
Coordination Levy Frequently Asked Questions

Frequently Asked Questions (FAQ) on the Operationalization of the Coordination Levy
FINAL

18 March 2019

[Note: in case of any discrepancy between the Operational Guidance and the FAQ document, the Operational Guidance prevails]

1. Does the Operational Guidance supersede the Technical Note on “Operationalizing the proposed Coordination Levy”?

Yes. The latest version, dated 25 February 2019, supersedes all previous versions and notes, including the Technical Note circulated to Member States and dated 20 November 2018.

2. The December version of the Operational Guidance appears to offer only one option to donors for payment of the levy. Can donors also have the “donor administered” option as described in the Technical Note?

Yes. The latest version of the Operational Guidance includes both options: the “agency-administered” option and the “at source” option (henceforth “donor administered” option). Donors will choose which option to use.

3. Is there a minimum threshold for an agreement to be subject to the levy or for the levy itself?

Yes. The Operational Guidance indicates that the minimum threshold is USD 100,000. Agreements less than USD 100,000 are exempt from the levy because of the relatively high transactions costs for the amount of the levy to be collected – i.e. less than USD 1,000. The costs of breaking projects into sub-projects below that threshold will most likely outweigh the cost of the levy itself.

4. What is the estimated cost of administering the coordination levy?

At this point we do not know. However, several UN entities have indicated that they plan to track the cost, and there may be a mechanism established to consolidate such costs system-wide. The cost of administering the levy will be included in the broader review of the funding arrangements for the RC system mandated by the General Assembly and to be presented at the 75th session of the General Assembly.

5. The Operational Guidance refers to “contribution agreements”. Is this the same as “project agreements”?

Yes.

6. The December version of the Operational Guidance indicated that a separate Letter of Agreement (LoA) would be signed for each contribution agreement that is subject to the levy. Would it be possible to combine in a single agreement?

Yes. The February version of the Guidance has replaced the separate LoA requirement with a standard “Coordination levy” clause that will be added to contribution agreements that are subject to the levy.

While a separate LoA will not be required, the substance of the LoA will be captured in the new Coordination levy clause. Refer to the February version Operational Guidance for the text of the Coordination levy clause.

In the case of standard framework agreements or other instrument currently in use, the option to sign a separate Letter of Agreement (LoA), , using the same standard clause, is acceptable. This will need to be agreed to between the entity and the donor.

7. Many donors have framework agreements with UN entities. Will these need to be amended?

Where possible donors and UN entities will need to review their framework agreements to make this assessment. If there is nothing in the framework agreement that prevents the application of the levy, then the standard Coordination levy clause can be included in the individual agreements that fall within the scope of the framework agreements. When such revisions are not practical, a separate agreement (LoA) may be agreed to between the contributor and the UN entity, using the same standard clause.

8. Could the explicit mention of the fact that the levy does not constitute an administrative cost be deleted?

Yes. The February version of the Operational Guidance includes new wording for the legal agreement. The reference to “administrative fees” has been removed. See excerpt below.

“The coordination levy does not form part of [X]’s cost recovery or administrative fees and is considered additional to the costs of [X] to implement the activity or activities covered by the contribution.”

9. In the event that the UN entity does not complete the activities that were planned at the time the contribution agreement was signed and, as a result, the agreement is amended to reflect a reduced contribution, will all or a portion of the levy be refunded to the donor?

Normally no, as this would imply significant transaction costs that are unlikely to be justified by the potential levy refund.

However, where the scale of the resources concerned or reputational risk justify these transaction costs, exceptions will be possible.

To keep the transaction costs as low as possible, the levy is calculated at the time a new agreement is signed and will not normally be revised up or down, when the agreement is subsequently amended except where that amendment exceeds 20% of the initial/first agreement budget on which the original levy calculation was made.

Therefore, a 20% (or greater) downward amendment in the value of the agreement signed with the UN entity, or there is fiduciary malfeasance, the donor has a right to receive a refund of all or a portion of the levy paid by the donor in respect of the agreement. These conditions do not preclude any other circumstances in which the donor may choose to submit a request for a refund to the UN Secretariat.

10. Will donors need to make two payments: i.e. one for the levy and one for the contribution to the UN entity?

Both payments can be combined into a single bank transfer. However, donors should indicate the levy amount in the banking instructions, if possible, and/or remit instructions to a designated address (in the contribution agreement) for each levy payment indicating the amount once a payment has been made. . This is necessary so that the recipient UN entity can immediately record receipt of the levy in a trust account that they will create for this purpose.

11. Could you clarify the calculation of the levy and the levy payment schedule, especially for multi-year agreements?

All earmarked agreements indicate the amount of the contribution, whether single year or multi-year, from the donor to the UN entity’s programme. And then the levy will be calculated as 1% of this amount. So, to take a simple example, a donor decides to contribute USD 100,000 to the programme of a UN entity. This USD 100,000 will include a cost recovery component (to fund the indirect costs of the UN entity) and a direct cost component. The coordination levy for this agreement is USD 1,000, which is 1% of the contribution of USD 100,000 (direct cost + indirect cost applied to the direct cost amount). The total amount of the agreement – contribution to the UN entity and the coordination levy – is USD 101,000.

Note that the levy is computed as additional to the entire contribution amount; this also implies that indirect cost recovery rates apply to the direct costs of the program/project only; they do not apply to the levy amount, which is added *after* direct and indirect program costs are finalized.

Ideally, the agreement will include a payment schedule specifying when the levy will be made and the installments, if not paid all at once. The payment of the levy can be combined in the same bank transfer as the payment of the contribution so long as the bank transfer instructions provide the breakdown.

Using the example above of an agreement for USD 101,000, where implementation takes place over two years, the donor may wish to pay the levy up front or split into two annual installments

Where the levy is paid in installments, the payment schedule could look like the following.

Validity period of agreement: 1 Jan 2019 to 31 Dec 2020

First installment to be paid on 31 Jan 2019: USD 50,500 (of which USD 500 represents the levy)

Second installment to be paid on 31 Jan 2020: USD 50,500 (of which USD 500 represents the levy)

12. How will the UN Secretariat monitor the levies due and the levies received?

As indicated in the Operational Guidance, each UN entity will provide the UN Secretariat with a list of the agreements signed that are subject to the levy. The list, which will be sent to the UN Secretariat periodically, will include the following information.

Donor name	Date Contribution Agreement signed	UN entity reference	Agreement end date	Total amount of the agreement	Portion representing contribution to the UN entity	Portion representing the coordination levy ("levy due")	Currency of the coordination levy due
------------	------------------------------------	---------------------	--------------------	-------------------------------	--	---	---------------------------------------

On a quarterly basis, each UN entity will transfer the levies collected during the preceding quarter to the UN Secretariat and will provide the Secretariat with a list of the individual levies included in the transfer. This list will include the following information.

Donor name	Date Contribution Agreement signed	UN entity reference	Amount of coordination levy received by the UN entity	Currency of the coordination levy received	Date the coordination levy was received by UN entity	USD value of coordination levy received	Amount of coordination levy paid to the UN Secretariat (USD)	Date the coordination levy was paid to the UN secretariat
------------	------------------------------------	---------------------	---	--	--	---	--	---

The UN Secretariat will use the above information to produce consolidated lists of levies due and levies received.

The UN Secretariat will use CEB financial data to calculate its own estimates of the levy and identify any anomalies between their estimates and the information provided by UN entities.

13. Could you clarify “enter into agreement”?

The ‘entry into agreement’ refers to the donor specific process that finalizes the decision to provide the contribution.

14. Which UN organizations are included within the scope of the levy?

As indicated in the January version of the Operational Guidance, the levy applies to all UN members of the UN Sustainable Development Group (UNSDG) when they receive contributions that fall under the definition of tightly earmarked third party contribution to United Nations development-related activities. A complete list of the entities is included in the Guidance.

15. Do the UN specialized agencies need a resolution from their governing bodies giving them legal authority to administer the Coordination levy?

The need for a resolution from the governing body is UNSDG entity specific.

16. How will the UN Secretariat monitor the levies due and the levies received?

As indicated in the Operational Guidance, each UN entity will provide the UN Secretariat with a list of the agreements signed that are subject to the levy. This list will also indicate the value of the agreement, the amount of the levy that is due, the amount of the levy collected by the UN entity and, finally, the amount of the collected levies that has been transferred to the UN Secretariat. The UN Secretariat will use this information to produce consolidated lists of levies due and levies received.

The UN Secretariat will use CEB financial data to calculate its own estimates of the levy and identify any anomalies between their estimates and the information provided by UN entities.

17. What will happen if a donor refuses to pay the levy?

Where the UN Secretariat or a UN entity has identified instances of individual donors not paying the levy, or when in the case of disagreement between the donor and the UN entity as to whether the levy applies, then this information will be shared with UNDCO who will engage the donor and the entity and seek an amicable resolution. A dedicated capacity and mechanism will be established to ensure that a consensus is achieved consultatively and transparently.

18. Donors will pay the Coordination levy to UN entities in various currencies. Will UN entities transfer the levy to the UN Secretariat in the same currency as they received it or will they convert to USD?

Some UN entities have expressed a preference for converting to USD prior to transfer to the UN Secretariat as this will be less burdensome than paying in the same currency as received from the donor. Therefore, the Operational Guidance assumes that UN entities will convert the levy to USD using the UNORE in effect when they receive the levy from the donor.

19. Will the UN Secretariat sign MOUs with the UN entities?

No. The receipt and use of funds in the SPTF by the Secretariat are governed by the UN financial rules and regulations. The responsibilities of the UN entities are documented in the Operational Guidance.

20. Will the UN Secretariat sign a separate agreement with the donors to define the accountability of the UN Secretariat for the receipt, use and reporting on the funds received via the coordination levy?

No. The receipt and use of funds in the SPTF by the Secretariat are governed by the UN financial rules and regulations.

21. The December guidance assumes that each UN entity will send letters to donors informing them of the levy. Wouldn't it be more efficient for the DSG to send a single letter to each donor?

The DSG will send a letter to all member states, foundations and private sector donors (eg Gates Foundation) that contribute to multiple UN entities. Accordingly, all accountability for the receipt, use and reporting on the use of the funds received from the coordination levy rests with the UN Secretariat, which will administer and report to donors according to the terms of reference of the Special Purpose Trust Fund.

22. Will there be two versions of the Operational Guidance? One for UN entities and one for donors?

At this time only one version is planned. The December version has been revised to make it easier to understand for readers who are external to the UN system.

23. Who decides whether an agreement is subject to the levy and, where there is a dispute, who decides?

For those donors who have selected the "agency administered option", the UN entity will inform donor of the applicability of the levy at the project proposal stage. The final decision will be made by the UN entity and the donor, whether the agreement is subject to the levy by referring to the checklist in the Operational Guidance as well as the definitions.

In case of disagreements, the entity and the donor will engage together with DCO for guidance.

UN entities are encouraged to provide DCO with examples of agreements that are not obviously subject to the levy so that DCO, in consultation with the FMOG, can provide advice on the specific cases and, at the same time, update the Operational Guidance to ensure consistency going forward and engage with the donor accordingly.

For those donors who have selected the "donor administered" option, the responsibility is primarily with the donor to identify to which agreements and projects the levy applies.

24. Can the levy be applied retroactively to a project where it was initially decided that it does not apply?

The decision as to whether a levy can be applied retroactively should a UN entity fail to inform the donor that it should apply during the project proposal stage, and later indicate that the project falls under the scope of the levy, lies with individual donors.

25. Can the checklist in Annex 2 of the Operational Guidance be revised so it is less confusing? Especially the last item, which refers to contributions where the UN entity is acting as “principle” under IPSAS.

Yes. The checklist has been revised in the February version.

26. The December version of the Guidance clearly states that contributions to UN pooled funds are exempt from the levy. But what about contributions from UN pooled funds?

The February version of the Guidance confirms that contributions from UN pooled funds are also exempt.

27. Will there be an evaluation at the end of 2019 as to what worked and what did not work with regards to the administration of the levy?

There will not be a formal evaluation of what worked and what did not work in 2019. Rather, the implementation of the levy will be included in the broader review of the funding model of the RC system mandated by the General Assembly which will be presented before the end of its 75th session. However, DCO and UN entities will carefully track its implementation throughout and share information, including as part of the annual reporting to the ECOSOC Segment on Operational activities for Development on the implementation of the of General Assembly resolution 72/279.

28. The December version of the Operational Guidance indicates that contributions from vertical funds (e.g. GPE, GFATM, etc.) are excluded from the levy. Is this correct?

Yes. Contributions from vertical funds are excluded. Refer to the Annex attached to the Technical Note titled “Funding the reinvigorated Resident Coordinator System” dated April 2018 for background.

29. Are “contributions in kind” exempt from the levy?

While conceptually there is no reason to exclude “in kind” contributions from the levy, several UN entities have confirmed that their in-kind contributions typically do not come with monetary contributions and so collecting the levy on in-kind contributions will be very challenging. Accordingly, the February version of the Guidance confirms that in-kind contributions are excluded from the scope of the levy but, nevertheless, encourages donors to voluntarily contribute equivalent amounts to the UN Special Purpose Trust Fund.

30. Can you more precisely define “tightly earmarked”? Can you confirm that a single donor contribution to multiple programmes is exempt from the levy?

Tightly earmarked is defined as a contribution from a single donor, to a single entity, for single programmes. The February version of the Operational Guidance specifies that single donor contributions a single entity country programme, without earmaking within this country programme, are exempt from the levy.

31. Can you clarify the DAC codes that will be used to identify development versus humanitarian funding?

The primary OECD-DAC purpose code (DAC 5 code) assigned by the UN entity to the project/program to be funded by the 'tightly earmarked contribution' will inform the determination as to whether that contribution is classified as development or humanitarian (or peacekeeping) funding. The table showing the mapping of the OECD-DAC purpose codes to development and humanitarian is included as an annex in the Operational Guidance. Several codes (720, 730, 740 and 930) will always signify exclusion from the levy.

For all other codes, a specific determination will be required, as some humanitarian projects may at times be classified under such other codes.

The determination of which projects will be excluded as "Humanitarian" should be made based on the OECD purpose coding as indicated above, unless the agency has an established method for identifying Humanitarian projects within its ERP system.

32. Identifying levy payments

UN entities would prefer for donors to pay the levy separately from their contribution, in order to easily identify the levy at the time of receipt. However, member states are concerned that paying the levy separately is an additional transaction cost and would like the option of combining the payment of the levy with the contribution. Where the payments are combined into a single bank transfer, then the bank instructions should, if possible, indicate the amount of the levy payment. In any case, the payment schedule, which is part of the agreement, should clearly indicate how much of the payment represents payment of the levy.

33. What is the effective date?

The date of the letter from the DSG will constitute the effective date for initiation of the levy's implementation. Donors will be asked to fully activate the clause as soon as possible, taking into account necessary legal and operational adjustments. Once finalized and agreed, the donors will be asked to notify the Development Coordination Office (DCO) in writing as to the effective date of entry of the levy for their contribution.

34. Where can we find a list of programme countries?

UNDCO will share the list upon request.

35. How will the UN ensure that there is no inconsistency and unfairness in the application of the levy?

DCO/ the UN Secretariat will publish the volume of funds received by each UN entity, the amount from each contributor and the amount of revenue collected through the 1% levy. In addition, the FMOG will be available to provide advice to UN entities to ensure consistency.

36. Will there be visibility with regards to all donors and all UN entities? Including entities that are within the Secretariat such as the ECLAC and regional commissions?

Yes. The UN entities will provide this detail for all "agency administered" levy payments and the donors will provide for "donor administered", and then the UN secretariat will publish this information.

37. Can the letter from the DSG to major donors (and the sample letter that UN entities will send to remaining donors) include some of the text included in the legal coordination levy clause? This will help ensure that donors are aware of the purpose of the levy and accountability for its use.

Yes, this will be included in the DSG letter. This will also satisfy the requirement of some member states to formally document their agreement with the UN Secretariat, regarding the purpose and use of the levy.

38. Can the “coordination levy” clause be revised to refer to the purpose of the levy rather than saying only what it does not represent.

Yes. The clause may also be adjusted in non-substantive ways to respond to individual requirements, through consultation between the donor and the concerned UN entity.

39. In cases when a donor UN entity submits a proposal for and wins a competitive grant that is also open to non-UN entity applicants, will the projects funded as a result of this competitive process be subject to the levy?

Yes.

40. What happens to interest accrued while levy amounts are in UN entity accounts?

Considering transaction costs involved in calculating and transferring interest, it is proposed that interest accrued while the levy amount is in UN entity accounts remain with UN entities. Once the levy amount is transferred to the SPTF, interest accrued on the amount will be credited to the SPTF account.

41. Are activities to counter illicit narcotics and crime included in the “Peace Operations” Pillar?

Yes. Therefore, the levy does not apply to funding in support of activities to counter illicit narcotics and crime.