



Five Keys to improving research costing in low- and middle-income countries

A one-hour presentation on the basic concepts
[DATE]
[PRESENTER]



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Presentation overview

- Where the *Five Keys* document comes from
- An overview of Keys 1 to 5
- A quick case study
- Time for discussion and questions



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ESSENCE on Health Research is a **collaborative framework between development agencies, research funders, philanthropists and multilateral initiatives** to:

- Strengthen research capacity and conditions for doing research, especially in Africa;
- Implementation of Paris Declaration and Accra Agenda principles in interactions between funders and recipients;
- Enhance alignment of efforts and achieve sustainable impact.

<http://www.who.int/tdr/partnerships/initiatives/essence>

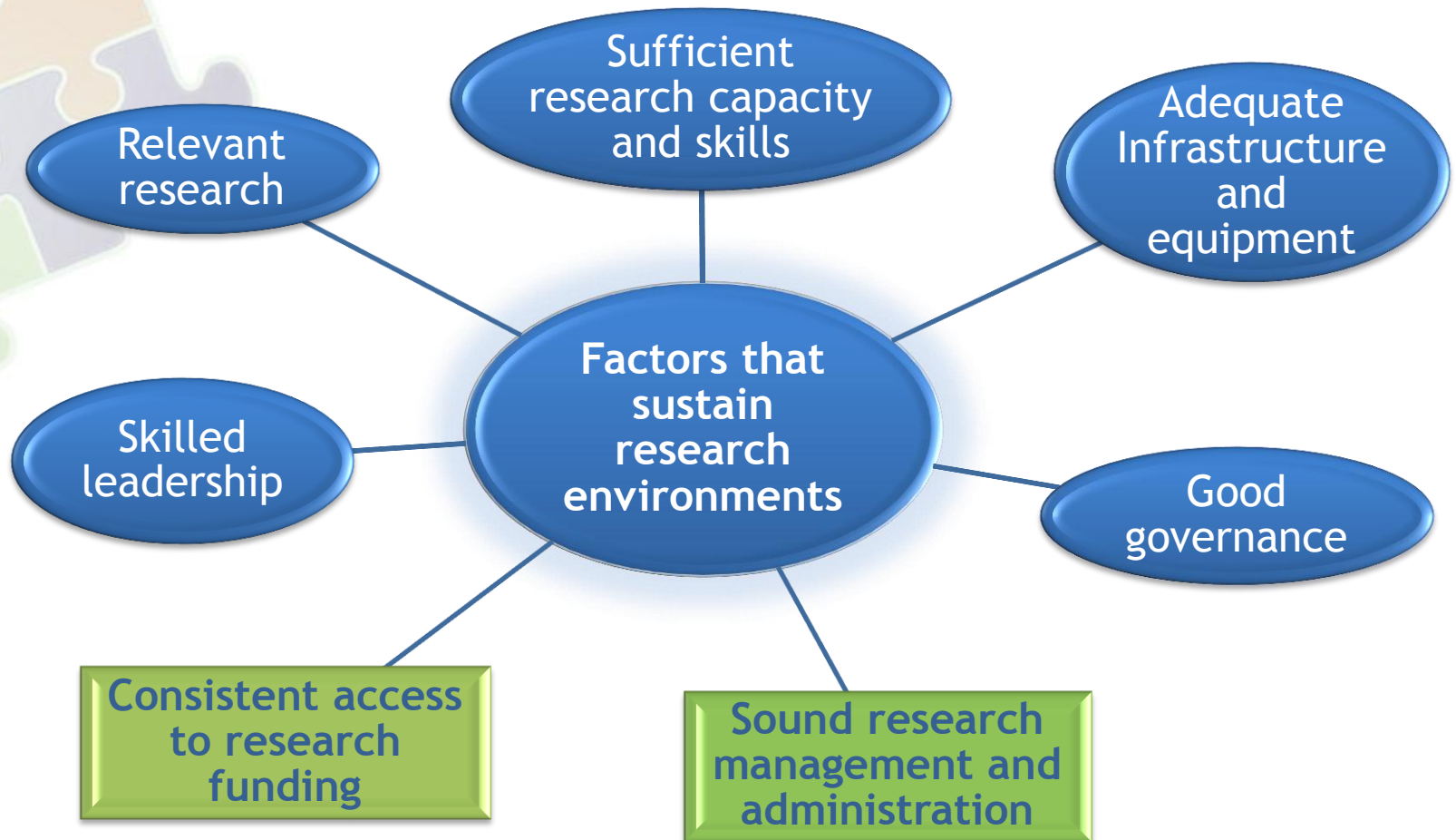


Where the *Five Keys* come from

ESSENCE asked 15 funders and 96 research institutions in 47 different countries what they saw as critical to the sustainability of research:

- Feb 2011 Funders' survey
- May 2011 Grantees' survey
- Jun 2011 Survey analysis
- Aug 2011 Literature review and interviews

Research findings



Research output: The *Five Keys*



Defining and categorizing direct and indirect costs



Determining indirect cost rates



Institutional management of research grants



Developing relevant skills and competencies



Bridging the gap between funders and research institutions





Key 1

Defining and categorizing direct and indirect costs



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Direct costs

Direct costs are items that are required to implement the project. These costs are incurred as part of the project work plan and therefore can be directly linked to a particular project.

Direct costs can include:

- Personnel
- Equipment
- Materials and supplies
- Travel costs
- Bursaries



Indirect costs

Indirect costs are also called overheads or administrative costs

Indirect costs are difficult to allocate to a single project as they are often shared by projects or departments

Indirect costs can include:

- Computers and IT maintenance
- Administrative costs
- Legal services
- Water, electricity, rent, building maintenance
- Organizational publicity and reputation management

Items allocated to indirect costs differ depending on an organization's structure, programs, and accounting system



Direct, indirect and full costs

- Direct costs relate directly to a single project
- Indirect costs relate to multiple projects

Direct costs

+

=

Full cost

Indirect costs



Indirect-cost rates

- Because indirect costs are difficult to allocate accurately to a single project, organizations calculate a standard rate that is applied to all projects.
- An indirect-cost rate is a method of charging individual projects for their share of indirect costs.
- The rate is usually a ratio between the total indirect expenses and the direct costs.
- Understanding how your institution's indirect-cost rate is derived is the key to adequate cost recovery, and thus to ensuring your organization's sustainability.

Consider...



Are the full costs of your research being met by the funds raised for research (irrespective of the source)?

If YES:

- How are indirect costs being recovered by the organization?
- How is the organization distributing the recovered costs?

If NO:

- Does your organization have an indirect-cost rate that is applied to all research projects?
- Does your organization have criteria or processes for deciding whether to submit research proposals to funders that do not cover the full indirect-cost rate?



Key 2

Determining indirect-cost rates



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Calculating an indirect-cost rate

Calculations need to be

- Accurate
- Defensible - based on audited financial results
- Updated regularly (annually)
- Flexible enough to suit different funders

It is probably best to calculate one rate for the whole institution but, in large institutions, it may be necessary to vary the rate across faculties



Some pointers

- There is no ‘one-size-fits-all’ method - context matters
- Your accounting system may limit you to a single rate or allow different rates for different departments
- Try to agree on an appropriate methodology with your major funders - this will reduce time spent negotiating about specific projects
- Recalculate the rate regularly using fresh data
- Use financial data averaged out over about three years to allow for irregularities



Costing versus pricing

- The cost of a project is not necessarily the same as the price charged to the client
- The price will depend on the type of project, the funding stream, the reasons for doing the project, etc.
- Thus, there may be reasons to conduct a project:
 - for profit (price is more than the cost)
 - on a breakeven basis (the price is equal to the cost)
 - at a loss (price is less than the cost)



Key 3

Institutional management of external research grants



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An overview of grant management

Pre-grant period

Grant development

- Identify funding opportunities
- Disseminate information
- Liaise with funders
- Help with proposals and budgets

Grant submission

- Facilitate peer and ethics reviews
- Facilitate institutional sign-off
- Send and follow up on proposals

Post-grant period

Grant implementation and stewardship

- Ensure financial compliance
- Monitor progress
- Facilitate financial reporting
- Project closure



Institutional policies and guidelines

- Outline roles, responsibilities and procedures for proposal development, clearance, approval and sign-off
- Set out the steps involved in setting up, managing and closing a grant
- Spell out categories for direct and indirect costs
- Explain how to apply the standard indirect-cost rate
- Establish procedures for waiving the standard rate
- Establish how recovered indirect costs are distributed
- Support the development of research proposals and budgets

Consider...



- Considering the complexity and competition of the funding environment, can individual researchers manage their own research as well as apply for and manage research grants?
- What is in place to support researchers in the pre- and post-award processes? Is this sufficient?
- What organizational changes could strengthen the coordination and management of research funding at my institution?



Key 4

Developing the relevant skills and competencies



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The ideal grant manager

- Facilitates the administrative aspects of research grants and reduces researchers' administrative loads
- Is aware of and able to limit the contractual, legal, ethical and financial risks involved in grant management



General responsibilities

- Develop policies and procedures
- Develop processes, systems and supporting tools
- Drive policy implementation
- In-house training to build research capacity
- Build relationships and networks to advance research
- Pre-award grants management (proposal development, including budget development and proposal submission)
- Award negotiation and acceptance
- Post-awards grants management (implementation and stewardship)



Skills and competencies

- Understanding of the institution's strategic priorities
- Awareness of research processes and of what motivates researchers
- The ability to formulate policies, and to design and implement effective workflows
- A thorough understanding of how direct and indirect costs are defined, calculated, charged, and allocated
- Capacity to apply institutional and funder regulations
- The ability to coordinate and document institutional approval for grant proposals
- Awareness of grant-seeking techniques and tools



Skills and competencies (continued)

- The ability to assess project budgets, and master the relevant financial-management skills
- Strong organizational, analytical and project-management skills
- Good interpersonal and negotiating skills, including the ability to foster respect for cultural and individual differences
- The ability to communicate technical and budgetary details
- An ability to multi-task and meet deadlines



Key 5

Bridging the gaps between funders and research institutions



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Funders' concerns about grantees

- Grant management and coordination is weak
- Language barriers and lack of experience creates difficulties
- Institutions have few standard operating procedures and institutional policies are lacking
- The redistribution of recovered indirect costs is not documented so funders don't know how these will be allocated



Institutions' concerns about funders

- Funders are powerful and generally unwilling to negotiate terms and conditions of grants
- Modest budget proposals are more likely to be successful
- Reporting templates and requirements are highly varied, and institutions seem to be expected to set up several different management and financial systems to cope
- Training offered by funders is needed in situ, it is too expensive if held in the US or Europe



Harmonization between funders

Policies and practices among funders, and in some cases even within funding organizations, differ vastly when it comes to:

- Expectations of how budgets are compiled
- Expectations of how expenditure is reported
- Funding indirect research costs

Funders have undertaken to try to harmonize these aspects of their work.



Summing up



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Obstacles to accurate research costing

- Institutions fail to calculate and negotiate indirect-cost rates proactively
- Institutional management and coordination of research grants tends to be random and undeveloped
- Funders policies and practices on reimbursement of indirect costs vary significantly
- Cooperation between funders, as well as between funders and grantees could be improved



Ongoing debates...

Questions raised during the consultations on *Five Keys* include:

- Can overheads be used to support teams during the period between the end of one grant and the start of another?
- How can depreciation cost of equipment be calculated and factored into future grants?
- Could templates be developed that can facilitate the indirect costing of the various elements outlined in the document?
- Could funders develop a list that outlines what indirect costs are funded by particular funders?
- Could ESSENCE assist institutions to develop grant management offices?



For further information

- *Five Keys to improving research costing in low- to medium-income countries*
<http://www.who.int/tdr/partnerships/initiatives/essence>
- Videos on YouTube
- Additional training interventions?

Thank you for your attention!