

Addis Ababa University



Revised Institutional Overhead Costs Management Policy and Guidelines (IOCMPG-2024)

(Draft)

July 2024

Abbreviations and Acronyms

AAU – Addis Ababa University

CDF – Center Development Fund

(CoDF) – College Development Fund

DDF – Department Development Fund

GAT – Graduate Admission Test

IDF – Institute Development Fund

IOC – Institutional Overhead Cost

IP - Intellectual Property

LDF – Laboratory Development Fund

PI – Principal Investigator

PDF – Professional Development Fund

SDF – School Development Fund

UDF – University Development Fund

VPRTT – Vice President for Research and Technology Transfer

Tabbe of Contents

Abbreviations and Acronyms.....	2
1. Introduction.....	4
2. General provisions.....	4
3. Definitions	4
4. Purpose.....	6
5. Scope of application	7
6. Policy statement.....	7
7. Policy Content	8
7.1. IOC Rates for Research, Consultancy and other Professional Services	9
7.2. Institutional overhead cost distribution	10
7.3 Waivers	13
8. Responsibilities for the management and implementation of the Policy and Guidelines.....	14
9. Reporting.....	17
10. Compliance and Enforcement	17
11. Reference documents	17
12. Policy owner	18
13. Policy authority.....	18
14. Review and revision.....	18
15. Approval and date	18
16. Contact information	18

1. Introduction

Addis Ababa University is a pioneering higher education research institution and the first autonomous university in Ethiopia. As part of its new autonomous status, AAU is undergoing a comprehensive restructuring process, revising its policies and business processes. One significant aspect of this initiative is the review of existing rates for institutional overhead (IOH) costs and fee structures pertaining to research projects, consultancy services, and other professional services such as competency tests, short-term training, and laboratory services within the university.

Research, consultancy, and other professional services play a crucial role in generating knowledge and facilitating the transfer of knowledge and expertise from the university to stakeholders and external agencies, including businesses and industries. This engagement not only contributes to teaching-learning and societal growth and development but also fosters productive relationships with external stakeholders. Establishing standardized institutional overhead rates and effective management policies for these activities aims to promote research culture, and academic-industry collaboration, and facilitate faculty engagement with industry, government agencies, and other academic/research organizations. Therefore, it has become imperative to review and adjust the overhead rates and revenue-sharing mechanisms among management units, academic units, and faculty members engaged in these activities to ensure equitable distribution and foster greater support for research endeavors.

2. General provisions

- 2.1 This Policy and Guidelines may be cited as ‘**Revised Institutional Overhead Costs Management Policy and Guidelines of Addis Ababa University 2024**’.
- 2.2. This Policy and Guidelines is issued by the Governing Board of Addis Ababa University pursuant to the powers vested in it by Article 18 (11) of the Proclamation.

3. Definitions

In this Policy and Guidelines, unless the context requires otherwise or is regulated by other instruments:

- 3.1. *Research* shall mean a systematic and structured investigation aimed at expanding knowledge, uncovering new insights, and providing evidence-based understanding in various fields, essential for advancing human understanding, addressing complex problems, and driving innovation and development.
- 3.2. *Research project* shall mean an academic, scientific, or professional undertaking aimed at answering a research question within a given time frame and budget, sponsored by government entities, public and private sectors, national and international agencies, and other autonomous bodies.
- 3.3. *Research grant* shall mean a grant obtained for conducting scientific research generally through a competitive process or on invited basis.
- 3.4. *Contract research* is a legally binding agreement for collaborative research between the University and external organizations, detailing the terms and conditions for conducting research that often

- results in commercially important deliverables and peer-reviewed publications, with IP ownership negotiated between the parties.
- 3.5. *Funding agency* shall mean an external organization, public or private, that sponsors research or entrepreneurial activities at the university, dictating fund usage, expected deliverables, and required reports, while covering the entire research cost and providing overhead funding for indirect costs.
 - 3.6. *Institutional overhead cost*, also known as indirect cost or facilities and administrative cost shall mean expenses incurred by the university that are not directly attributable to execution of specific project activities but are necessary for the general operation and support of the institution's activities. These costs include administrative support, utilities, maintenance, and other general operational expenses.
 - 3.7. *Direct Cost* shall mean costs that are identified as directly attributable to a research project. Direct Costs include but are not limited to the costs of: i. salaries and related benefits of research project personnel, pro rata if the individuals are working on multiple projects; ii. Equipment; iii. capital costs; iv. consumables; v. insurance; and vi. travel.
 - 3.8. *Indirect cost* shall mean central, faculty and departmental costs that the University incurs to support research and other operations which are not directly attributable to a specific research project. Indirect costs include but are not limited to the costs of: administrative support, facilities, IT and communications, library services, general office supplies, compliance and regulatory costs.
 - 3.9. *Principal Investigator (PI)* is an academic staff of the University with the necessary expertise and competence responsible for the preparation, conduct, and administration of a research grant and other sponsored projects.
 - 3.10. *Consultancy* shall mean professional services provided by a faculty member who offer specialized knowledge, advice, and solutions to clients in various fields, often involving short-term projects or ongoing support, aimed at addressing specific challenges, improving performance, or achieving strategic goals.
 - 3.11. *Consultancy Services* shall mean professional services offered by faculty members to provide specialized knowledge, advice, and solutions to clients, typically involving activities such as analysis, planning, design and implementation, aimed at addressing specific challenges, improving performance, and achieving strategic objectives across various industries and sectors.
 - 3.12. *Consultant* shall mean a professional with specialized expertise who provides advice, guidance, and solutions to clients in various fields, often working on a project basis to address specific challenges, improve performance, and achieve strategic goals.
 - 3.13. *Individual consultancy* shall mean professional services provided by a faculty member independently, without utilizing the facilities or resources of the university.
 - 3.14. *Institutional consultancy* shall mean consultancy services provided by a faculty member using the facilities, resources, or infrastructure of the university, such as equipment, computers, and laboratory facilities, to deliver professional advice and solutions.
 - 3.15. *University consultancy* shall mean consultancy services provided by a faculty member utilizing the university's facilities, resources, or reputation, to offer expert advice and solutions to external clients or organizations.
 - 3.16. *Private consultancy* shall mean consultancy services initiated and conducted by university staff independently, with no legal connection to or liability for the university, and not involving the use of university resources or staff time.

- 3.17. *Laboratory service* shall mean professional services provided by a laboratory facility, typically within the university, research center, offering specialized testing, analysis, experimentation, and technical expertise in various scientific or technical fields. These services are often utilized for research, quality assurance, product development, and other scientific investigations.
- 3.18. *University Development Fund (UDF)* shall mean a designated fund within a university's financial structure, accumulating institutional overhead charges from sponsored research and shares from consultancy and professional services, managed to support developmental initiatives, research, infrastructure enhancements, and strategic investments for advancing research and innovation goals.
- 3.19. *College/Institute Development Fund (CoDF/IDF)* shall mean a portion of the institutional overhead charges from sponsored research and shares from consultancy and professional services, managed through a separate account operated by the College/Institute Finance Office to annually support strategic investments for enhancing research and innovation within the respective college or institute.
- 3.20. *Departmental/School/Centre Development Fund (DDF/SDF/CDF)* shall mean a designated university fund within departments, schools, or centers, comprised of portions from consultancy, other services, and overhead charges from sponsored research projects, aimed at supporting various research and innovation activities within the respective academic units.
- 3.21. *Professional Development Fund (PDF)* shall mean a designated university fund comprised of portions from sponsored research projects and other professional services, allocated to the respective PI, aimed at supporting the professional growth and development of individual academic staff members to enhance skills, knowledge, and capabilities relevant to their academic and professional roles.
- 3.22. *Laboratory Development Fund (LDF)* shall mean a designated portion of institutional overhead charges allocated for laboratories providing professional services, intended exclusively for their maintenance and enhancement and modernization.
- 3.23. *Waiver* shall mean a rare exception where a research project or grant is exempted from the institutional overhead rates upon approval from the designated top management of the University. This may involve a complete waiver of indirect costs or a reduction in rates.

4. Purpose

The objective of this Policy is to establish standardized overhead costs for research, consultancy, and other professional services, aligning with AAU's broader goals of enhancing financial sustainability, promoting collaboration and innovation, and maximizing the impact of research and consultancy activities. Achieving these goals will strengthen AAU's position as a premier institution of higher learning and research in Ethiopia and beyond. Specifically, the aim is to:

1. **Maximize income generation** from research, consultancy, and other professional services at AAU. By establishing standardized overhead costs, the university aims to attract more projects, clients, and funding opportunities, thereby enhancing its financial sustainability and revenue streams.

2. **Improve efficiency, transparency, and sustainability** of overhead management at AAU. By setting clear and standardized overhead costs, the university seeks to streamline administrative processes, enhance accountability, and ensure prudent resource use. This approach will support effective financial management and resource allocation.
3. **Promote collaboration and strategic decision-making** among management, academic units, and researchers. Involving stakeholders in evaluating and establishing overhead costs fosters a culture of collaboration and collective decision-making, aligning research and consultancy activities with AAU's strategic priorities. It also enhances the engagement and skill/knowledge dissemination by the university.
4. **Motivate management and academic units**, including faculty members and researchers, to engage actively in research and consultancy activities. Clear and equitable overhead costs incentivize participation in innovative projects, contribute to knowledge creation, and enhance AAU's reputation as a leading research institution.

5. Scope of application

The revised institutional overhead cost rates encompass sponsored research projects, contract research, consultancy services, short-term training, laboratory services, and competency test services at Addis Ababa University. Additionally, this revised IOC rates shall address the distribution and allocation of revenues generated from overhead charges to university units and faculty members involved in these projects and services.

6. Policy statement

Addis Ababa University stands as a pioneer in higher education within the country, renowned for its exceptional research, educational endeavors, and social contributions. Its faculty and researchers consistently engage in cutting-edge research, publishing in scholarly journals and participating in global conferences, elevating the university's stature nationally, regionally, and globally. AAU aims to enhance its efficiency, responsiveness, and accessibility in delivering academic, research, and community engagement services. Furthermore, AAU as autonomous research university is expected to foster innovation, facilitate the development of nationally relevant programs, and attract top talent, all while maintaining an environment free from external or bureaucratic interference. Through these initiatives, AAU seeks to uphold its mission of academic rigor, research excellence, and societal impact, positioning itself as a leading higher education institution on the continent.

A standardized fee structure for institutional overheads is essential for ensuring the financial sustainability, resource allocation, quality assurance, compliance, and stakeholder engagement in research projects, consultancy, and other professional services at AAU. It serves as a critical tool for enhancing the university's research capabilities, academic reputation, and societal impact. The rationale for revised institutional overhead rates at Addis AAU for research projects, consultancy, and other professional services can be multifaceted:

1. **Financial sustainability:** A revised fee structure can ensure the financial sustainability of AAU's research and professional service activities by covering the indirect costs associated with these

endeavors. These indirect costs include administrative support, infrastructure maintenance, utilities, and other overhead expenses that are essential for conducting high-quality research and delivering professional services. Furthermore, the need for creating new policy guidelines for enhancing research activities and consultancy, aligned with the new developments at AAU, underscores the importance of revising the fee structure to adapt to evolving needs and opportunities.

2. **Resource allocation:** A transparent and equitable fee structure helps in the efficient allocation of resources within AAU. It ensures that the costs associated with research projects and professional services are adequately covered, allowing the university to allocate its limited resources effectively across various academic and administrative functions. Moreover, promoting opportunities for the university and its academic staff to proactively engage in knowledge generation, technology, and innovation development, as well as consultancy and other professional services, with funding from various sources, necessitates a revised fee structure that supports these initiatives.
3. **Investment in infrastructure and support services:** The revenue generated from institutional overhead fees can be reinvested in upgrading research facilities, enhancing administrative support services, and improving the overall research environment at AAU. This investment is crucial for maintaining competitiveness and attracting external funding for research projects and consultancy services. Additionally, aligning the fee structure with new policy guidelines and promoting proactive engagement in knowledge generation and innovation development further justifies the need for reinvestment to support these strategic initiatives.
4. **Quality assurance:** A revised fee structure can also serve as a mechanism for ensuring quality assurance in research and professional services delivered by AAU. By covering the indirect costs of these activities, the university can uphold high standards of excellence and accountability, thereby enhancing its reputation and credibility in the academic and professional communities. Integrating new policy guidelines and promoting proactive engagement in research and consultancy activities aligns with the university's commitment to maintaining and improving quality standards, reinforcing the necessity of revising the fee structure accordingly.
5. **Compliance and governance:** A transparent and well-defined fee structure for institutional overheads ensures compliance with regulatory requirements and good governance practices. It provides clarity to researchers, consultants, and clients regarding the financial arrangements and obligations associated with engaging AAU for research and professional services. By aligning the fee structure with new policy guidelines and promoting proactive engagement in research and consultancy, AAU demonstrates its commitment to transparent and accountable governance practices.

7. Policy Content

In response to identified challenges and the need for standardized institutional overhead costs, Addis Ababa University has revised rates for institutional overhead costs related to research, consultancy, short-term training, competency tests, and other professional services. The existing differential rates across university units hinder resource optimization, while an unequal distribution of IOC marginalizes academic units from equitable benefits. Additionally, inadequate recognition of funding diversity and inconsistent consultancy guidelines contribute to operational confusion and potential partnership deterrence. Benchmarking against

peer institutions in Ethiopia, Africa and globally emphasizes the importance of competitive IOC rates to enhance AAU's reputation, attract collaborations, and ensure sustainability. The revised IOC rates aim to address these challenges, creating a fairer and more supportive environment for academic engagement and resource management within the university.

7.1. IOC Rates for Research, Consultancy and other Professional Services

7.1.1. Research projects

- 7.1.1.1. The revised institutional overhead rate for grant research projects at AAU shall be 15% of the total project cost to cover the use of the university's infrastructural and other facilities.
- 7.1.1.2. This rate shall be applied flexibly, ranging from 10-20% of the total project cost, depending on the requirements of the funding agency.
- 7.1.1.3. If the funding agency's requirements do not allow for such overhead costs, the norms of the funding agency shall be followed.

7.1.2. Contract research

- 7.1.2.1. For contract research, the institutional overhead rate shall be 30%.

7.1.3. Consultancy, short-term training, laboratory and competency test services

7.1.3.1. Consultancy services

- 7.1.3.1.1. The IOC charges shall be 15% of the total consultancy service costs if the services do not require the use of university resources such as laboratory facilities, computer laboratories or workshops.
- 7.1.3.1.2. The IOC charges shall be 20% of the total service costs if the consultancy services do require the use of university resources.

7.1.3.2. Short-term training services

- 7.1.3.2.1. If the short-term training services do not require the use of university resources such as laboratory facilities, computer laboratories or workshops, the revised IOH charges shall be 20% of the total service costs. This type of short-term training services is normally conducted in class-rooms and are expected to consume moderate resource of the university.
- 7.1.3.2.2. If the short-term training services do require the use of university resources, the IOH charges shall be set at 25% of the total service costs. This set of short-term services are mainly conducted in computer laboratories, workshops or laboratories and are expected to require extensive university resources.

7.1.3.3. Laboratory services

- 7.1.3.3.1. For laboratory services, which are lab-intensive and require the use of university resources such as laboratory facilities and workshops, the IOC charges shall be 35% of the total service costs.

7.1.3.4. Competency test services

- 7.1.4.4.1. If the competency test services do not require the use of university resources such as laboratory facilities or workshops, the IOC charges shall be 25% of the total service costs.
- 7.1.3.4.2. If the competency test services do require the use of university resources, the IOC charges shall be set at 30% of the total service costs.
- 7.1.4 It is noteworthy that the revised institutional overhead rates for consultancy, short-term training, laboratory, and competency test services shall be prudently adjusted to maximize resource mobilization, depending on the requirements of the client.

7.2. Institutional overhead cost distribution

In order to properly distribute institutional overhead costs from research, consultancy, short-term training, and other professional services, it is essential to allocate these funds to various university segments, including management, academic units, PIs, and their teams. The distribution shall cover central administration support costs, a university development/strategic research fund, college development funds, school/department/center development funds, project/professional research and innovation development funds and laboratory development funds as shown in **Table 1**.

Table 1: Institutional overhead cost distribution

Cost Distribution Categories	Percentage of distribution of IOH								
	Research projects		Consultancy Services		Short-Term Training Services		Lab. Services (35%)	Competency Test Services	
	Grant (15%)	Contract (30%)	Without resource (15%)	With resource (20%)	Without resource (20%)	With resource (25%)		Without resource (25%)	With resource (30%)
¹ Central Administration Support Cost	10% (1.5%)	10% (3%)	5% (0.75%)	4% (0.8%)	⊗	⊗	⊗	10% (2.5%)	8% (2.4%)
UDF/Strategic Research Fund	35% (5.25%)	35% (10.5%)	30% (4.5%)	20% (4%)	20% (4%)	15% (3.75%)	10% (3.5%)	30% (7.5%)	30% (9%)
CoDF/IDF	15% (2.25%)	15% (4.5%)	30% (4.5%)	25% (5%)	30% (6%)	20% (5%)	30% (10.5%)	30% (7.5%)	20% (6%)
SDF/DDF/CDF	15% (2.25%)	15% (4.5%)	25% (3.75%)	25% (5%)	50% (10%)	40% (10%)	30% (10.5%)	30% (7.5%)	20% (6%)
PDF	20% (3%)	20% (6%)	10% (1.5%)	4% (0.8%)	⊗	⊗	⊗	⊗	⊗
² LDF	5% (0.75%)	5% (1.5%)	⊗	22% (4.4%)	⊗	25% (6.25%)	30% (10.5%)	⊗	22% (6.6%)

Explanation:

1. Central administration support cost: Covers administrative expenses including human resources, finance, legal services, and other central support services.
2. University Development Fund/Strategic Research Fund: Funds allocated for university-wide strategic research and innovation initiatives, research infrastructure, and future research and innovation development projects.

¹For competence test, if the service is rendered at a college/institute level (unlike the GAT) the indicated share of the IOC for administrative support shall be allotted to the college/institute level administrative support instead of the central one.

²Portion of the overhead cost designated for laboratory development fund shall be managed by the respective academic unit running the projects for laboratory maintenance and upgrading purposes.

3. College/Institute Development Fund: Supports development activities at the college level, ensuring that each college has resources to grow and enhance its research, professional service and innovation initiatives.
4. School/Department/Chair/Centre Development Fund: Allocated to schools, departments, or centers to support their specific development needs, fostering growth and improvements within smaller academic units.
5. Professional Development Fund: Provides funds for PIs and their teams for professional development, project-related expenses, and enhancing their research capabilities.
6. Professional development funds for consultancy services apply when the services are initiated, obtained, and executed by the PIs and their team. Otherwise, the designated professional development fund for consultancy services shall be allocated to the relevant academic unit.
7. Laboratory Development Fund: Provides funds for Laboratory/ies involved for maintenance and upgrade.

This distribution ensures that overhead costs are allocated to support both the central administration and the academic units directly involved in generating the IOC, while also investing in future research and innovation development and strategic initiatives.

The following provisions shall be applied in using the institutional overhead distribution provided in

Table 1:

- a. If a project involves more than one college/institute or if a project spans across multiple units and poses challenges in determining the appropriate host, the project shall be managed by the office of the VPRTT and the IOC shares to lower academic units will be transferred through the university financial system. Similarly, if a project involves more than one School/Department/Center, the project shall be administered by the college/institute and IOC shares of the central administration and each participating School/Department/Center shall be transferred through the college/institute finance office.
- b. If a project is jointly 'owned' by multiple departments and institutes/centers within the university, the overhead costs applicable for distribution to departments/centres and institutes shall be divided equally, unless an alternative proportion is agreed upon in advance by all parties for specific stated reasons.
- c. If a project is jointly 'owned' by multiple institutes/centers only, the overhead costs applicable for distribution shall be equally divided among the institutes/centers, unless a different proportion is agreed upon in advance by all parties for stated reasons.
- d. If a project has no affiliation with institutes/centers, the overhead costs shall be shared equally among the participating departments, unless an alternative proportion is agreed upon in advance by all parties for stated reasons.
- e. 10% of the IOC allocated for College/Institute Development Fund shall cover administrative expenses at college/institute level which include finance, human resources, legal services and other college level administrative support.
- f. 5% of the IOC allocated for school/Department/Chair/Center Development fund shall cover administrative expenses at School/Department/Chair/Center level which include head office/s, and other school/department/chair/center level administrative support.

- g. Departments/Chairs/Centers under a school shall receive 50% share of the School/Department/Chair/Center Development fund after deduction of the administration expenses.
- h. In the case of a consultancy project which is not initiated by a faculty member/faculty group, the share allotted for the project/professional fund shall be transferred to the School/Department/Chair/Center Development Fund.
- i. The IOC charge will not apply on student stipends and donations or purchases of research equipment or computers, provided the equipment will be made available for use to researchers, students, or support the teaching mandate of the university.

7.3 Waivers

Waivers for IOC on externally sponsored research projects shall typically be granted under specific circumstances and require a formal approval process. The general requirements and guidelines for seeking such waivers shall include:

7.3.1. Eligibility criteria

The following requirements, either separately or in combination, shall be applicable.

- 7.3.1.1. Strategic importance: The project must align with the strategic goals and priorities of the university, such as enhancing research capabilities, fostering innovation, or contributing to significant societal impact.
- 7.3.1.2. Funding agency policies: The waiver request must comply with the policies of the funding agency. Some agencies have caps on allowable overhead rates or prohibit indirect costs altogether.
- 7.3.1.3. Budget constraints: The project may have significant budget constraints that necessitate a waiver to make the project financially viable.

7.3.2. Application process

- 7.3.2.1. Formal request: The PI must submit a formal waiver request, typically including a detailed justification and the potential impact of the waiver on the project.
- 7.3.2.2. Supporting documentation: The request shall include:
 - A detailed project budget.
 - Funding agency guidelines on indirect costs.
 - A statement explaining the strategic importance of the project to the university.
 - Any additional supporting information that strengthens the case for the waiver.
- 7.3.2.3. The concerned university office shall issue an application format/template for the purpose

7.3.3. Approval process

- 7.3.3.1. School/Departmental/Chair/Center review: The waiver request first shall be reviewed and approved by the head of the PI's department or the relevant academic unit.

- 7.3.3.2. College/Institute review: After departmental approval, the request shall be forwarded to the Dean of the college or the Director of the institute for further review and approval.
- 7.3.3.4. Central administration approval: The final approval shall be required from the central administration office, such as the VPRTT, Business and Administration, etc. This ensures that the waiver aligns with the university's overall financial and strategic objectives.

7.3.4. Evaluation criteria

- 7.3.4.1. Alignment with strategic goals: The project's alignment with the university's strategic priorities and research goals shall be considered.
- 7.3.4.2. Financial impact: The financial implications of granting the waiver, including the potential loss of indirect cost recovery.
- 7.3.4.3. Benefits to the University: The potential benefits to the university, such as enhancing its research profile, attracting additional funding, or building long-term partnerships shall be considered.
- 7.3.4.3. Precedents: Consideration of precedents and consistency with past decisions on similar waiver requests shall be considered.

7.3.5. Conditions of waiver

- 7.3.5.1. Duration: The waiver may be granted for the entire duration of the project or for a specific period, as determined during the approval process.
- 7.3.5.2. Reporting requirements: The PI shall be responsible for providing periodic reports on the project's progress and outcomes to ensure that the benefits justify the waiver.
- 7.3.5.3. Review and renewal: For multi-year projects, the waiver shall be subject to periodic review and renewal based on project performance and continued alignment with university priorities

8. Responsibilities for the management and implementation of the Policy and Guidelines

- 8.1. The Office of the VPRTT shall be responsible for overseeing the comprehensive implementation of research, consultancy, short-term, and other professional services at AAU.
- 8.2. The Office of the VPRTT shall establish Resource Mobilization and Grant Management Office which shall make efforts to enhance the management of research and consultancy endeavors by focusing on improved information management, systematic quality control, and the integration and translation of research and consultancy outputs into practical applications for research and learning processes.
- 8.3. Project agreements for research projects sponsored by external funding agencies shall be centrally signed, unless delegated to colleges/institutes following the implementation of university autonomy. In such cases, colleges/institutes shall assume responsibility for the management, administration and reporting of these projects. Meanwhile, academic units and PIs shall be accountable for executing project activities and delivering progress and final project reports as

- outlined in the project proposal and agreement documents. To ensure comprehensive record-keeping, a research project database containing all agreements shall be maintained jointly by the Offices of the VPRTT, colleges/institutes, and academic units.
- 8.4. To streamline processes and enhance efficiency, and as part of exercising university autonomy, colleges/institutes shall be delegated the authority to enter into agreements with clients/sponsors for consultancy, short-term training, and other professional services. The responsibility for implementation, follow-up, and deliverables lies with the academic units and faculty members assigned to such activities. In such cases timely reporting and transfer of shares of the IOC to deserving academic units, PIs and central administration shall be the responsibility of the delegated colleges/institutes.
 - 8.5. In cases where these services involve multiple academic units or professionals from various units within a college/institute, the Office of the VPRTT shall oversee agreement and management arrangements. Specifically, if a consultancy assignment spans across multiple units and poses challenges in determining the appropriate host, the Office of the VPRTT shall manage it.
 - 8.6. To ensure comprehensive record-keeping, project databases for research, consultancy, short-term training, and other professional services shall be maintained at the offices of colleges/institutes and academic units. These databases shall be regularly shared with the central database maintained by the Office of the VPRTT.
 - 8.7. For joint consultancy services, if collaboration with another institution is deemed necessary during the application or execution stage due to specialized expertise requirements, the University shall actively seek collaboration to enhance the competence of the assignment's execution. Additionally, when another institution approaches the University for collaboration in either the application or execution phases, an evaluation of the University's expertise in the relevant field shall be conducted. This assessment, overseen by the VPRTT Office, shall be carried out in coordination with relevant institutes, schools, departments, or centers. The sharing of costs or benefits out of the project shall be agreed upon by the university and the partnering institution.
 - 8.8. University consultants approached by external institutions for collaboration during bidding or execution stages are required to notify the VPRTT Office. Upon agreement for collaborative projects, the University shall establish a Memorandum of Understanding (MoU) with the other institution(s), outlining specific terms of the joint work, including fund management and dispute resolution. Management of joint consultancy projects shall adhere strictly to the agreements outlined in the MoU between the University and the collaborating institution(s).
 - 8.9. AAU's central and college/institute finance offices are responsible for maintaining separate accounts of the respective Institutional Overhead charges for research, consultancy, short-term training, and other professional services. These charges are allocated for central administration costs, the university development fund (for research office), college/institute development fund, School/Department/Chair/Centre Development Fund, and Professional Development Fund, following the distribution of income outlined in in this Policy and Guidelines. As research and consultancy funds are typically paid in installments, the designated IOC charges to the University shall be deducted proportionately from each installment until the total amount is fully paid. These funds are then kept in separate accounts for the distribution categories. Additionally, financial offices are tasked with maintaining a database for all IOC charges and their allocations regularly. This data should be shared with the Offices of VPRTT, college/institute, and academic units for transparency and accountability.

- 8.10. In addition to the central/college/institute administration support costs covered by Institutional Overhead charges, a portion of the IOC will also be allocated to University, Department, and Professional Development Funds, as given in Table 1 above. The purposes of these funds are as follows:

University Development Fund (UDF)

A portion of the institutional overhead charges received from research, consultancy, and other professional services shall be allocated as part of the University's share for the UDF. This amount shall be credited to a separate fund operated by Central/College/Institute Finance Offices and transferred annually to the University Development Fund/Corpus Fund for utilization towards the university's strategic research fund purposes.

Departmental/School/Centre Development Fund (DDF/SDF/CDF)

The DDF/SDF/CDF refers to a fund allocated to the Department/School/Center, consisting of a portion of the University's share from research, consultancy, short-term training and other professional services' overhead charges. These funds are transferred to the respective School/Department/Centers. The primary objective of this fund is to provide additional grants to the department/schools/centers for their developmental activities.

Professional Development Fund (PDF)

A portion of the University's overhead charges from sponsored research projects, consultancy, short-term training, and other professional services shall be allocated to the PDF of the respective Principal Investigator (PI). The PDF aims to support individuals in their professional development and may be generated by crediting overheads from sponsored research projects, consultancy, and other professional services.

The PDF shall be utilized for various purposes, including:

- Covering travel expenses (TA/DA) and registration fees for attending conferences, whether in Ethiopia or abroad, and for professional activities promoting sponsored research projects/consultancy.
- Payment of membership fees for professional societies.
- Purchase of professional books, videos, e-resources, etc.
- Acquisition of equipment, fixtures, and furniture for the laboratory and office, as well as maintenance charges.
- Upgrading or purchasing portable or desktop computers and related peripherals for faculty use at the workplace.
- Covering patent/publication processing fees, and other relevant expenses as it may be stipulated in the specific project proposal approved by the funding organization and the university.

Laboratory Development Fund (LDF)

The LDF shall solely be used for the maintenance and upgrading of the laboratory facilities.

- 8.11. Management of Centers of Excellence: While this Policy and Guidelines is applicable to these Centers, the Centers of Excellence, funded by various agencies shall function as independent R&D

offices within the University. The Chairmen/Heads of these Centers, appointed by the University, shall bear financial and academic administration responsibilities approved by the University. However, the financial management of these Centers shall fall under the purview of the respective College/Institute finance offices.

9. Reporting

- 9.1. Academic Units and Principal Investigators shall report bi-annually to the College/Institute on the number of research projects, consultancy services, short-term training programs, laboratory services, competency tests, and other professional services being executed, along with the corresponding Indirect Overhead generated and its distribution as per this Policy and Guidelines.
- 9.2. The College/Institute shall then report biannually to the Office of the VPRTT on the number of research projects, consultancy services, short-term training programs, laboratory services, and competency test services executed, along with the corresponding IOC charges and their distribution as per this Policy and Guidelines.
- 9.3. The Office of the VPRTT is responsible for maintaining databases that track the number of research projects, consultancy services, short-term training programs, laboratory services, and competency test services being implemented at the university level, along with the corresponding IOC charges and their distribution. The VPRTT office shall report this information annually to AAU management and the Board.

10. Compliance and Enforcement

- 10.1. All academic units and Principal Investigators must comply with this Policy. Ensuring adherence to the overhead policy, along with the Research Policy, Research Ethics Guidelines, and other related policies, is crucial for maintaining the integrity and efficiency of the University's operations. Failure to comply with the Policy will result in the following consequences:
 - 10.1.1. Depending on the nature of the non-compliance, academic units may face financial penalties or a reduction in future overhead distributions.
 - 10.1.2. Administrative action or disciplinary measures.
- 10.2. Compliance shall be regularly monitored through PI, academic unit and college/institute reports, regular audits, and feedback

11. Reference documents

This Policy and Guideline for institutional overhead costs management at AAU has been developed through a review of existing research policies, guidelines, and documentation on university practices at AAU, as well as comparative analyses of research policies from other universities across Africa and globally.

12. Policy owner

The Vice President for Research and Technology Transfer is the owner and responsible for the implementation and enforcement of this Policy and Guideline.

13. Policy authority

The authority and approval of this Policy and Guideline is vested in the Senate and the Governing Board of AAU.

14. Review and revision

This Policy and Guideline shall be reviewed every 3 years.

15. Approval and date

This Policy and Guideline for the management of institutional overhead costs management at AAU is approved by the Governing Board of Addis Ababa University on DD/MM/YY.

Signature

Chair, AAU Governing Board

Date

16. Contact information

The Office of the Vice President for Research and Technology Transfer,
Main Campus President Office 4th Floor.

Telephone: +251-111-239769

P.O.BOX: 1176

mail: vprrt@aau.edu.et.