

UNHCR External Guidance: Recovery of Partnership Funds

Purpose

This guidance outlines how UNHCR may request the recovery of funds from partners, and what partners are expected to do when such a situation arises. It applies to unspent funds, ineligible expenditure and miscellaneous income.

1. When May UNHCR Request a Refund?

UNHCR may request a refund if:

- There are **unspent funds** at the end of a project workplan.
- **Ineligible expenses** are identified during a financial verification, audit or investigation.
- **Interest income** is only requested in case a refund to UNHCR is required under the partner's financial rules. Interest income means interest earned by the partner on funds received from UNHCR. The partner agrees that interest income will be used for activities that are consistent with the goals of the partnership and recorded by the partner in line with its financial rules. Such income is not required to be reported to UNHCR.
- **Revenue from other sources.** The partner agrees to report other sources of income received by it directly as a result of UNHCR's funds, such as exchange rate gains, insurance proceeds resulting from project-related insurance claims, income generating activities and value-added tax (VAT), alongside the Project Financial Report (PFR).

2. How Are Refunds Recovered?

Option 1: Bank Transfer

UNHCR may request that you transfer the owed funds to its designated bank account:

- You will receive an official communication specifying the amount and bank account details.
- Once refund is transferred, a payment reference number and **proof of transfer** must be shared with UNHCR.

Option 2: Deduction from Next Year's Prepayment

If your organization continues with a new project workplan in the following year:

- The amount owed may be **deducted from a future prepayment** for the project workplan in the following year.
- UNHCR will send a **formal request for your written agreement** to proceed with this deduction.
- You will be required to report against the **full approved financial plan/budget** of the following year's project workplan and not the reduced sum of the prepayments (see Section 3 below).

3. Key Requirements for Partners

- **Acknowledge and confirm** refund requests received from UNHCR and the modality or refund in writing.
- If refunding via bank transfer, use the **exact currency** of the original funding and share proof of payment.
- If funds are to be deducted from future prepayments, report on the full financial plan/budget of the following year's project workplan.

4. Disputes

If you disagree with the UNHCR request for a refund (e.g. you dispute an ineligible expense):

- **Communicate** your concerns promptly and directly with UNHCR, sharing any relevant supporting documents as applicable.
- The issue will be reviewed. If unresolved, the disputed amount will still be considered **for recovery**.

 Please contact your UNHCR focal point in the country operation for any questions or clarifications.