Explanation of changes to UNDG Budget Categories

Finance and Budget Network of the High Level Committee on Management (F&BN) proposal and decision

The Working Group on Financial Reporting proposed a revision of the UNDG approved expense categories for reporting purposes from/ to:

Description: Description: Description: Current UNDG Categories/       
1. Personnel (staff, consultants, travel and training)
2. Supplies, commodities, equipment and transport
3. Training of counterparts
4. Contracts
5. Other direct costs
6. Indirect Support Costs 

Description: Description: Description: Revised Harmonized Categories  
1. Staff and other personnel costs
2. Supplies, Commodities, Materials
3. Equipment, Vehicles and Furniture including Depreciation
4. Contractual Services
5. Travel
6. Transfers and Grants Counterparts
7. General Operating and Other Direct Costs                       
8. Indirect support costs


The Finance and Budget Network approved the above harmonised expense categories for interagency reporting effective 1 January 2012 in decision 54 at the 12th FDN session[[1]](#footnote-1)[1]. This was further confirmed by the HLCM and the CEB in their 20th sessions in later 2010. For detailed explanation on the definitions of each category, refer to Annex A.

**ANNEX A - Detailed Descriptions of Revised Harmonized Expense Categories**

The following definitions are as per the F&BN WG paper, which form part of the approved decision

**Staff and other personnel costs:** Includes all related staff and temporary staff costs including base salary, post adjustment and all staff entitlements.

**Supplies, Commodities, Materials**: Includes all direct and indirect costs (e.g. freight, transport, delivery, distribution) associated with procurement of supplies, commodities and materials.  Office supplies should be reported as "General Operating".

**Equipment, Vehicles and Furniture including Depreciation**: For those reporting assets on UNSAS or modified UNSAS basis (i.e. expense up front) this would relate to all costs to put asset into service.  For those who do donor reports according to IPSAS this would equal depreciation for period.

**Contractual Services:** Services contracted by an organization which follow the normal procurement processes.  In IPSAS terminology this would be similar to exchange transactions.  This could include contracts given to NGOs if they are more similar to procurement of services than a grant transfer.

**Travel:** Includes staff and non-staff travel paid for by the organization directly related to a project.

**Transfers and Grants to Counterparts:** Includes transfers to national counterparts and any other transfers given to an implementing partner (e.g. NGO) which is not similar to a commercial service contract as per above.  In IPSAS terms this would be more similar to non-exchange transactions.

**General Operating and Other Direct Costs:** Includes all general operating costs for running an office.  Examples include telecommunication, rents, finance charges and other costs which cannot be mapped to other expense categories.

**Indirect Support Costs:** (No definition provided).

1. [1] 12th Session of the Finance & Budget Network Minutes- CEB/2010/HLCM/FB/30. [↑](#footnote-ref-1)