**MRG, partners and Management and Administration costs**

We are delighted that you are considering entering into partnership with MRG. MRG does not have any free funds that it can just give out. MRG designs interventions (normally working with partners in a country or a region) and then goes out to look for donors who will fund the work. We are increasingly finding that there are misunderstandings or mismatched expectations in terms of covering core costs and where the management and administration % will be allocated when project applications are successful. (Core costs are sometime also referred to as unrestricted or general running costs). We know that all organisations do have general running costs and that these do need to be covered somehow to keep organisations running. Some organisations are lucky enough to have donors willing to give them unrestricted grants, others have very limited unrestricted funding. As a partnership we are committed to working together to try to make sure that as far as is possible, both the applicant and all other partners’ direct and reasonable levels of indirect costs linked to a project are covered by that project budget.

As a general rule

* Donors will allow the running costs of local partners to be included specifically in the project budget and these can be paid for by the project – these can include rent (some donors), light, electricity, water, costs of audits, a few days of finance staff, a few days of fundraising staff if the organisation will be raising match funding, a few days of the Director’s time or another senior staff member to oversee project staff. Some donors e.g. the EU have special rules about claiming rent (e.g. they may only pay if you take on extra space to run a project or they may pay only a proportion of your total rent based on the number of staff you employ and the number working on the project.)
* However, most or none of these costs can be included for the applicant organisation as the donor instead allows the applicant to claim a small % of the funding as Management and Administration. (Some donors will allow audits and the costs of finance staff).

As a general rule, therefore, it is MRG’s policy that whoever is the lead applicant on a project will be entitled to keep the M and A % as they have no other way of covering overheads. All other partners should have a reasonable level of their overhead costs included as specific costs in the proposal. (This may not seem obvious or logical where, for example, one partner might be responsible for spending quite a large proportion of the budget. But it is simply the way to maximise the running costs for everyone given current donor practice as described above.)

MRG has very limited unrestricted income which does not cover our running costs by a large margin. The only way we can do so is by adding together all the management and administration percentages on the projects that we run. We do recognise – and ask you to recognise too – that being the applicant on a project comes with risks and responsibilities:

* The applicant is liable if the project can’t be delivered as planned or if the donor disallows expenditure that has already been spent.
* The applicant is formally responsible for raising the co-financing or match funding (even though we often work across a partnership to try to raise all the match funding needed.)
* The applicant has to draft, finalise and submit the final narrative and financial reports and keep the donor updated about any planned changes to the project or the context in which it is being run.

All of these things create risks and/or create work – none of which can be covered as a specific costed element of a project budget.

If you have a concern about this, please talk to us at the very earliest stages of project design and certainly before anything is submitted to a donor.