previous decisions have an impact on this issue. At the 13th Meeting the Executive Committee “requested the implementing agencies to review the technology suggested for dormant projects to see if it was still the best available and to advise the countries accordingly, on the understanding that the final decision as to whether to proceed with the original technology would be the prerogative of the country concerned.” At the 20th Meeting the Executive Committee “noted the statement by the Sub-committee on Project Review that there was a presumption that projects would be implemented as approved, but that technology was evolving rapidly and some degree of flexibility might be required in exceptional cases.” In Decision 20/8 the Committee decided:

- (a) that the implementing agencies should exceptionally be allowed to propose changes in the technology approved by the Executive Committee for particular projects;
- (b) that adequate and detailed justification should be provided for any changes proposed;
- (c) to urge the implementing agencies to keep additional project preparation to a minimum;
- (d) to approve the six projects involving a change in technology after approval, contained in Annex II to document UNEP/OzL.Pro/ExCom/20/6/Rev.1, noting that the two projects from Venezuela were approved at a saving to the Fund in the amount of US \$687,888 (including support costs).

3. The Executive Committee’s decisions at the 20th and 21st Meetings were taken in the light of a recognition that six proposals for change in technology had been submitted to the 20th Meeting, a further three proposals to the 21st Meeting and indications in business plans of the implementing agencies that additional proposals were likely to be prepared. Currently there are no guidelines against which to assess such future requests other than the decisions referred to above.

Objectives of Guidelines:

4. Guidelines for the change of technology in approved projects should facilitate achievement of the following objectives:

- (a) to provide a policy framework which supports the presumption that projects would be implemented as approved;
- (b) to make adequate provision for exceptional cases;
- (c) to facilitate the implementation of projects which have already been substantially delayed, with implications for the choice of technology, and to avoid additional delays;
- (d) to avoid delays in the implementation of future projects after approval;
- (e) to minimize resource implications arising from additional project preparation, review, and deliberation by the Executive Committee on projects which have already been approved.

Discussion

5. There is a clear demarcation between the circumstances, on the one hand, of future projects which will be approved after adoption of guidelines, and on the other hand, of those projects approved some time ago and for which implementation has already been subject to substantial delay.

6. Implementation modalities are now well established and proven technologies are now available in all relevant sub-sectors. Taking into account also the need for Article-5 countries to meet the 1999 freeze, there is a sound expectation that delays to the implementation of newly approved projects will be minimal, as long as the technology initially selected is mature. This will reduce markedly the likelihood of the need to change the technology in future projects. Additionally, a technology change will itself always involve an additional delay. Such delays need to be avoided wherever possible. Thus any guidelines could take as a starting point that, for projects approved after adoption of the guidelines, the choice of technology should not be changed. Very limited exemptions might be permitted in circumstances which were exceptional. Guidelines for this would need to require the exceptional circumstances to be fully justified and to make it clear that change of technology was not a readily available option. In such cases, full review and individual consideration by the Executive Committee would be appropriate.

7. There is a need to take account of the potential implications for the choice of technology arising from extended delays to implementation of some projects. This may require an approach that includes wider provisions for a change in technology in those projects which were approved before the adoption of the guidelines, provided that the project would then be able to be implemented without delay (that is, the causes for the delay had been fully overcome). There are other circumstances regarding older projects which would support the case for a change in

technology. These include where there is a change from HCFC to non-transitional technology and where there are savings to be returned to the Multilateral Fund.

8. The need to minimize additional resource requirements (including the time of the Executive Committee) would be aided by understandings that no increase in project costs would be considered, no additional project preparation funds would be approved for any proposal for change in technology and that the Executive Committee would not see individual proposals, provided they contained no other significant policy issues.

9. Such proposals without significant policy issues could be cleared through agreement between the Secretariat and the implementing agencies and the Executive Committee informed at its next meeting. Alternatively, such proposals could be included in the list of blanket approval recommendations and considered by the Committee in the usual way. The first approach has been incorporated in the guidelines as drafted in this paper as it represents the least administrative burden for the Executive Committee.

Draft Guidelines for Change of Technology After Project Approval

10. On the basis of the above discussion, the following guidelines are proposed:

- (a) there is a presumption that the technology selected in all projects will be mature and that the projects will be implemented as approved;
- (b) for projects approved after the adoption of these guidelines:
 - (i) projects are to be implemented as approved;
 - (ii) exemptions will be considered in exceptional circumstances; it will be a condition that the project as approved cannot be implemented, that the only other option would be cancellation with no further support from the Multilateral Fund and that the revised proposal will be implemented within the level of funding already approved;
 - (iii) proposals for a change in technology in exceptional circumstances will need to include comprehensive justification in which the option of cancellation is considered, and will need to be submitted to the Executive Committee for individual consideration, together with the Secretariat's review and recommendations.
- (c) for projects first approved before the adoption of these guidelines:
 - (i) recognizing that there have been delays in project implementation, with possible implications for technology choice, proposals for change in

technology of projects approved before adoption of these guidelines may be submitted; the revised project must be implemented within the level of funding already approved; the new proposal must demonstrate that the impediments to implementation of the project have been overcome and that implementation will commence immediately upon clearance of the proposal;

- (ii) where the change in technology has no other significant policy implications, the proposal may proceed on the basis of agreement between the Secretariat and the implementing agency, including agreement on the extent of savings to be realized, if any. The Executive Committee is to be informed at its next meeting;
- (iii) where the condition in guideline (c)(ii) is not met, the project will be submitted to the Executive Committee for consideration of the relevant issues.
- (d) project preparation funding will not be approved for the purpose of developing proposals to change technology in approved projects.

Recommendation

11. It is recommended that the draft guidelines on change of technology in approved projects be adopted.