



Financial Support for Equipment Leasing by DEC Members *Guidelines*

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Background

This document provides guidelines for APMP member institutes in developing economies who require financial support for the leasing of equipment. Purchasing equipment is expensive and typically requires upfront payment and prior approved budgets in the preceding fiscal year. Equipment leasing may serve as an interim measure to assist institutes in acquiring an equipment expeditiously, in order to thrust the institute's capability building to meet **urgent need for metrological services** due to a widespread threat or crisis such as the COVID-19 pandemic. Leasing is a way to spread out capital expenditures over a period, enabling smaller payment each time. This makes financing more viable within a short period.

The drafting of this guidelines follows on from the 66th meeting of the APMP Executive Committee (EC) in June 2021 where **Resolution EC66-04**, "The EC endorsed in-principle that APMP would support developing member economies' leasing of instruments that are necessary for them to participate in APMP-funded projects. The EC charged the DEC chair and the APMP Treasurer to work with TC and FG chairs to develop a procedure document and to submit it to the EC for approval." was made.

In the light of the COVID-19 pandemic, DEC members have sought budgets to purchase equipment for projects that allow capability building to improve their domestic laboratories' capacity to tackle the crisis or meet their domestic stakeholders' needs. The availability of equipment is a pre-requisite for realising the objectives. Otherwise, the institutes would need to rely on other local agencies/institutions, or even shelf the project, which potentially undermines the role of a metrology institute.

While it is recognised that equipment is the key enabler of metrological services in most, if not all cases, the APMP continues to hold the principle that any financial support shall benefit more than one member/associate member institute. Also, institutes should ensure that its services are self-sustainable after the interim assistance ends. This can be made possible through early planning. With these principles in mind, this document is drafted to provide guidance to APMP member/associate member institutes for the review and application of financial support for equipment leasing through the submitted project proposals. It serves as a guide for all proposals that meet urgent measurement needs. A questionnaire (see Appendix) is provided for submission alongside any proposal to understand the institute's short and long-term plans with regards to the equipment leased.

1. A Typical Leasing Model

Equipment lease contracts works similarly to a rental agreement. The lessee needs to agree to the terms with the lessor. When the contract expires, the lessee returns the equipment, renew the lease or purchase/buy-over the equipment from the lessor.



2. Terms in a Lease Contract

2.1 Parties

APMP shall not be a party to the agreement for the leasing of equipment, with such lease agreement being entered into by the institute (as the lessee) and the lessor. The institute agrees that APMP in providing the financial assistance shall not be responsible in any way, and the institute shall not hold APMP liable as well, in respect of the lease agreement and any accident, incident, default or breach whatsoever in relation to the leased equipment.

Decision of APMP in respect of the financial assistance shall be final, and APMP shall have the sole discretion to terminate any financial assistance at any point in time. Such reasons to terminate the financial assistance may include withdrawal of membership, suspension of membership or non-payment of membership fees over a period as agreed by the General Assembly.

The institute shall lease the equipment in accordance with its internal procedures and rules.

2.2 Lease Period

With the aim of incentivising institutes to work towards long term sustainability of its services based on the new capabilities developed from the leased equipment, APMP is prepared to support a leasing period of up to two (2) years. Thereafter, the institute is expected to fund the remaining lease or purchase/buy-over the equipment. The period is deemed to be sufficient for institutes to seek budgets for the continued use of the equipment.

2.3 Coverage of Contract

Financial support is provided for capital expenditure, i.e. lease of hardware. However, in some cases, the business model of certain equipment vendor entails fee for consumables/reagents/chemicals and “zero” fee for the hardware. If this is a common market practice for the type of equipment, financial support can still be considered under justifiable grounds and on a case-by-case basis.

Service add-ons such as comprehensive maintenance package covering parts, labour costs, unlimited calls for breakdowns need to be borne by the institute as the occurrence of breakdowns for new equipment in initial years would be low and it is expected that these, if any, should be covered by the institute’s operating budget.

2.4 Payment

The payment for lease should be made by the institutes first and reimbursed from APMP. The institute is responsible for negotiating the payment period based on its capacity to make the payment and the available cost-saving deals (e.g. quarterly payment may be cheaper than monthly payment). The APMP will endeavour to reimburse the institute promptly upon the issuance of an invoice from the institute to ensure a smooth cashflow. If the institute is unable to make the upfront payment to the lessor, APMP is prepared to do so. However, APMP will not provide financial assistance for deposit payments.



To ensure reasonableness in leasing prices, where the equipment is not unique or highly specialised, institutes are expected to source for a minimum of three (3) quotations from more than one potential lessor and/or more than one brand/model of equipment to ensure fairness and transparency. Where the minimum number of quotations cannot be met, the application can still be considered on a case-by-case basis.

3. Considerations for Financial Support

To assist the institutes in applying for financial support from APMP to fund the leasing of equipment for a project proposal, several considerations listed below (but not limited to) will be given for the evaluation:

- i) Is the equipment new (Notes: an upgraded model or version is not considered new) to the institute?
- ii) Does the equipment lead to the development of new capabilities for the institute?
- iii) Is the same type of equipment readily accessible from another local body that the institute works with or plans to work with?
- iv) Does the lease benefit more than two APMP member/associate member institutes?
E.g. If the institute willing to consider hosting Trainer(s) arranged by the local equipment vendor to conduct online training on the equipment or circulate the equipment (if portability is not an issue), multiple APMP member/associate member institutes can benefit from the training. In addition, there will be savings on travel expenditures.
- v) Is the institute prepared to share the equipment with other APMP member/associate member institutes through an “equipment bank”, if it is feasible to do so?
- vi) Is there a feasible plan to ensure that the equipment continue to be used to support capability building or services after the APMP-supported lease period?

4. Annual Budget

While it is understood that the prices of equipment cover a wide range, for financial prudence, it is important to set a maximum absolute limit that can be supported by APMP through its annual budget. It is proposed that an absolute cap of USD 25,000 should be allocated to support one or more leasing per year. To bring greatest benefits to more than one institute, full support can be granted for an annual leasing fee of USD 10,000 and below. For an annual leasing fee in excess of USD 10,000, partial support would be considered on a case-by-case basis. If a project proposal involves the leasing of more than one equipment, subject to the availability of budget, multiple equipment leasing may be supported only if interoperability between multiple equipment is crucial for the project.



Appendix

Questionnaire

Please click at the box and check it to select the option, where applicable.

- 1 Please provide the name of the equipment to be leased.

- 2 Is the equipment to be leased unique or highly specialised (i.e. there is only one manufacturer/vendor)?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Not sure
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- 3 Is the same type of equipment readily accessible from another local body that your institute works with or plans to work with?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
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- 4 Does the equipment lead to the development of new capabilities in your institute?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
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- 5 Does the lease benefit more than two APMP member/associate member institutes?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
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If "Yes", please elaborate how:

- 6 Is your institute prepared to share the equipment with other APMP member/associate member institutes through an "equipment bank", if it is feasible to do so?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> No, because it is not feasible to do so.
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- 7 Please indicate the proposed leasing period (in terms of number of months).

- 8 Skip this question if the answer to Question 2 is "Yes".
Has a minimum of two (2) quotations from more than one potential lessor and/or more than one brand/model of equipment been sourced?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
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- 9 Please provide information on the business model (e.g. fee for lease of hardware; "zero-dollar" lease for hardware and fee for consumables/reagents/chemicals; or monthly/quarterly payment of leasing fee, etc) for the equipment to be leased.

- 10 Please describe your institute's plan for the leased equipment when financial support for the lease ends. The plan should include how the remaining lease will be funded, are there considerations for buy-over, etc.



- 11 Your institute fully understands and agree that APMP shall not be a party to the agreement for the leasing of equipment according to Section 2.1 of the APMP Guidelines on Financial Support for Equipment Leasing by DEC Members.

<input type="checkbox"/> Yes	<input type="checkbox"/> No
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