**Financial Closure of Development Projects**

1. Operational steps for financially closing projects should be carried out in tandem with the prescriptive content on the [Close and Transition](https://popp.undp.org/policy-page/close-and-transition) section of the [Programme and Project Management page](https://popp.undp.org/programme-and-project-management)[.](https://popp.undp.org/SitePages/POPPBSUnit.aspx?TermID=dea4c69a-7909-43f6-8de1-50c95d5a9f3f&Menu=BusinessUnit) The [Operational Guidelines for Financial Closure of Projects](https://popp.undp.org/document/operational-guidelines-financial-closure-development-projects) provides a step-by-step procedure including other useful information. This guideline should be followed before the Project Status is changed to ‘Operationally Closed’ as the clearance of the pending financial transactions mostly can be cleared when Project Status is ‘On-going’.

1. UNDP policies require that projects go through these stages: ongoing; operationally closed; and financially closed. As stipulated in UNDP’s Financial Regulations and Rules, financial closure must take place within 12 months of operational closure. Project status is reflected in the Projects module of Quantum (Home>Project>Project Financial Management ) as follows:

* On-going
* Operationally Closed
* Financially Closed.

1. No further financial commitments (entry of requisitions or purchase orders) can be made nor expenses charged once the project is operationally closed. Only the liquidation of prior financial obligations, adjustments resulting from the clearing of NIM or other advances, payment against existing purchase orders, depreciation and foreign exchange differences are allowed.
2. GSSC is responsible for financially closing the Development Projects in Quantum for the clustered country offices. The offices must submit a UNall request to GSSC for further review and to ensure the project completion checklist is duly complete.
3. GSSC and COs must consider the following important closure elements prior to financially closing the project in Quantum.
4. **One Award with one project:** GSSC to close the award first before Financially Closing the project in Quantum.
5. **Award with multiple projects:**
   1. if other associated projects are already financially closed and the project is the last project to be financially closed, close the award before financially closing the project.
   2. If other associated projects tagged to one award are not yet financially closed the award will remain open.
6. **Multiple awards with one project:**
   1. GSSC to close the awards first before Financially Closing the project in Quantum.
7. Once all Quantum projects are financially closed, the associated Award should be also marked “Closed” in Quantum as well. The Global Shared Services Centre (GSSC) should be notified and requested to close the associated contract created in the Contracts Module.

Once a project is marked financially closed and the associated award contract is also closed, Quantum will prevent all further transactions against the project and award contract.

**Designate a project as financially closed**

1. The project manager is responsible for monitoring project activities and initiating the designation of projects as operationally closed and then financially closed. The finance unit of each office is responsible for reviewing ongoing projects and coordinating with project managers to initiate financial closure with GSSCs’ support. The timing for a project to be “operationally closed” should be the project end date as indicated in the signed cost-sharing agreement or project document.

1. UNDP and the Implementing Partner signs the final Combined Delivery Report (CDR) confirming final accounts and expenses.

1. Before the status of a project is changed to financially closed, the programme officer and the head of finance must complete the eChecklist from [Quantum Project Closure Workbench (Quantum Home>Projects> Project Result and Project Closure workbench>Project Closure Workbench icon)](https://finance.partneragencies.org/psp/UNDPP1FS/EMPLOYEE/ERP/c/UN_CUSTOM.UN_PCL_SRCH.GBL?FolderPath=PORTAL_ROOT_OBJECT.EPCO_GRANTS.PROJECT_MANAGEMENT.UN_PCL_SRCH&IsFolder=false&IgnoreParamTempl=FolderPath%2cIsFolder), and must ensure that projects funded from cost-sharing have zero balances. The check list must be signed by the Resident Representative/Head of Office or a senior official designated by the Resident Representative/Head of Office.
2. For projects that are fully funded from **core or trust funds**, the project should be formally designated as “financially closed” in Quantum.
3. For projects that are fully or partially funded from **cost-sharing**, the final step is to review the remaining cost-sharing balance.

1. The cost-sharing balance, as per the general ledger, is shown in the Cost Sharing Apportionment report (UN Reports>Project Management Reports>Portfolio Analysis) or the UN\_FUND\_STATUS report (UN Reports>Financial Management Reports>Budget Management Reports). Balances remaining should be reviewed at the fund-project-donor level.

1. Where there is a mixture of donor-level deficits and surpluses, transfer expenses from the deficits to the surpluses to bring to zero, to the extent possible.

1. If project or donor-level deficits remain, the following steps should be followed:
2. Transfer other programme funding (other donor) to the project.
3. Transfer extra-budgetary funding to the project.
4. If deficits remain, begin procedures to charge current or future TRAC, or funds 11888 and 11890. This step can only be taken after full consultation with the programme country government. Contact OFM for advice as required.

1. Where a surplus remains, it should be refunded to the donor(s) or transferred to another project with the permission of the donor. The contribution agreement with the donor will dictate the required action including where donors permit UNDP to retain amounts below a set threshold. See [Refund to Donors](https://popp.undp.org/policy-page/refunds-donors)or[Transfers where Unexpected Balances are Not Refunded](https://popp.undp.org/policy-page/no-refunds)[.](https://popp.undp.org/SitePages/POPPSubject.aspx?SBJID=128&Menu=BusinessUnit)

1. When the cost-sharing balance for the project is zero, the project should be formally designated as “financially closed” in Quantum.

1. Click on this [link](https://popp.undp.org/policy-page/pass-through-fund-management-undp-participating-un-organization) [f](https://popp.undp.org/SitePages/POPPSubject.aspx?SBJID=132&Menu=BusinessUnit)or specific instruction on the Multi-Partner Trust Fund Office (MPTFO). The Operating guidelines for MPTF projects can be found in this [link](https://popp.undp.org/document/operating-guidelines-mptf-projects-implemented-undp-country-offices).

**To reverse project financial closure in Quantum**

1. Requests to reverse the status of a financially closed project in Quantum should be directed to [UNAll](http://undp.service-now.com/unall).. For IT support through UNAll, please use the “[Create Incident](http://undp.service-now.com/unall)” service in the [UNall service management portal](http://undp.service-now.com/unall). The office will be required to provide an explanation why the project was prematurely closed and whether the project status should be reversed.

1. If it is already reported to the donor it should not be approved for reopening unless the Chief of Accounts Division decides that the project should be reopened because the adjustment is sufficiently significant.

1. Financially closed projects should be re-opened only in rare circumstances. As a general rule, the project should be re-opened if the status was changed in Quantum without a final signed CDR and if the pending charge is significant. However, if the final CDR is signed by all parties, confirming final project financial accounts and expenses, then the additional charges/credits should be posted to the miscellaneous account (refer to financial rule 126.10) rather than to the project. Any charges/credits to the miscellaneous account must be appropriately justified and approved by the Chief of Accounts Division. Frequently Asked Questions (FAQ) related to why the financially closed projects are re-opened, what amount is the correct balance and other useful information can be found in [Project Closure SharePoint](https://undp.sharepoint.com/teams/OFRM_Archive/fbp/fbat/SitePages/ProjectClosure.aspx).
2. Overall responsibility for project closure lies with the Project Manager.