

## ENHANCED INTEGRATED FRAMEWORK (EIF)

Executive Secretariat for the EIF (ES)/EIF Trust Fund Manager (TFM)

### GUIDANCE NOTE FOR LEAST DEVELOPED COUNTRIES

#### NO-COST EXTENSIONS FOR TIER 1 NIA SUPPORT PROJECTS

August 2015<sup>1</sup>

To enhance the effectiveness of EIF programme delivery and disbursements, this guidance note was prepared to detail how No-Cost Extensions (NCEs) will be processed for Tier 1 NIA Support projects. Overall, all Tier 1 projects should strive their best to be implemented within the approved time frame, and an NCE will be considered only where there are justified needs to extend the timeframe for the implementation of substantial activities within the project's approved budget and/or to prepare for the Tier 1 Phase 2 project. The NCE period will normally be for a period between 3 and 18 months.

There is a "justified need" for an NCE when there have been delays in implementation which have resulted due to factors outside the control of the Main Implementing Entity (MIE). Examples of such cases would include: (1) Significant delays in the start-up phase (such as opening a bank account or recruiting the NIU), resulting in cost saving in the first year of operations; (2) Project which have not been able to operate normally for a period of time due to political/security reasons (whether or not officially put on hold by the EIF Board) and have subsequently resumed operations; (3) Delays in the implementation of specific activities resulting from factors outside the control of the MIE, such as unavailability of key consultant or government counterparts, etc; (4) For the finalization of the Phase 2 project proposal, so as to avoid a gap in the legal agreement; (5) In cases in which there have been cost savings in the project while planned activities have been implemented, the addition of new related activities with the remaining funds; and (6) Other exceptional cases as may be deemed warranted by the Executive Director of the ES (ED), in consultation with the TFM.

#### Process for NCEs

The process for NCEs is as follows:

- 1) Early planning: The MIE, EIF Focal Point (FP) and the NIU Coordinator (NIUC) closely monitor the implementation of the project in accordance with the approved work plan and budget during the entire project duration. Based on the progress of project implementation, the Executive Secretariat for the EIF (ES), the EIF Trust Fund Manager (TFM), the MIE, the FP and the NIUC will determine whether there is a potential need for an NCE based on the pace of the project's work plan implementation. Discussions on this will take place during supervision missions and the review of the narrative reports. These discussions will include determining the duration of the NCE (usually between 3 and 18 months). NCEs can take place at any time during the duration of the project (if there is a need for a major revision of the work plan and the budget, which will impact the project's duration), or towards the end of the project. The TFM will alert the MIE three months before the expiration of the Memorandum of Understanding (MOU) to prepare the documents listed in (2) below.
- 2) Government request: Following the country-specific context, an official request from the MIE (signed by the FP)<sup>2</sup> for an NCE will be sent to the TFM contact person as specified in the MOU, copied to the ES ED. If the NCE is requested at the end of the project, this is to be done no later than one month before the expiration of the MOU, preferably earlier. This official request will include three documents: (a) a

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<sup>1</sup> On the basis of the note approved by the EIF Board at its meeting of 8 May 2013.

<sup>2</sup> The NSC should be informed of this request.

justification for the NCE; (b) a revised work plan; and (c) a corresponding revised budget covering the requested extension period (see attached template). The ES and the TFM will support the Main Implementation Entity (MIE) in the preparation of these documents as necessary.

*To note:* An NCE is often provided to facilitate the transition from Tier 1 Phase 1 to Phase 2, with the NCE work plan ensuring a smooth transition from Phase 1 to Phase 2, avoiding any gap in the agreements between the MIE and UNOPS. For purposes of the work plan, the Phase 2 documentation for the project is to be finalized at the latest six weeks before the end of the NCE. The work plan is also to include sufficient time for consultation with the ES/TFM on the Tier 1 Phase 2 proposal draft, for holding the EIF Tier 1 Appraisal Committee (TAC 1) meeting, for having the TAC 1 minutes drafted and signed, and ultimately for EIF Board review and approval.

- 3) Review and decision: The ES and the TFM review the request, including the justification, the revised work plan and the budget, and recommend to the ED whether to authorize the NCE. The ED decides whether to authorize the NCE and communicates this accordingly to the MIE, the FP and the TFM. The ED will report to the Board at each meeting as to the NCEs approved.

*To note:* An NCE will not generally be recommended by the ES/TFM if there are any outstanding reports, audits or other fiduciary/legal requirements.<sup>3</sup>

- 4) NCE legal procedures: The TFM undertakes the necessary MOU amendment process with the MIE.

#### **Further guidance for NCEs**

- 5) Number of NCEs: A project will not usually have more than two NCEs throughout its duration.
- 6) Substantial changes to the approved project: Where substantial deviations in the approved project are proposed in the NCE request (as discussed with the ES/TFM), this proposed change must be approved at both national and global level. The EIF National Steering Committee or TAC 1 endorsements of NCE requests (or other revisions) is first requested. In addition, EIF Board approval will also be required, following a silent approval review period of ten (10) Switzerland business days.. A “substantial change” is defined as a change in the approved project scope (outputs, outcomes and objectives). This would include, for example, a new or significantly revised project component, a change in the main implementing entity or in the implementation arrangements such as a change in main subcontractor.
- 7) Treatment of unspent amount: In case there is no NCE, the allocation of unspent funds will be discussed with the ES/TFM. While funds may be carried over into Phase 2, it is possible that they be returned to the EIF Trust Fund or the amount deducted from additional Phase 2 funds.

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<sup>3</sup> Under exceptional circumstances and on a case-by-case basis, if there are reasonable justifications for the delays, or if the ES/TFM know of remedial action already underway, an NCE may however be recommended to the ED.