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நிதி அமைச்சு
MINISTRY OF FINANCE

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திகதி } 17 . 03.2016
Date }

National Budget Circular No: 1/2016

Secretaries to the Ministries
Chief Secretaries of Provincial Councils
Heads of Departments

Guidelines for Procurement of Vehicles for Government Agencies under the Operational Leasing Method

The Cabinet of Ministers has granted approval for the proposal in the Cabinet Memorandum No. MF/TIP/03/CM/2016/31 dated 04.03.2016 for the purchase of vehicles to Government agencies under Operational Leasing Method, as proposed by Budget 2016, as it has been identified as more cost effective to the government than the previous scheme. Accordingly, all government agencies are advised, hereafter to follow the guidelines described in this circular in procuring vehicles.

1. Entitlement

Government agencies, including State Owned Enterprises, where expenses are borne through the Consolidated Fund are advised to strictly follow the guidelines stipulated in this circular in procuring vehicles from the date of this circular. However, certain types of vehicles mentioned in para 05 below will be exempted from this scheme.

2. Procedure to be followed

In procuring vehicles under this scheme, the following requirements should be fulfilled.

2.1 Requesting vehicles by the government agencies

All requests for procuring vehicles under this scheme should be forwarded through the Secretary of the respective line ministry to the General Treasury. As the Chief Accounting Officer, the Secretary of the respective line ministry is advised to justify the requirement of vehicles of the Ministry, relevant departments and institutions. Such requests for vehicles should be reviewed by a Committee, chaired by the Secretary of respective line ministry before forwarding it to the Treasury for approval. The committee may review the existing vehicle fleet of the agencies, their age (for replacement, the age of existing vehicle should be more than 10 years), conditions of vehicles, number of vehicles in inventories, annual

maintenance cost, number of assigned vehicles, number of officers who avail transport allowance and the number of vehicles disposed under the Circular of the Department of Public Finance No 2/2015 dated 7/10/2015 etc.

2.2 Approval by General Treasury

Before procuring of any vehicle under this scheme by any government agency, the prior approval of the General Treasury should be obtained. Such approval will be granted based on the recommendation of the Secretary to the respective line ministry. Approving authority for the vehicles requested by ministries, departments, and other government agencies, funded through the Consolidated Fund lies with the Director General of the Department of National Budget, and approving authority for vehicles requested by the State Owned Enterprises that are not funded through the Consolidated Fund lies with the Director General of the Department of Public Enterprises. Requests for approval of the General Treasury (Department of National Budget or Department of Public Enterprises as appropriate) should be submitted by the Head of the agency with the recommendation of the Secretary of the respective line ministry along with the dully filled form in annexure 01 of this circular.

2.3 Procurement Process

Government agencies, based on the approval of para 2.2, can procure vehicles through Operational Leasing Method – “Use and Return” option, applying the Government Procurement Procedure through competitive bidding process, subject to the condition that vehicle supplier (lessor) provide a fully maintained vehicle for a five-year period (60 months) on a fixed rental basis, fulfilling the following terms and conditions.

- I. **Vehicle Condition:** vehicles obtained under this scheme should either be brand new or unregistered vehicles with a mileage less than 1,000 km at the point of hiring
- II. **Eligible suppliers (lessor):** The lessor should be vehicle agents who are franchise holders of world renowned vehicle brands available in Sri Lanka, financial institutions registered under the Central Bank of Sri Lanka, and car rental services (i.e Rent a Car Companies) with at least 10 vehicles in the fleet.
- III. **Services to be provided:** The lessor should bear all routine maintenance costs, including expenses on accidental repairs as well as insurance and other related fees. If repairs and maintenance works take more than 24 hours, or in a shorter period as per the requirement of the lessee, the lessor is required to provide a replacement vehicle of a similar type
- IV. **Exclusions:** Vehicles imported under any Concessionary Permit Schemes of the government cannot be leased out under this scheme.

3. Types of Vehicles

The vehicles to be procured under this scheme can have the following features subject to rental ceilings given in para 04 below.

(a)	Engine capacity :	Motor cars	1300CC to 2500CC
		Double Cabs	Around 2500CC
		Vans	Around 2500CC
(b)	Fuel/Engine type :	Diesel / Petrol / Hybrid	
(c)	Transmission types :	Manual/Automatic/ Triptronic	

4. Maximum Monthly Rental

Maximum monthly rental ceilings for assigned vehicles for different categories of officers and pool vehicles, obtained under the operational leasing scheme without drivers and fuel are given below. Government agencies, including the foreign funded projects, are allowed to procure vehicles that have features given in para 03 under this scheme within the following rental ceiling limits for each category of officials, subject to approval mentioned in para 2.2 above.

Category No.	Category of officers/ Type of vehicles	Maximum Monthly Rental, excluding VAT (Rs.)
I	Secretaries to the Ministries or officers of equivalent capacity	300,000
II	Additional Secretaries/ Director Generals/ District Secretaries / Chairmen of Boards or officers of equivalent capacity	119,500
III	Senior Assistant Secretaries/ Directors or officers of equivalent capacity	98,700
IV	Double Cabs as pool vehicles	158,000
V	Passenger Vans - 16 Seater	139,100

5. Categories of vehicles exempted from operational leasing

Following vehicles can be procured by the respective agencies in accordance with the appropriate procurement procedures.

5.1 Utility vehicles - utility vehicles such as Tractors, Lorries, Trucks, Gully bowsters, Backhoes etc. can be procured outright by respective line ministry/provincial councils with the approval of the General Treasury, subject to availability of financial provisions.

5.2 Busses/ Ambulances/ Crew Cabs/ Three wheelers/Motorcycles/ Special Purpose vehicles – These vehicles can be purchased outright by Government agencies by following proper procurement procedure and availability of financial provisions. Prior approval must be obtained from the respective Treasury Departments mentioned in para 2.2 above.

6. Agreement between the Supplier (Lessor) and the government agency

An agreement to include all the above terms and conditions should be signed between the parties i.e. lessor and the government agency. A specimen of the agreement that may be used with appropriate changes by the agencies will be available in the website: www.treasury.gov.lk.

7. Detailed Payment Method

- Rental payments should be made monthly by the agency which had entered into the agreement and should not have arrears that will be brought forward to the following year. The required budgetary provisions for the agency that are funded through the Consolidated Fund will be provided by the Department of National Budget. A separate recurrent vote will be created for this purpose and this expenses will be treated as an operational expenditure since an asset will not be created under this scheme.

- The public institutions which do not receive funds from the Consolidated Fund should bear these costs using their own income.
- A separate register on the vehicles obtained through this scheme should be maintained by the respective agencies, enabling to provide the information to the General Treasury when requests are forwarded for funding under this operational leasing scheme. It should include the information such as, vehicle type, rent value & period, assigned or pool vehicle etc.

8. Deviation and misuse of vehicles:

- Officers who obtain transport allowances in lieu of assigned vehicles are not entitled to use the any official vehicles, including those vehicles obtained through this scheme.
- Although the numbers of vehicles are specified in any agreement that are expected to procure using foreign funds, minimum number of vehicles should be procured for the development projects by scrutinizing at the Committee chaired by the Secretary. The officers who are entitled for official vehicles as per their designations should not be allocated any vehicle, procured under foreign funded projects. These vehicles should also be utilized economically.
- If a condition of this circular is violated, disciplinary actions against these officers should be taken by the Secretary to the respective line Ministry.

9. Cancellation of previous circulars

The National Budget Circular No. 150/2010, on procurement of vehicles for government agencies under the financial leasing method on 7/12/2010 is repealed with effect from the date of this circular.

10. Clarifications

Any clarifications on issues related to this circular may be obtained from the Department of National Budget (011 2484689) or Department of Public Enterprise (011 2484623) as applicable.



R H S Samaratunga

Secretary to the Treasury

Copies to:

1. Secretary to the President
2. Secretary to the Prime Minister
3. Secretary to the Cabinet of Ministers
4. Auditor General

**Approval of the Department of National Budget
for Procurement of vehicles under the Operational Leasing Method**

1. Name of the Ministry/Department/Public Enterprise.....

2. Type of vehicles requested

Category	No. of vehicles	Purpose of purchasing- whether Assigned/or pool vehicle	Category No. as per para 4 of the circular if applicable	In case of replacement, manufacturing year and registration number of the existing vehicle
Motor Car				
Double Cab				
Van				
Other (pl. specify)				

3. Reasons for purchasing vehicle/s

4. Source of funding (if provisions are available, indicate the vote particulars):

.....

5. Details of existing vehicles in the Ministry/Department/ Institute

Category	Number of vehicles			Uses of Renting/Hiring vehicle
	Own vehicles of the Institutions			
	Age less than 05 years	Age 05-10 years	Age more than 10 years	
Motor Car				
Double Cab				
Van				
Other (pl specify)				

6. Contact person's name and Telephone No.....

6.1 Recommended/Not Recommended

.....

Head of the Department/Institution

Date.....

6.2 Having reviewed at the committee, the following vehicles are recommended

Category	No. of vehicles
Motor Car	
Double Cab	
Van	
Other (pl. specify)	

.....

Secretary to the Ministry/Chief Secretary

Date

(Specimen)
AGREEMENT TO HIRE MOTOR VEHICLE/S
«Agreement No»

This Agreement is made and entered into this Day of, 2016 by and betweena company duly incorporated under companies Act No. ----- having its registered office at under Registration certificate No.-----in the Democratic Socialist Republic of Sri Lanka and (hereinafter called and referred as the “ the owner” which term or expression as herein used shall where the context so requires or admit mean and include the said and its successors and assigns of the **PARTY OF THE FIRST PART.**

AND

.....of Ministry¹ ofin the said Republic (hereinafter called and referred to as the “the Hirer” which term or expression as hereinafter used shall mean and include the said and his/her heirs, successors and assigns) of the **PARTY OF THE SECOND PART.**

WHEREAS the Hirer is desirous of hiring from the Owner the motor vehicle/s belonging to the Owner and described in the First Schedule to this agreement (hereinafter referred to as the "Vehicle/s") and the Owner has agreed with the Hirer to hire the vehicle/s to the Hirer subject to and upon certain terms and conditions which have been accepted by the Hirer and the parties hereto desire to embody all of same in a formal written agreement.

NOW THIS AGREEMENT THEREFORE WITNESSETH that in consideration of the parties hereto doing, observing and performing all of the respective terms, conditions, covenants, stipulations and obligations contained in this Agreement to be done, observed and performed respectively by either of them, the parties hereto hereby agree as follows:-

1. HIRE OF VEHICLE

Subject to and upon the terms and conditions contained in this Agreement the Owner shall provide the vehicle/s to the Hirer on hire and the Hirer shall hire the vehicle/s as from the **Date** and during the entirety of the definite and ascertained period of Sixty Months (60) commencing from the **Date** -----and ending on the **Date** ---- (hereinafter referred to as "the period, terms and conditions of the Agreement ").

2. INSURANCES AND LISENCES

- (a) The Owner shall at its own cost keep the vehicle/s comprehensively insured throughout the period with an insurer chosen by the Owner at its absolute discretion. The hirer shall acquaint himself with the scope of the insurance cover taken by the owner.

¹ If it is a Ministry - the Secretary to the Ministry

If it is Department - the head of that Department/ the name of the Dept as the case may be

If it is a Statutory Board - name of the Statutory Board

- (b) The Owner shall keep the vehicle/s licensed throughout the period by having a valid revenue license and applicable charges (eg. Emission tax etc.) in respect of the vehicle/s from a relevant authority.

3. HIRE CHARGE

- (a) The Hirer shall pay to the Owner on or before the 30th day of each and every month within the period, a monthly hire charge of the sum of **Rupees «Hire Charge In Words» (excluding VAT)** in respect of each above mention month or the said sum of money plus such amount as shall be computed at the rate of **Rupees «Rate per Km In words»+(excluding VAT) (Rs.«Rate per Km In Nos»/-+(excluding VAT)** per each kilometer in respect of every kilometer in excess of **Three thousand kilometers (3,000 Km)** in the event that the vehicle/s has/have during such month run in excess of **Three thousand kilometers (3,000 Km)** provided however that the Hirer shall not be entitled to any reduction whatever in the monthly hire charge in the event of the vehicle/s running less than the said of **Three thousand kilometers (3,000 Km)** in any particular month, it being a condition of this agreement that the agreement is being entered into on the basis that the Hirer shall use the vehicle/s each month for running of **Three thousand kilometers (3,000 Km)** per month at the minimum.

4. MAINTENANCE OF VEHICLE/S

- (a) The Hirer shall ensure that the vehicle is maintained in good order and condition throughout the period. The Owner shall take further arrangement for the vehicle to be regularly serviced and maintained and for all repairs necessary to the vehicle/s to be promptly attended to and be done only by the Owner or any other company nominated by the Owner for that purpose.
- (b) All such routine services, all the maintenance and repairs of the vehicle, shall be borne by the Owner.
- (c) The owner shall bear the cost of expenses on accidental repairs and other related fees. If the repairs/maintenance work takes more than 24 hours, the owner shall provide a replacement vehicle of a similar type and condition.

5. USE OF VEHICLE/S

- (a) It shall be the responsibility of the Hirer to ensure that the vehicle/s is driven only by drivers who are qualified to do so and that the vehicle/s is driven by such drivers, with due diligence and care, so as to avoid any harm or damage to the vehicle/s.
- (b) The Hirer shall not do any act nor allow or suffer any omission which may directly or indirectly negate, nullify or render invalid the Insurance Policy over the vehicle/s obtained by the Owner in accordance with Clause 2(a) of this agreement.
- (c) The Hirer shall not use or suffer the vehicle/s to be used for any illegal purpose and in the event of the Owner, as the registered Owner of the vehicle/s being charged before a court, tribunal, forum, person or body for or in connection with or relating to any offence

whatsoever arising from or in respect of the vehicle/s and/or the use of the vehicle/s during the period, including but not limited to a fatal or other accident, the Hirer shall forthwith thereupon keep the Owner freed, absolved and indemnified there from and any and all liabilities arising there from by appearing before such court, tribunal, forum, person or body and accepting full responsibility for such offence as the Hirer and the person in possession and custody of the vehicle/s at the time of the commission of such offence.

- (d) The hirer shall keep the owner also freed and indemnified at all times from all claims whatsoever whether in civil law or any other statutory or common law or otherwise howsoever that may arise from or in respect of in connection with the vehicle/s and/or the use of the vehicle/s during the period and the Hirer shall bear all costs of the litigation and other expenses of the Owner in any action, suit or proceedings that may be brought, instituted or commenced in that respect before any court, tribunal, forum, person or body against the owner whether jointly with the Hirer or otherwise and the Hirer shall meet in full any judgement, order, decree or award made against the Owner pursuant thereto.

6. TERMINATION OF AGREEMENT

- (a) The Hirer may terminate this Agreement with the consent of the owner after giving three months notice in writing, if the vehicle is not maintained properly by the owner/hirer or immediately in case of a major mechanical fault which recurs very often, provided however, that such mechanical failure is not caused by negligence and misuse by the hirer.
- (b) The Owner and Hirer may however determine the Agreement to have been prematurely terminated prior to the expiry of the period under mutual agreement for any valid reason. In that event either party shall give three months prior notice to the other party. The Hirer shall upon such premature termination of the Agreement deliver the vehicle/s to the Owner in good order and condition and pay all dues of the Owner.

7. ASSIGN ABILITY OF THE AGREEMENT

- (a) The Hirer may not assign this Agreement or any rights there under in any manner howsoever and shall not part with the custody and control of the vehicle/s howsoever during the validity of the Agreement. The Hirer shall upon the termination of the Agreement at the end of the period or prematurely deliver the vehicle/s in good order and condition in accordance with the relevant provisions contained in this Agreement.

First Schedule Above Referred To

Reg. No	Make	Model	Colour	Chassis No	Engine No
«RegNo»	«Make»	«Model»	«Colour»	«Chassis»	«Engine»

IN WITNESS WHEREOF the said owner---- and the said Hirer----- have hereunto and to one others of the same tenor and date as These Presents set their respective hands at COLOMBO on this --- date ----- 2016.

WITNESSES:-

The Common Seal of the said
(owner) ---- (Privet) Limited
was affixed in the presence of

}

1.

2.

The Common Seal /the official Seal
of the said -----
was affixed in the presence of

}

1.

2.