**Equipment Leases**

1. This section describes the process required for business units to source vendors for leasing of Equipment and enter into an Equipment Lease.

1. It is recommended that the Requesting Unit prepare a lease/buy analysis to compare the costs and benefits of leasing versus buying before proceeding with the Lease option. In general, UNDP prefers to buy than to lease because the overall total cost of buying is usually cheaper as a result of the lease finance charges. Where, however, the additional repair, replacement and maintenance costs are the responsibility of the Lessor, the leasing option is more attractive.

1. As mentioned in preceding sections, Leases can either be Finance or Operating Leases depending on whether the applicable criteria are met. For more information, please see Finance Lease criteria.

# Cost Benefit Analysis

1. Before deciding on whether to lease or buy, a cost benefit analysis (CBA) needs to be conducted that compares the total costs of leasing the equipment over the proposed timeframe with the total cost of buying the asset.

1. In analyzing the CBA, an office should also consider other qualitative factors that may affect the attractiveness of one option or another. Such factors may include the financial strength of the vendor to assess the risk of the vendor continuing business over the proposed timeframe. This is because, when leasing, the equipment is the property of the vendor and may be repossessed if the vendor goes into bankruptcy. Another risk may be that of changes in interest rates.

1. In general, UNDP does not encourage the option of leasing equipment due to some of the risks associated with such an option. Should the CBA indicate a concrete savings with minimal exposure to the organization, the option may be considered.

1. Should the analysis indicate that it is more cost effective to lease, then the processing of an agreement will follow normal procurement processes (hyperlink) in line with the total cost and associated approval thresholds.

# Submission to Procurement Review Committees (CAP/Regional Advisory Committee for Procurement/HQ Advisory Committee for Procurement)

8. The CAP/RACP/ACP submissions will have to pay particularly close attention to the Value for Money. It is worth mentioning that value for money is not always the cheapest option but the option that provides the best quality as well. Therefore aspects like servicing need to be factored in. Once the CAP/RACP/ACP approvals have been received the office may proceed with processing the agreement.

# Lease Agreement

9. The processing of the Lease agreement for equipment will follow the same process as that for processing any contract. All non-standard agreements will need to be cleared by the Office of Legal Services before finalization. Once the agreement is finalized the office may proceed with purchasing and recording of the Lease.

# Recording of Equipment Lease

10. All Leases should be sent to the GSSC to determine the type of Lease. The request will be submitted to the GSSC by the Asset Focal Points, via the [UNall Portal](https://undp.service-now.com/unall?id=esc_home) , together with copies of the relevant supporting documentation (e.g. the Lease agreement and the GSSC confirmation that the Lease is a Finance Lease). All original documentation must be properly filed at the respective office submitting the request.

# Bi-annual Physical Verification

11. There will be a bi-annual physical verification of the leased equipment; and certification that the equipment, as per the Share Point registered information exists and that the information on the leased equipment is accurate. Please refer to the Internal Control Framework to ensure segregation of duties is maintained.

# Renewal of Lease

12. The renewal of Lease will follow the same process as set out in the preceding chapters for the establishment of a new Lease.

# Cancellation of Lease / Retirement of Finance Lease

1. The Lease agreement may end because the lease term, as stipulated in the Lease agreement, has expired; or because the financial ceiling of the agreement has been reached. Alternatively, the clauses relating to non-performance often provide an option of cancelling an agreement for noncompliance by the vendor.

1. Should the Lease be a Finance Lease that is recorded in the Quantum Fixed Assets Module, then the process of disposing of the Lease will be the same as the [disposal processes set out POPP section on Equipment a](https://popp.undp.org/node/10681)nd must comply with the Internal Control Framework with regards to authorization levels and segregation of duties.

# Responsibilities and Accountability

| **Responsible party** | **Responsibilities** |
| --- | --- |
| RR/Head of HQ Unit/Head of HQ out posted units | * Maintaining complete and accurate records of Equipment Leased by their offices;
* Consulting the CAP regarding disposal of items costing over $2,500 and up to DPA,
* Consulting the RACP for items above the DPA and up to US$1 million;
* Consulting the ACP for items costing over US$1 million
* Submitting  the  bi-annual physical verification exercise certification documents by the due date
 |
| General Operations, , BMS  | * Maintaining timely and accurate records of  Finance Lease (Equipment) in UNDP HQ;
* Maintaining complete and accurate records of leased equipment located in their Unit
 |
| UNDP Staff  | * Safeguarding all leased items assigned to them
 |
| CAP/RACP/ACP | * Review and recommend actions for disposals of UNDP Finance Lease (Equipment)
 |
| GSSC | * Processing authorized disposals in Quantum;
* Reviewing Leases uploaded into SharePoint
 |

**Templates and Forms**

[Lease/Buy Analysis template](https://popp.undp.org/node/3361)