

INDIRECT COST RECOVERY ON RESEARCH RELATED GRANTS AND CONTRACTS AT STELLENBOSCH UNIVERSITY (SU)

INFORMATION TO EXTERNAL CLIENTS

SU researchers are committed to making their expertise available to South African and international organisations. Research funding obtained in this way is managed by the University with the utmost diligence to ensure that we continue providing excellent research support and create sustainable models.

1. Teaching, research, and social impact projects that are funded from external funding are associated with certain indirect costs, and the motivation for the Indirect Cost Recovery Rate (ICRR) is to recover these indirect costs and thereby to manage the University as a financially sustainable enterprise. Indirect costs include the costs of the following services, among others: legal services, financial services, human resources services, research management services, information technology services, access to library material, support in matters regarding intellectual property (IP), insurance, etcetera.

A further aspect contributing to the need for indirect cost recovery is the national legislation with regards to IP, that is to say the Intellectual Property Rights from Publicly Financed Research and Development Act, No. 51 of 2008 (hereinafter 'the IPR Act'), which requires that, under certain circumstances, institutions that receive public funding have to recover the full cost with regard to contract research.

With reference to the abovementioned legislation, a national approach was approved with regard to the calculation of the ICRR for all public higher education institutions in South Africa. This approach was approved by the National Intellectual Property Management Office (NIPMO), an office that was established in terms of the IPR Act specifically to implement this Act. The Indirect Cost Recovery Rate (ICRR) Policy was instituted on 30 September 2013 and replaced the previous levy policy. The ICRR policy and ICRR percentage went through a second review in 2022. The amended ICRR policy and ICRR percentage was approved, and the new policy has been effective as of 1 January 2023. This policy will be reviewed in 2025.

2. External organisations regard universities with advanced applicable expertise as *valuable partners* in the attainment of their business objectives. The benefit is mutual for both SU and its engagement partners. In its credo SU presents itself as a "knowledge partner", and as such it is committed to supporting, developing, and expanding this level of interaction.
3. The following aspects were taken into account when establishing the ICRR and also in reviewing the ICRR policy and ICRR percentage:
 - a) Research funded by external funding creates *additional costs* for the University, which we refer to as "indirect costs" or "overheads". No provision is made for these extra costs within the funding received by universities from the state subsidy. These extra costs include covering services such as: legal services, support in managing matters regarding IP, financial services, human resources

services, research management services, access to library material, laboratory and office space, insurance etc..

These “indirect costs” must be recouped in some way, in order to ensure that contract research is self-sustainable and is not being subsidized by other sources. This is achieved through applying an ICRR of 20% on all income from the so-called third and fifth stream income, and 25% on direct costs. Gross third and fifth stream income includes research contracts, diverse research, consultation services, routine services, short courses, and the sale of all other products and services.

For legislative purposes, the ICRR calculation and full cost methodology are submitted to NIPMO for approval in compliance with statutory requirements. Based on the outcome of the most recent submission, the following will apply from 1 January 2025: for research contracts where the client wishes to own/jointly own the IP or have exclusive license rights to the IP where it is deemed Research & Development in terms of the IPR Act, the transaction will be subject to adherence to the full cost policy and a 25% ICRR on income (and 33% on direct cost) will be applied.

- b) Funding that is excluded from the ICRR is funding that is earmarked for bursaries (i.e. funding was earmarked for bursaries from the outset) and undesignated donations.

Enquiries about the ICRR should be directed to Ms Ilse Griffiths (wilters@sun.ac.za; 021 808 4539).



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4 December 2024