

DOCUMENT PROFILE				
Version 1.0	Type of Document: Policy	Date: Apr. 01, 2024	Owner: Office of the Director General	Responsible Unit: Finance and Procurement Executive Office
Title:	Cost Overrun Policy			
Area ¹	Governance			

1. INTRODUCTION

1.1. Brief overview of AHRI and its mission:

Armauer Hansen Research Institute (AHRI) is a biomedical, clinical, vaccine, modern and traditional medicine research and development and pharmaceutical industry support Institute based in Addis Ababa, Ethiopia. It focuses on infectious and noninfectious diseases medical research, vaccine, pharmaceuticals & diagnostics research and development as well as nationwide pharmaceutical industry support. The Institute was founded in 1970 as part of the All-Africa Leprosy and Rehabilitation Training Center (ALERT), with the support of two Save the Children organizations of Norway and Sweden, and the Ethiopian government. The Institute was named after Gerhard Armauer Hansen, a Norwegian physician who discovered the leprosy bacillus in 1873. In 1999, the Institute was restructured and renamed as AHRI, under the Ministry of Health of Ethiopia. AHRI's mission is to Improve public health and well-being by generating and presenting scientific evidence, enriching and developing new/improved products, equipment and methods, providing pharmaceutical industry support and advisory services and to be a center for technology transfer and capacity building, enhancing the country's sustainable economic, social and environmental benefit. On 14th April 2023, The Council of Ministers of the Federal Democratic Republic of Ethiopia (FDRE) re-established AHRI under Regulation No. 530/2023 with further expanded mandates.

Apart from the annual treasury obtained from the federal government of Ethiopia, AHRI raises funds from competitive research grants, bilateral and multilateral sources to execute research and development projects. Prevention and control of cost overrun is crucial to avoid or at least

¹ Area refers to which comprehensive functional categories the document belongs to: Research and Development, Research Training, Innovation, Production/Manufacturing, and Governance.

minimize financial risks and hence development and ratification of this policy has been necessitated.

1.2. Explanation of the need for a cost overrun policy

AHRI necessitates a cost overrun policy to ensure financial sustainability and accountability. Such a policy would provide a structured approach to managing unforeseen expenses, thereby safeguarding the institute's budgetary integrity and enabling continued support for its critical research endeavors.

2. DEFINITION OF COST OVERRUN

2.1. Explanation of what constitutes a cost overrun:

A cost overrun occurs when the actual cost of a project exceeds its estimated budget. This can be due to various factors such as unforeseen circumstances, changes in project scope, underestimation of the initial budget, or inefficiencies in project management. It's crucial for project managers to monitor expenses closely and adjust plans accordingly to mitigate potential overruns. The allowable cost overrun upon sound justification and availability of fund in AHRI is up to 10% of the total project cost. Cost overruns beyond this cut off figure should be notified, reviewed and need decisions by the executive leadership.

3. PURPOSE OF COST OVERRUN POLICY

- 3.1. To ensure transparency and accountability in spending
- 3.2. To minimize the occurrence and impact of cost overruns
- 3.3. To establish procedures for addressing and resolving cost overruns

4. RESPONSIBLE BODIES

- 4.1. Principal Investigators and Project Managers must closely monitor budgets and expenditures to prevent overruns
- 4.2. Finance and grant management units are responsible for tracking and reporting cost overruns
- 4.3. Executive leadership are accountable for approving any increases in project budgets and should indicate mitigation strategies.

5. PROCEDURES FOR PREVENTING AND ADDRESSING COST OVERRUNS

- 5.1. Finance and grant management units will review project proposals before submission to funders for proper estimation of project costs.



- 5.2. Notification process: Principal Investigators and project managers must promptly report any anticipated and actual cost overruns
- 5.3. Review process: finance and grant management units will review the reasons for the cost overrun and determine next steps
- 5.4. Approval process: executive leadership will approve any necessary budget allocations for encountered cost overruns.

6. COVERING COST OVERRUNS

- 6.1. The executive leadership may decide to cover cost overruns from reserve funds obtained from exchange gains, indirect costs, milage funds and other potential financial sources.

7. CONSEQUENCES FOR NONCOMPLIANCE

- 7.1. Actions will be taken on responsible and accountable bodies who fail to report cost overruns in a timely manner:

8. MONITORING AND EVALUATION

8.1. Regular audits to ensure compliance with the cost overrun policy:

To uphold financial integrity, regular audits are conducted at AHRI to ensure strict adherence to the cost overrun policy, safeguarding against fiscal discrepancies.

8.2. Evaluation of the effectiveness of the policy in minimizing cost overruns:

To evaluate the effectiveness of the policy in minimizing cost overruns at AHRI, it is essential to conduct a thorough analysis periodically. This should include a review of budget adherence, assessment of resource allocation, and identification of any deviations from the planned costs.

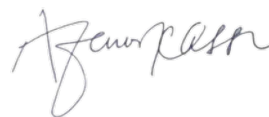
8.3. Amendment and improvement of the policy based on feedback and lessons learned:

Amendment and improvement of the policy is essential through regular feedback assimilation and lessons learned from ongoing research activities. It is recommended to evaluate the policy periodically to ensure relevance and effectiveness.

9. DUTY TO COOPERATE

The concerned bodies shall have the duty to cooperate with a view to facilitating to effectively discharge its duties under this policy.

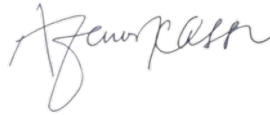
10. INAPPLICABLE POLICIES



No policies or practices or circular letter shall, in so far as it is inconsistent with this policy, be applicable with respect to matters provided by this policy.

11. EFFECTIVE DATE

This policy shall enter into force from the date of the signature by the Director General of Armauer Hansen Research Institute following approval of the management.

A handwritten signature in black ink, appearing to read 'Afewok Kassu', written in a cursive style.

Prof. Afewok Kassu
Director General
April 01, 2024