**Refunds to Donors**

Unexpended balances are refunded to donors where dictated in the contribution agreement with the donor and in the Terms of Reference for trust funds. Refunds can only be made where specified in [Financial Closure of Development Projects](https://popp.undp.org/node/10801) or [Financial Closure of Trust Funds](https://popp.undp.org/node/10806).

1. **Refund process to donors**

Structure Element – Flow Chart

Structure Element - Procedures

* 1. **Cost Sharing Refunds**
1. Refunds can be issued to donors in the following situations:
	* A donor requests a refund from a project that is financially closed
	* A donor requests a refund from an ongoing project
2. The GSSC are authorized to issue refunds to donors for cost-sharing balances at the fund-project-donor level.
3. CO’s submits a case via UNALL Case Management System to request a refund to be processed by the GSSC who receives the refund request and verifies all relevant supporting documents.
4. Refunds can be made to donors in the following situations:
5. *Ongoing Projects*
* The donor requests for refunds of an ongoing project.
* CO’s submits a case via UNALL to request a refund to be processed by the GSSC
* The GSSC reviews the project financial status and verifies all supporting documentation.
* The GSSC creates and applies the credit memo in the system which generates an invoice
* The GSSC runs the pay cycle process notifies the CO on the successful transfer of funds back to the donor
* The CO notifies the donor on the successful refund and any other relevant details
1. *Financially closed projects*
* The GSSC performs the processes to financially close a development project (Refer to the [POPP on Financial Closure of Projects](https://popp.undp.org/node/10801))
	+ - If the US dollar equivalent of the unspent balance is less than US$5,000, the GSSC should refer to the contribution agreement with the donor to determine whether the donor permits UNDP to retain any unspent balance. Where funds can be retained, the unspent balance should be transferred to fund 11888 by GSSC via journal entry. In the absence of any clause within the agreement for this matter, GSSC will validate this with the CO to consult with the donors on the treatment of this balance.
		- If the fund balance is more than US$5,000, the GSSC would both check with the donor agreement and/or confirm with CO on the decision to refund the funds. COs may propose to the donor to either reprogramme the funds to another project or the details of transfer if the donor wants the funds refunded. Either decisions of reprogramming or refunding the funds should be supported by a written consent by the donors on the decision taken. In the absence of a stipulation to refund the fund balance in the donor agreement, this written consent would be part of the supporting documents for the donor refund.
* The donor requests a refund for financially closed development projects
* The GSSC creates and applies the credit memo in the system which generates an invoice
* The GSSC runs the pay cycle process notifies the CO on the successful transfer of funds back to the donor and the CO notifies the donor on the refund and any other relevant details.
1. *Large donor refunds*
* For donor refunds equal to or greater than $1,000,000 regardless of the project status, the GSSC should consult with and obtain clearance from the Chief, Financial Performance Management & Reporting (FPMR) – OFM in order to verify whether there is an opportunity for UNDP’s donor relationship management team (BERA) to entertain other options with the donor, including reprogramming the funds where possible to avoid refunding.
* The request for approval must be sent to refund.before.closure@undp.org. COs would be required to provide the Project ID, reason for refund prior to project closure’s operational closure, and all other supporting documents
1. Refer to the section on Donor specific requirement for refunds to the EU, Government of Japan, UNOPS MSA Refunds, MPFT refunds, The Netherlands, UNSDOS, World Bank on the GEF’s Trust Fund Investment Income.
	1. **Chart of Accounts (COA)**
2. CO to provide the complete COA in order for the GSSC to prepare the credit memo (for refunds to donors to debit account 51040) or Journal Entry (for transfers to another project or returns to a common pool of resources a debit to account 51035).
3. A standard COA to credit *Account 21030* will be used. In the case of a deficit, the CO should provide the COA to cover the deficit before GSSC proceeds to prepare the Credit Memo for refund. GSSC should ensure the COA used for recording refunds and processing payments in GL refund account (21030) fully match to clear the balance at all COA level in the GL.

* 1. **Refund before start of Agreement/Project**
1. If a contribution is received but the agreement has not been finalized and the contribution needs to be refunded, the GSSC, on behalf of the CO should obtain approval (with any relevant supporting documents) from the Chief, Financial Performance Management and Reporting, OFM authorizing the return of funds for any refunds of $1,000,000 and greater.
	1. **Refunds if the Donor Contributions Not Utilized:**
2. If the donor contribution is in currencies other than USD, the CO has not used the contributions, and the donor has requested a refund of the contributions, the CO needs to provide the reason to the GSSC for the funds not being utilized and whether the CO has negotiated with the donor to reprogramme the funds. The GSSC must use the same currency exchange rate date when UNDP received the deposit to avoid any exchange gain/loss when processing the refund.
	1. **Refund of an unapplied deposit**
3. If a deposit was received from a Donor but the deposit was not applied and had to be returned to the Donor (either the project was not initiated/called off/unidentified contribution deposit or the agreement will not be finalized), the GSSC will process the refund as listed below.
4. Request the Donor information through the recipient Country Office/BERA (if recipient not identified) for bank account information where the funds should be returned.
5. Record the deposit as a “Direct Journal”
6. Apply the deposit to the Refunds Pending to Donors Account (21030) using the following COA:

**GL Account:** 21030 (Refunds Pending to Donors)

**Operating Unit:** H35

**Fund Code:** 00001

 **Donor Code:** As provided by CO/BERA

 **Project:** not required

 **Cost Centre:** GSSC dept. id (21210)

1. GSSC will then issue a non PO invoice using the vendor ID setup with the bank account details provided by the Donor. The COA to use should be the same as the one used in the deposit application mentioned above in part iv.
2. When the Donor remits money to a UNDP bank account by mistake (e.g. Contribution to UNFPA/UNICEF was wrongly credited into UNDP’s bank account), and the Donor indicates that this transfer was an error, GSSC can initiate the process to refund the funds. The Treasury Operations in HQ must be notified along with relevant documentation so that Treasury can give UNDP bank a ‘debit authority’ upon receipt of the recall request from the remitter. Deposit ID- Direct Journal to GL acct. 14075 must be created and upon receipt of the returned date of the funds a negative Deposit ID is to be created to debit GL acct. 14075. No AP Invoice is required to be issued here.
	1. **Financial impact due to Audit after Financial Closure**
3. Occasionally, some projects may undergo an audit exercise after the financial closure of the project and thus incur some financial impact after the project has been financially closed and its remaining fund balances refunded to the donors (or reprogrammed to another project).
4. In such situations, several scenarios may occur in respect to the financial impact of the audit:

|  |  |  |
| --- | --- | --- |
| **Scenario** | **Description** | **Action to be taken by GSSC** |
| 1 | If the audit report is issued after the project is financially closed and IP/RB reimburses funds to UNDP, causing an additional **surplus** in fund for the project. | GSSC will proceed to register those additional funds accordingly and will issue a complementary refund to the Donor. |
| 2 | If the audit report is issued after the project is financially closed and there is certain reclassification of expenses that should be recorded | GSSC will proceed to make the account adjustments accordingly **if there is zero impact** on the CDR. |
| 3 | If the audit concludes that expenses are to be recorded at the project level, thus increasing the total amount of the CDR. | GSSC will liaise with OFM to determine the proper treatment. |

1. **Donor specific requirements**

* 1. **EU Refunds**
1. BERA in Brussels will send an email with the copy of the Debit Note (DN) from EU as attachment for refunds to the EU. Sometimes the CO will provide the DN from EU but if the CO requests the refund EU without a DN but provides email/letter from EU with banking details, the GSSC needs to seek BERA’s confirmation on whether to proceed refund without the Debit Note. The Specialist then sends an email to CO requesting for the final financial report accepted by EU as mentioned above.
	1. **Government of Japan Refunds**
2. When projects funded by Japan (usually JPN child fund 32045) are operationally closed and remaining balance needs to be refunded or transferred to Japan BERA Unit (JU) parent fund code, the CO is firstly required to consult with the JU Regional Bureau focal point on the following:
	1. Final Financial Report (FFR) Format
	2. Approved Budget
	3. Project Description
3. Then, CO raises a request via UNall with relevant documents attached and notifies the CO designated officer to review and approve the request:
	1. A copy of signed final financial report submitted to the local Japanese embassy with a cover letter;
	2. CoA from COs
4. The GSSC checks and verifies all supporting documents are complete.
5. GSSC verifies the final unspent balances and notifies the CO to prepare the FFR (if CO submitted a draft FFR to GSSC) following the Government of Japan report format.
6. The CO submits the signed FFR to Local Japanese Embassy and uploads a copy in UNall case.
7. GSSC shares the signed FFR to Japan BERA and get confirmation from Japan BERA on the GL account to be used, i.e 51040 (for batch refund) or 51035 (for transfer of unspent balance to parent fund).
8. GSSC processes a journal entry to move funds from child (CO Project) to parent (Fund code 55045, OU H23) for batch refund as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Dr/Cr | Account | OU | Fund | Dept | PC BU | Project  | Donor |
| Dr | 51040 | To be provided by JU & CO (Dr Child Fund 32045) | 000141 |
| Cr. | 51040 | To be provided by JU (Cr Parent Fund 55045) | 000141 |

* The standard COA given by JU for the credit side is:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Dr/Cr | Account | OU | Fund | Dept | PC BU | Project  | Activity | Donor |
| Cr | 51040 | H23 | 55045 | 04012 | blank | blank  | blank | 000141 |

* Based on the JU request, the GSSC will process the refund.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Dr/Cr | Account | OU | Fund | Dept | PC BU | Project  | Activity | Donor |
| Dr | 51040 | To be provided by JU  | 000141 |
| Cr | 21030 | ***CO OU*** | 00001 | 21210 |  |   |  | 000141 |

* The CO then submits a project financial closure request to the GSSC, and it is the GSSC’s responsibility to financially close the project in Quantum.
1. Refer to the Appendix 2 for the Government of Japan Donor Refund process flowchart.

**2.3 UNOPS MSA Refunds**

* + - 1. Management Service Agreement (MSA) are UNDP projects which are executed on behalf of UNDP by UNOPS, who subsequently charge UNDP a management fee for this service. The donor gives the contribution to UNDP Treasury, who banks the funds on behalf of UNOPS.
			2. UNOPS will incur expenses as part of the execution of the project activities, which they record in their general ledger. Twice a year (i.e. June and December) the MSA report is compiled and sent to UNDP. This report provides details (at donor level) of contributions and expenses for the period, which are subsequently removed from UNOPS general ledger, and posted to UNDP general ledger (at the fund level only), since the transactions belong to UNDP and not to UNOPS.
			3. Once the project is completed, UNOPS will supply the donor with the final financial report, and any remaining funds will then be refunded to the donor by the GSSC
			4. Should there be any refunds, it is important to have the correct refund documentation to refund the donor fund correctly

**2.4 MPTF Refunds**

1. For refunds to MPTF, the donor refund process is now fully centralized in the GSSC therefore the CO’s need to submit their request to the GSSC . GSSC will review the unspent balance as follows.
	* 1. If MPTF gateway data is up to date, GSSC will reconcile the Quantum balance against the Gateway if the balance fully matches, the GSSC will process the refund.
		2. If MPTF gateway data is not up to date, GSSC will perform a simulation and get a confirmation from MPTF staff prior to processing the refund. In this case, the project shall not be financially closed until the MPTF gateway is updated and the final unspent balance is revalidated against the Gateway.
2. To check MPTF project number in Quantum, the customer code (donor) must be selected and if the customer has multiple bank accounts, the relevant bank account provided in the donor confirmation email/letter/invoice must be selected.
3. Once the refund is processed and paid, the GSSC to inform MPTF office as per the closure instruction <http://mptf.undp.org/document/download/7638>
4. The refunds need to be processed as a bank transfer and not via journal.
5. The GSSC will inform the MPTF Office when the refund is processed via email with the project reference with a copy to MPTFO Core Finance mdtfo.corefinance@undp.org
	1. **Netherlands Refunds**

1. Refunds to the Netherlands of unspent balance in the amount of US$5,000 and above will be processed under the following conditions:
2. Where Netherlands is the sole donor of a cost-sharing project:
3. Project is financially closed.
4. The agreement has ended.
5. Project is reported as financially completed in the next Certified Financial Statement (CFS).
6. The Netherlands have reviewed the CFS and approved it.
7. Request for refund can be submitted by the Netherlands including the bank account information for payment processing.
8. Where Netherlands is one of several donors of a cost-sharing project:
9. The agreement has ended.
10. No charges can be applied to the Netherlands’ fund balance in the project
11. CFS in the year the agreement ended is submitted to the Netherlands and indicates project balance
12. The Netherlands has reviewed CFS and approved it.
13. Request for refund can be submitted by the Netherlands including the bank account information for payment processing.
14. Where the refund is in US dollars or the Netherlands indicates that the bank account to which the funds are to be credited is in the programme country, the GSSC will process the refund.

**2.6 Belgium Refunds**

* + 1. This donor has requested that unexpended balances be credited to a Special Account (21030 for residual balances and 21025 for interest). OFM maintains the Special Account. Upon receipt of the request from the CO, confirmed by the written request from Belgium, GSSC creates the credit memo to credit the unexpended balance, to the Special Account 21030 to facilitate the donor refund or create the journal entry to re-programme it to another project COA provided by the CO.

* 1. **United States: USAID or US Department of State refunds through the letter of credit**

1. Refunds to USAID or USDOS for contributions received through the US letter of credit are handled by the GSSC. In addition to the prerequisites for refunds to donors, refunds to USAID/USDOS require a report indicating the final project or trust fund expenses. Requests for this report must be sent to the GSSC using Unite/UNALL for preparation and signature by an HQ official. GSSC will transmit thisreport to USAID/USDOS, which in turn will reduce the letter of credit by the amount to be refunded.

* 1. **Trust Fund Refunds**

1. The Trust Fund Manager submits a request to the GSSC using Unite/UNALL with the completed trust fund completion check list and authorization from the trust fund manager.
2. The GSSC reviews the documentation and processes the refund of trust fund balances.

**Appendix 1**

**Donor Refund Flowchart**



**Appendix 2**

**Government of Japan Donor Refund Flowchart**

