

Institutional Costs of Research

The federal Indirect Costs program assists universities to cover the institutional costs of federally funded academic research – enhancing the impact of Canada's research efforts.

What are the institutional costs of research?

Universities provide essential institutional support for research. To do this, they incur costs associated with:

- operating, maintaining and renovating research facilities such as laboratories, libraries and computer networks;
- managing the research process from preparing proposals to accountability and reporting;
- ensuring regulation and safety compliance including human ethics issues, animal care, biohazards and environmental assessment; and
- managing intellectual property and promoting commercialization and knowledge mobilization.

For each dollar attracted from external sponsors of university research, institutions must provide at least 40 cents to support the institutional costs of this research.

What is the Indirect Costs program?

The federal Indirect Costs program was designed to ensure the international competitiveness of Canadian university research. In 2001-2002, the federal government provided a one-time payment to cover \$200 million in institutional costs. It then created a permanent program, announced in the 2003 federal budget, at an initial level of \$225 million. The program has since been increased to its current level of \$325 million.

Funding for institutional costs is allocated among universities according to the average share of federal granting agency funding attracted by each institution over the preceding three years. Under the program, a sliding scale of reimbursement is used to assist smaller institutions to cover the baseline costs of engaging in research. The current overall reimbursement rate is 23.3 percent of the direct costs.

Why is the Indirect Costs program important?

Research and innovation are essential for success in today's global economy. In these difficult economic times, supporting universities' ability to contribute to Canada's short-term recovery and long-term economic growth and prosperity takes on even greater significance.

The federal government has made major investments in research, including university research - a major area of strength for Canada relative to other countries. In 2008 alone, federal funding for university research was more than \$2.5 billion. These federal funds support:

- developing, attracting and retaining highly qualified research talent (**people**);
- putting in place and operating cutting-edge research infrastructure and facilities (**infrastructure and facilities**);
- producing new ideas (**direct costs of research**); and
- providing institutional support for the research effort (**institutional costs of research**).

The challenge now is to make the best use of the capabilities that Canada has developed, and to maintain these capabilities into the future. In this, the Indirect Costs program plays a key role, as it covers the institutional costs that must be covered if research is to proceed and to be fully productive and cost-effective. Essentially, the Indirect Costs program enables the university research and innovation system to function in a balanced way, with fewer weak links or missing ingredients that could otherwise hold up research projects and create inefficiencies.

Support for the institutional costs of research is vital for ensuring a cost-efficient division of labour, in which researchers can stay focused on their research, with support functions and research administration carried out by other specialists and professionals, backed up by sound financial administration and project management systems.



Over the past decade, through the Canada Foundation for Innovation and matching funds, more than \$8 billion has been committed to research infrastructure in Canadian universities. The Indirect Costs program is essential for making full and effective use of this infrastructure, and for realizing full value from it. For example, the program helps to pay for the technicians who are needed to keep the equipment operational. It is also enabling universities to bring the power of High Performance Computing networks to the desktops and laboratories of researchers, thereby saving time and enabling more rapid solutions to a wider set of problems.

The program also provides important support for the application and commercialization of research. It is a key source of funds for technology transfer - both at the institutional level and in consortia, often in partnership with local or regional governments. It helps with establishing and expanding research and innovation parks, as well as fostering relationships with private sector companies. The program also supports university participation in trade missions and international exchanges, in cooperation with provincial and federal governments.

All in all, support for the institutional costs of research is crucial in enabling universities to recruit and retain top researchers, who are strongly motivated to be as productive as possible in their research and who choose to locate in places where they can move ahead rapidly with their research projects.

How does the Indirect Costs program compare internationally?

Under the Indirect Costs program in Canada, the overall rate of reimbursement is about half of the average rate negotiated in the US. The 23.3 percent rate of reimbursement in Canada also falls well short of other key competitor jurisdictions, including the UK and the European Union where institutional costs are reimbursed at rates ranging from 50 to 60 cents.

Given that institutional costs are not fully reimbursed in Canada, universities are either unable to offer comprehensive research support or they must cover the shortfall from their operating budgets – budgets that are already stretched by the growing demands for research and access to a high quality university education. Canada's universities have long advocated that the federal government support of the institutional costs of research be progressively increased to cover an internationally competitive minimum of 40 percent of the direct costs of research. At current levels of funding for the Indirect Costs program, the 24 largest research-performing institutions are reimbursed at a rate of less than 30 percent for their institutional costs for granting agency sponsored research.

Moving ahead

Investments in university research, including the institutional costs, are essential for maintaining an internationally competitive research and innovation system that will sustain Canada's success in a global economy that is increasingly knowledge-intensive. University research is a key component in this system, and the university research enterprise cannot be efficient or effective without strong support for the institutional costs of research.