



04 February 2025

**To whom it may concern**

**Re: UCT’s Approach to Costing and Pricing of research projects**

The University of Cape Town’s (UCT’s) policy is to cost and price research and other projects using the full cost approach.

This approach considers both the direct project and indirect (overheads) costs when preparing budget proposals and finalising contract/grant prices/fees/payments. This Full Cost (= Direct Costs + Indirect Costs to be Recovered = DC + ICR) serves as one of the points of departure for negotiations with our funders/ sponsors/ grantors/clients.

This approach helps ensure awareness of the proper cost of the project from the outset, assists with deciding whether to go ahead with the project or not, influences the price negotiations and promotes financial sustainability and practical equity across the university.

**Direct Costs (DC)**

Direct Costs include costs directly attributable to the project activities.

**Indirect Costs to be Recovered (ICR)**

Indirect Costs to be Recovered refer to the support services costs that cannot be allocated directly to individual projects. It covers actual and contingent services provided by or available from the following service areas:

Executive, Legal, General, Governance support
Research & Innovation
Finance
HR
ICTS
Library
Properties & Services

The ICR for the project is calculated by applying a percentage rate that is approved by the National Intellectual Property Management Office (NIPMO) to the project direct costs, with certain exclusions where applicable.

NIPMO, in accordance with the Intellectual Property Rights from Publicly Financed Research and Development Act (No. 51 of 2008), evaluates and approves the cost recovery rate for each of the public universities. The approved rate for the University of Cape Town is 30%

and is valid until 30 November 2026.

Some funders have their own pre-determined cost recovery rates. In such instances the funder's maximum allowable rate can be applied to the project.

Further details on the costing approach can be obtained from the Faculty Finance or Central Research Finance Offices.

Sincerely,

A handwritten signature in black ink, enclosed within a hand-drawn oval. The signature is stylized and appears to read 'B. Mtini'.

Babalwa Mtini

Director: Research Finance