

## **ENHANCED INTEGRATED FRAMEWORK (EIF)**

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

#### **GUIDANCE NOTE FOR LEAST DEVELOPED COUNTRIES**

#### **NO-COST EXTENSIONS (NCEs) FOR TIER 2 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) should be processed for Tier 2 projects, whether government- or agency-implemented. Overall, all Tier 2 project should strive their best to be implemented within the approved time frame, and an NCE would be considered only where there are justified needs to extend the timeframe for the implementation of substantial activities beyond the original closing date of the project within the project approved budget. The NCE period should 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 of staff), 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) 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 (5) 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 for the Tier 2 project, the EIF Focal Point (FP) and the NIUC Coordinator (NIUC) monitor the implementation of the project in accordance with the approved work plan and budget based on quarterly reports showing the percentage of completion/achievement against each of the project's results. Based on the progress of project implementation, the ES, the TFM, the MIE of the project, the FP and the NIUC will determine whether there is a potential need for an NCE based on the pace of project work plan implementation. Discussions on this will take place during supervision missions and the review of the narrative reports. If an NCE seems indicated, 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 budget, which will impact the project's duration), or towards the end of the project. Unless an NCE has been requested before, the TFM will alert the Government and the MIE five months before the expiration of the MOU to prepare the documents listed in (2) below.
- 2) Government and MIE request: Following the country-specific context, an official request from the government (signed by the FP) and the MIE 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 three months before the expiration of the MOU, preferably earlier. This official

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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 for Tier 1 projects.

request will include three documents: (a) a 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 government and the MIE in the preparation of these documents as necessary.

*To note:* If one or several components of the project cannot be implemented or only partially implemented, e.g., because of changes in the initial conditions for the project, alternative components can be developed in cooperation between the Government, the MIE and the ES/TFM. Such components must support the realization of the result for which the original component was conceived. If the proposed changes rise to the level of a substantial change or deviation, please refer to para. 6 below. If no alternative component or components can be identified, the amount allocated to the original component will remain unspent.

- 3) Review and decision: The ES and 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 government, MIE 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>2</sup>

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

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

- 5) Number of NCEs: A project should 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 levels. The EIF National Steering Committee or TAC 2 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 unspent amount shall be returned to the EIF Trust Fund.

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<sup>2</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.

## ANNEX: SUMMARY BUDGET REVISION

Country:  
Project  
title:

Budget Account Code	Category	Current Total Budget	Expenditure			Balance	Changes	Revised Total Budget	%	Comments
			Reported	To be Reported	Total					
71200	International experts									
71300	Support staff									
71400	National experts									
71600	Travel and missions									
72100	Subcontracts									
72200	Equipment									
72600	Grants									
73100	Premises									
74100	Professional services									
74000	Operating costs									
74500	Sundries									
75700	Learning costs									
<b>TOTAL</b>										