

## **Explanatory Note: Statistics on International Development – Method used to estimate FCDO’s ODA eligible administrative costs**

### **1. Summary**

- ODA eligible administrative costs are an estimate of the proportion of FCDO’s total operating costs<sup>1</sup> (hereafter referred to as administrative costs) that meet the ODA definition (*administered with the promotion of the economic development and welfare of developing countries as its main objective*).
- They capture the costs incurred by the FCDO network<sup>2</sup>: directly in a developing country, centrally, or from another country where services are provided to a developing country. These costs are separate from the administrative costs already included as part of delivering specific FCDO projects and programmes<sup>3</sup>.
- As a newly merged department, an [interim methodology](#) was used to calculate ODA eligible administrative costs until a new finance and HR system could be implemented and operationalised. This note outlines the finalised method which is very similar to the interim model but has some minor amendments and is carried out on the new FCDO finance system (“Hera”) making it more automated and replicable.

### **2. Background**

- There are some high-level rules set by the OECD DAC around the ODA eligibility and reporting of administrative costs (see Annex A).
- The FCDO is a multi-purpose agency; it delivers aid programmes (ODA eligible) but also carries out activity which is not ODA eligible, for example providing consular assistance to UK citizens.
- It is therefore not possible to report all of FCDO’s administrative costs as ODA under the OECD DAC directives. Consequently, a methodology is required to capture the ODA eligible administrative costs in a way which balances accuracy, ease of understanding, consistent application and proportionate reporting burden.

### **3. Methodology for calculating FCDO’s ODA-eligible administrative costs**

This note sets out the updated method, what has changed and why it has been assessed as being fit for purpose in line with OECD DAC directives.

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<sup>1</sup> Operating costs are the everyday expenses needed by an organisation to run its services and activities, like staff salaries, office rent, IT systems.

<sup>2</sup> For example, salaries for UK and local staff working on ODA eligible areas such as Education activities which are primarily designed to benefit ODA eligible countries.

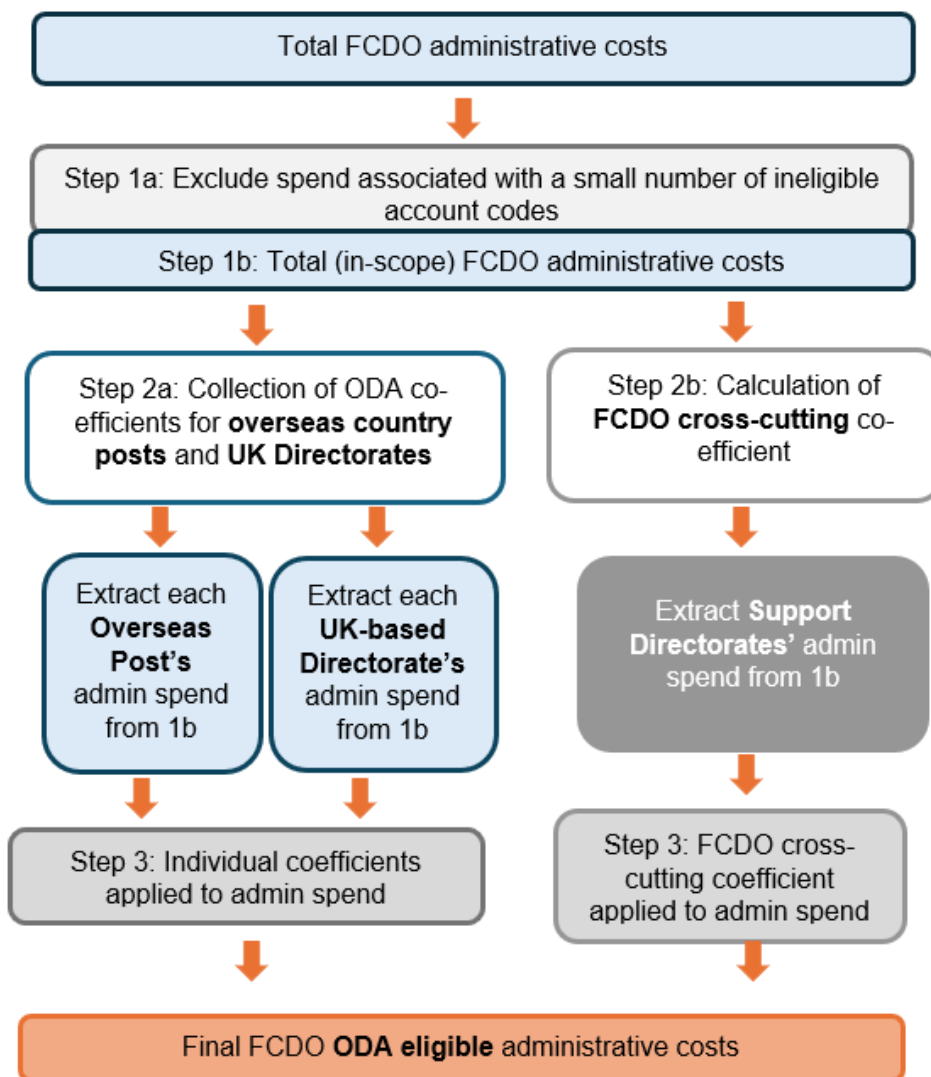
<sup>3</sup> For example, travel costs associated to a particular ODA programme would be reported in the SID as a “Project-type intervention”. This is in line with the OECD DAC directives.

The methodology applies ODA coefficients (see key definition box below) to total administrative costs incurred by each overseas country post and directorate in FCDO’s structure. The calculations involved in this methodology are completed in FCDO’s finance system “Hera” – this will be known as the “model” throughout this paper – see Figure 1.

### Key Definition: ODA coefficients

An ODA coefficient reflects the proportion of an activity / objective that is ODA-eligible. As per the DAC definition of ODA<sup>4</sup>, this means the activities and objectives that are “*administered with the promotion of the economic development and welfare of developing countries as its main objective*”.

**Figure 1: Main calculation steps of FCDO ODA eligible administrative costs**



<sup>4</sup> [Official development assistance \(ODA\) | OECD](#)

## **Step 1. FCDO administrative costs data**

The approach starts by extracting FCDO's total administrative costs from Hera (step 1a). A small number of account codes are removed at this stage (either because they are not applicable in a finance-sense (e.g. balance sheet codes) or because they deal with an area explicitly flagged as not ODA-eligible by the OECD reporting directives (step 1b)<sup>5</sup>. This leaves all FCDO administrative costs that are in scope for further processing through the model.

## **Step 2. Collection of ODA coefficients**

The FCDO is split into three groups – overseas country posts, UK-based directorates (policy and regional) and cross-cutting support directorates.

### *a. Overseas country posts and UK-Based Directorates*

- Each overseas country post<sup>6</sup> and UK-based directorate (e.g. Human Development Department) calculated an ODA coefficient based on the proportion of the strategic objectives in their business plans that constitute ODA-eligible activities (step 2a).
- To minimise the risk of different interpretations of the ODA rules between country posts and directorates, guidance was provided (i.e. highlighting non-eligible activities such as Consular work) and drop-in help seminars organised.
- Quality assurance was carried out by ODA eligibility leads on all coefficients received, supported by statisticians in cases where the rationale underlying the calculation was complex.
- The coefficients will be updated every 3-5 years in line with the OECD DAC rules to ensure they continue to reflect the correct split of ODA/non-ODA activities across the organisation.

### *b. Cross-Cutting Support Directorates*

- “Cross-cutting support” directorates have a FCDO-wide coefficient applied to reflect that these directorates support FCDO as a whole to deliver its development objectives. Examples of cross-cutting directorates are Human Resources and Finance.
- This coefficient is calculated (step 2b) by using a weighted average of the ODA coefficients received from country posts and UK-based directorates (step 2a). The weighting uses overseas country post/ directorate total administrative costs as an indicator for the number of staff in each area. The rationale for this is that a

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<sup>5</sup> [https://one.oecd.org/document/DCD/DAC\(2024\)40/FINAL/en/pdf](https://one.oecd.org/document/DCD/DAC(2024)40/FINAL/en/pdf) Box 2, page 26

<sup>6</sup> ODA co-efficients were produced at the country-level, if there were multiple embassies their ODA eligible activities would be captured in a single ODA co-efficient.

larger directorate/ country post would need greater support from the “cross-cutting support” directorates<sup>7</sup>.

### Step 3. Applying the ODA coefficients to the FCDO administrative costs data

- The model applies the coefficients to their respective overseas country post or directorate administrative cost totals.
- It then takes the three broad groups (overseas posts, UK-based directorates and support directorates) and sums their totals together to obtain the total ODA eligible administrative costs.

## 4. Improvements

Several improvements were identified as we moved to this finalised method. These were:

- *Rental costs of leased properties* – upon the move to Hera, it was not possible to include these costs due to system constraints. We have now established a method of accessing these and have been able to include them for 2025. This has increased the ODA-eligible administrative costs estimate by £58 million.
- *Rental costs of properties leased from GPA* - In previous years, the rental costs of Government Property Agency (GPA) properties have not been included in the ODA-eligible administrative costs figure. However, we have now realised this was an error and these costs should be included. This has increased the ODA-eligible administrative costs estimate for 2025 by £6.8 million.

## 5. Headline figures

The estimated ODA eligible administrative costs for FCDO in 2025 are £735 million. Around £65 million of the increase reflects the methodology change outlined in section 4, and the overall proportion of total FCDO ODA remains broadly consistent with recent years.

**Table 1: FCDO ODA eligible administrative costs: 2021 – 2025 (£000s)**

	2021	2022	2023	2024	2025 (provisional)
Total of FCDO ODA eligible administrative costs	638,650	622,487	652,767	643,334	735,224
As a proportion of total FCDO ODA	8%	8%	7%	7%	8%

<sup>7</sup> For example, Country Y has an ODA co-efficient of 0% and Country X has a co-efficient of 40%. If country Y is larger in terms of administrative costs, then the 0% will have a larger effect on the overall FCDO co-efficient.

## Annex A: Relevant OECD DAC directives

Extract from the [Reporting Directives](#) (paragraphs 81-86 and 511) on administrative costs

### II.1 Administrative costs

81. Total donor administrative costs are not captured in DAC statistics. The statistical category for administrative costs covers only those administrative expenditures related to development assistance programmes that are not already included under other ODA items as an integral part of the costs of delivering or implementing the aid provided. Situation analyses as well as evaluation, monitoring and auditing activities of projects and programmes are reported as part of the projects and programmes, and not as administrative costs. Other types of evaluations (e.g. process evaluations, meta-evaluations, strategic evaluations) are included as part of donor administrative costs when they are financed outside the operating budget of the extending agency. Box 2 describes the types of ODA eligible and non-ODA-eligible administrative costs.

#### **Box 2. Types of ODA-eligible and non-ODA-eligible administrative costs (non-exhaustive lists)**

**ODA-eligible administrative costs, that can be reported if related to development co-operation programmes and if not already counted under other ODA items, include:**

- salaries and pensions of employees involved in delivering aid
- IT equipment and infrastructure (computers and word-processing equipment, phones, printers)
- motor vehicles
- costs of premises, rents, maintenance and upkeep of buildings currently used for development activities in donor countries and developing countries
- outsourcing and consultancies
- travel and mission costs
- office supplies
- insurance and security costs
- logistics
- project implementation costs
- membership fees in development co-operation networks
- costs of transfers, commissions, and foreign exchange differences
- donors' capacity-building activities (e.g., training, workshops, seminars)
- cost of dialogue with partner countries
- other operational expenses

**Non-ODA-eligible administrative costs, that should be excluded from DAC statistics, include:**

- all construction costs unless the building concerned is to be donated to a developing country for development purposes
- costs of receiving developing country dignitaries for diplomatic or courtesy purposes
- salaries of high-level politically appointed officials whose responsibilities are not limited to aid delivery activities (Minister, Secretary of State and, if applicable, Director General)
- costs for the promotion of the donor country, its culture and/or language

82. Administrative costs should be calculated using the "institutional" approach, i.e. the total current budget outlays of institutions responsible for the formulation and implementation of members' aid programmes, or a pro rata allocation in the case of ODA activities financed out of other budgets. Report a separate line in the CRS for the administrative costs of each institution involved in aid delivery.

83. The coverage of administrative costs eligible to be reported as ODA comprises:

- i. the administrative budget of the central aid agency or agencies, and of executing agencies wholly concerned with ODA delivery;
- ii. that portion of the administrative costs of multi-purpose executing agencies (see Box 3. for methods to estimate such portion);
- iii. administrative costs related to the aid programme borne by overseas representatives and diplomatic missions. Allowance should be made, where possible, for offsetting receipts.

### **Box 3. Method to estimate ODA-eligible administrative costs of multi-purpose institutions**

ODA-eligible administrative costs of multi-purpose agencies can be estimated based on:

- The share of ODA disbursements in the agency's total expenditures.
- The share of salaries of staff assigned to ODA delivery activities in total staff salaries (e.g., Development Co-operation Department staff's salaries as a share of salaries of total Ministry of Foreign Affairs staff).
- The share of ODA-related programmes in the agency's budget. • The proportion of time/working hours spent on development-related duties relative to other working tasks (the estimated working hours may be based on timesheets or survey data).
- The proportion of effort that each part of the organisation directs at ODA-eligible strategic objectives relative to the organisation's overall objectives.

Whenever possible, the estimates should be made at the level of organisational units, which are then added up to obtain total estimated ODA-eligible administrative costs for the institution. The calculation should be regularly updated (e.g., every 3 to 5 years).

84. The costs of diplomatic staff assigned to wholly aid-related duties in developing countries should be included in full. Where individual officers perform aid-related duties part-time, a ceiling applies of 50 per cent of the total costs incurred in respect of them, unless the actual costs can be ascertained in the form of a charge to the aid budget. The representation costs of delegations to international organisations may be included, as a maximum, in proportion to the ODA coefficient for core contributions to that organisation. The cost of receiving developing country dignitaries should be omitted.

85. The salaries component of administrative costs includes *either* i) pension payments made to retired staff whose salaries, had they remained at work, would have counted as administrative costs, *or* ii) the current cost (including estimated unfunded costs) of the future pensions to be paid to serving staff.

86. The costs of premises, computer and word-processing equipment and motor vehicles are measured either i) as provided for in the budget of the ministry or agency concerned as a direct cost, or ii) as an actual or imputed write-off for amortisation, but not as a combination of the two. In respect of premises in the donor country, only the costs of maintenance and upkeep of buildings currently used for development activities may be reported as ODA. All construction costs are excluded, unless the building concerned is to be donated to a developing country for development purposes.

#### **In-donor expenditures**

##### *Administrative costs*

511. The detail of such costs are not sought. In general, administrative costs assigned to type of aid G01 will be recorded as a single transaction under purpose code 91010. However, in some particular cases, donors can record specific interventions under different purpose codes, e.g. an audit of a water project can be recorded under purpose code 140xx and type of aid G01.