

REPUBLIC OF RWANDA



MINISTRY OF INFRASTRUCTURE

FLEET POLICY OF GOVERNMENT OF RWANDA

Kigali: July 2014

FOREWORD

The VISION 2020, envisaged as the term development strategy for Rwanda, assigns fundamental importance to reconstruction of the nation and its social capital anchored on good governance, underpinned by a capable state and development of an efficient private sector spearheaded by maximization of efficiency and competitiveness. In order to ensure good governance, which affects many a spheres of Rwandan life and success which will be crucial in fulfilling the promises of the VISION 2020, it is imperative to develop an efficient civil service in close harmony with private sector. The Zero Fleet Policy, which was introduced in February/March 2005, was designed to improve operational mobility and efficiency of the Government officials in partnership with the private sector. The Rwandan Government's Zero Fleet policy was designed to align the interest of civil servants/officials with the interests of the government. As such this policy was designed to reduce capital cost, maintenance and running costs and minimise waste, misuse and abuse of public facilities. It also intends to reduce the task of the government to manage, maintain and oversee a fleet of vehicles and to delegate the responsibility to the private sector for ensuring transparency, efficiency and competitiveness in the in the allocation and use of government resources. It had an additional objective of rewarding, retaining and motivating senior civil servants.

The policy intends to develop an appropriate fleet management system, to motivate Government officials with appropriate transport facilities ensuring efficiency and operational mobility while performing official duties and to formulate policy guidelines for vehicle hiring contracts for developing effective private sector contributions for management of Government vehicle fleet ensuring efficiency, productivity and cost effectiveness.

The Minister of State in Charge of Transport

Dr. ALEXIS NZAHABWANIMANA

TABLE OF CONTENTS

Foreword	ii
Table of Contents	iii
Definitions	iv
1 Background	1
2 PoLicy statement	2
3 Policy Objectives and expected outcomes	4
3.1 Policy Objectives.....	4
3.2 Expected Outcomes.....	5
4 Scope of the Fleet Policy	5
4.1 Domain of the Fleet Policy	5
4.2 Development of a Fleet Management System.....	5
4.3 General Guidelines for Government Vehicle Usage	7
4.4 Modifications of the 2008 Fleet Policy.....	8
4.4.1 Scope of the Scheme -	9
4.4.2 Duration of the Schemes	11
4.4.3 Acquisition of New Vehicles	11
4.4.4 Insurance Coverage against Damage of Vehicle from Accidents	13
4.4.5 Replacement of Vehicle in Case of Breakdown, Accidents and other Mechanical Failure	14
4.4.6 Annual Re-evaluation of Vehicle Running Cost	14
4.4.7 Annual Re-evaluation of Km Indemnity	18
4.4.8 Implications of the Change of the Position/Status of the Beneficiary	20
4.5 Project Vehicle Fleet Policy	22
4.6 Motor Pool Vehicle.....	23
4.7 Mission and Local Car Hires	26
4.8 Contract Agreement with Vehicle Leasing/Hiring Companies	27
4.8.1 Contract Packages of Vehicle Leasing/Hiring	27
4.8.2 General Terms and Conditions for Contract Agreement.....	28
4.9 Development of Digitised Fleet Management Database	30
5 Conclusions.....	31

DEFINITIONS

Business Miles: Kilometre driven in Government vehicles by Government employees, while performing official Government business.

Competent/Relevant Authority: Ministry/Government department, agency, boards, commissions, institutions, and unit, etc. who have the professional skill and administrative power to enforce policy directives of the Government.

Commuting: Direct travel between home and headquarters.

Employing Agency: The ministry, agency, board, commission, committee, council, local government or department that appointed an employee to the employee's current state position.

Equipment: Government owned, leased or hired trailers, vegetation and agriculture equipment, etc

Government Vehicle: A vehicle owned by the Government of Rwanda for use to conduct official Government business. A state vehicle also includes a commercially leased or rented vehicle that is assigned to an individual, agency or business sub unit for use to conduct official Government business.

Headquarters City: The area within the city, town or village limits where an employee's permanent work site is located and the area within a radius of 30 km (based on odometer mileage) from the employee's permanent work site.

Home: The employee's place of residence.

Motor Pool: Motor pool vehicles are available to all employees without regard to funding source, and are billed back on a daily use basis to the appropriate funding source.

On-Call: Generally, when the Employer requires that an employee must be available for work and able to report for work in less than one hour. Definition of "on-call" may vary between collective bargaining agreements/Compensation Plan and may also be called "standby."

Personal Miles: Miles driven in a Government vehicle that are not business-related. Commuting is an example of personal miles.

Personally Assigned Vehicle: A Government vehicle assigned to an individual employee for business use.

Pool Vehicle: A work shared vehicle available for business use through reservation.

Public institution: is an entity in Rwanda which is backed through public funds and controlled by the State. It includes all Government Ministries, institutions and agencies including all full or semi- autonomous Government organizations.

Qualified Non-Personal Use Vehicle: Those vehicles used primarily by law enforcement or fire fighting personnel.

RDF: Rwanda Defence Force

RNP: Rwanda National Police

Travel: the absence of an employee from headquarters on government business with the prior approval of the appropriate authority

Usage: employee use of Employer vehicles and equipment

Vehicles: Government owned, leased or hired automobiles, trucks, graders, loaders, etc

1 BACKGROUND

The Zero Fleet Policy, which was adopted in February/March 2005 by the Government of Republic of Rwanda (GoR), was designed to align the interest of civil servants/officials with the interests of the government. As such this policy was designed to reduce capital cost, maintenance and running costs and minimise waste, misuse and abuse of public facilities on one hand and to provide incentives for retaining and motivating senior civil servants on the other.

In principle a zero fleet policy appears to be a good policy. However, costs savings were less than anticipated because of number of reasons, such as: (i) high increase in Local and Mission car hires, (ii) lack of clarity in the policy guidelines, (iii) absence of an effective fleet management system, (iv) absence of proper recording and analysis of data in a digitised database, (v) potential extension of the scheme beyond practical limits and thereby leading considerable extra costs, (vi) inclusion of vehicle loan on the basis of grade rather than operational needs, (vii) inappropriate application of the policy in projects, which not only increased operating costs of projects but also deprived government from receiving substantial number of project vehicles by donation at the end of the project and (viii) weak contractual agreements with private operators without adequate safeguards against negligence and substandard service.

The cost savings from the policy has largely been nullified or even overturned due to high increase in Local and Mission car hires. The overall cost is going to increase further if the new value of vehicles and existing lump sum level of payments are adjusted to take into account price rises and/or the scheme is extended to include judges and other professionals.

It is therefore imperative to develop a new fleet policy, which will not only reduce capital, maintenance and running cost but also ensures that those who are conducting government business use the most appropriate and cost-effective mode of transportation that enables maximization of mobility and operational efficiency.

2 POLICY STATEMENT

Brief Policy Statement:

This Policy will supersede the 2013 Fleet Policy, and any guidelines, procedures and agreements previously written or understood for new beneficiaries as of 1st of August 2014. However, current beneficiaries will continue to use the existing contracts until the end of their terms, after which they will be subjected to the new fleet policy.

All ministries/agencies of the Government of Rwanda will manage the operational mobility and commuting travel needs of the staff in a manner that ensures maximum mobility and accessibility to Government officials mainly through:

- (i) outlining the scope of the current vehicle loan and special schemes explicitly making it transparent and easy to operate;
- (ii) ensuring that Government provide 100% vehicle operating and loan repayment costs for vehicle loan scheme;
- (iii) downsizing the domain of the fleet policy by dropping majority of the Subsidiary Schemes;
- (iv) ensuring that where possible the government vehicle fleet on vehicle loan scheme will be established by combining operational need and remuneration benefit to staff considering both full private and commuter use;
- (v) making provisions for annual reassessment of purchase and operating costs of vehicle considering cost escalation and inflation;
- (vi) not encouraging officials at Director levels and below to take vehicle loan but to provide them with monthly transport allowance for official mileage as a part of monthly salary,
- (vii) keeping provision to rent/purchase vehicles as Qualified Non-Personal Use Vehicles on the needs of the concerned ministry/organization where there are needs for operational or pool of vehicles, such as RDF, RNP, ambulance and forest management services as this need cannot be accommodated by or it is not appropriate to purchase a vehicle as part of a vehicle loan and special scheme;
- (viii) keeping some development projects, where there are special needs for operational field vehicles for providing services in remote/rural areas, outside the scope the vehicle loan and special scheme and reviving the provisions of the transferring

the ownership of the project vehicles to government after the completion of the project at the end of project either selling project vehicles through an open bidding process or reallocating them to RDF, RNP and other emergency services in accordance with their potential transport needs,

- (ix) Allowing districts and Central Government School Inspectors, governmental high schools, universities and other institutions of higher education as well as local health centres in Provinces and some government institutions where there is a need for operational or pool vehicles that cannot be accommodated by or it is not appropriate to offer the vehicle as part of a staff member's remuneration or Vehicle Loan Scheme to own or lease a limited number of vehicles as motor pool vehicles, which will be made available to all employees on legitimate travel demand;
- (x) establishing and assigning a Government Fleet Management Team at MININFRA with the responsibility for overseeing the policy implications and operational strategies of the fleet management including the supervision and monitoring of the implementation of the Government owned vehicle, vehicle loan and special schemes; and
- (xi) including penalties in the contract of the hiring companies for providing late or substandard services.

Application

This policy will apply to the all public institutions and private vehicle operators, who provide the transport services and cover all Government owned, leased, and/or hired vehicles/equipment employed for Government business.

Responsibility:

The responsibility of the public institution as well as that of employee in relation to the Fleet Policy will be as follows.

Public institution:

It is the responsibility of individual public institution to:

- ensure that all employees and private vehicle operators are aware of all policies related to the use of any government owned, leased or hired vehicles or equipment;
- monitor usage of vehicles and equipment, where necessary; and
- enforce the rules and regulations of this policy directives.

Employee:

It is the responsibility of employees to:

- use Government owned, leased or hired vehicles and equipment for work related purposes; and
- not to participate in any activities which are in violation of laws, rules and regulations of GoR or this policy.

3 POLICY OBJECTIVES AND EXPECTED OUTCOMES

This Policy will provide strategic framework for reducing capital, maintenance and running cost of vehicle fleet while ensuring mobility and operational efficiency to eligible government employees. The policy objectives and the key expected outcomes of the initiative are outlined in the following sections:

3.1 Policy Objectives

The objectives of the policy are to:

- (i) develop appropriate fleet management structure and assign responsibilities for the supervision and implementation of different components of the fleet policy to a central fleet management authority at MININFRA as well as relevant ministries/agencies;
- (ii) modify the “2008 fleet” policy by restricting both the domain and the magnitude of the policy to reduce Government’s subsidy to an affordable limit;
- (iii) formulate the policy guidelines for vehicle hiring/leasing contracts providing adequate safeguards against substandard service and negligence;
- (iv) develop a central fleet management database at MININFRA.

3.2 Expected Outcomes

In line with the objectives listed above, the key outcomes of this policy will be:

- (i) A comprehensive strategic framework for Government fleet management that is well defined and transparent;
- (ii) Efficient fleet operation and management system for GoR;
- (iii) A strong Government Fleet management team as well as central fleet management database at MININFRA

4 SCOPE OF THE FLEET POLICY

In line with the objectives listed above, the policy will have corresponding specific components as outlined in the following paragraphs;

4.1 Domain of the Fleet Policy

This policy will apply to all public institutions and covers all owned, leased, and/or hired vehicles/equipment. This policy will supersede any policy, guidelines, procedures and agreements previously written or understood.

4.2 Development of a Fleet Management System

A Government Fleet Management Team shall be set up under MININFRA, who will be responsible to oversee the overall policy implications and operational strategies of the fleet policy including overseeing the management of Vehicle Loan scheme and Special Group. However, the responsibility of enforcing any policy directives of the Government Fleet Management Team will be vested on all concerned public institutions. The relevant public institution will be responsible for policy enforcement. It will be the responsibility of each public institution to make employees aware of this policy, provide employees enough guidance concerning this policy, and take appropriate actions, as it deems necessary.

Effort shall be taken so that the Government Fleet Management Team will be not only the provider of traditional fleet services but will act as a overall coordinator, joint service provider and vehicle asset manager in close collaboration with private sector operators. The ultimate goal of the Government Fleet Management Team will be to establish strategic public private sector partnerships that assist in providing safe, reliable

and cost effective transportation for the government officials. The Government Fleet Management Team shall be innovative in designing and implementing some of the best business practices in providing competitive fleet services for:

- vehicle fleet planning, management and utilization;
- acquisition, disposal, replacement, inspection and maintenance of vehicle fleet;
- operation and management of group transportation alternatives (e.g., ride sharing, government or rental vans/buses) giving priorities over individual vehicle travel for groups of employees who are required to travel to the same business location.
- overall operation and management of the loan scheme contracts;
- planning and evaluating the running and operating costs of loan scheme annually;
- providing suggestions regarding appropriate package for vehicle lease/hiring agreements;
- determination of the optimum level for Government subsidy and selection of appropriate financial package for fleet management.
- communicating vehicle management policies and procedures across different public institutions;
- assessing the transport needs, operational mobility and scope for the gain in operational efficiency for government officials;
- developing and managing of fleet database.

The fleet managers at public institutions should:

- ensure that vehicles are appropriately assigned, utilized and managed;
- develop the institution fleet plan;
- act as the public institution contact with the Government Fleet Management Team for overall fleet management and practices related vehicle insurance and vehicle loan scheme; and
- collect and supplying fleet management information to fleet database including vehicle inventory, vehicle usage log and service planning;
- assess the transport needs, operational mobility and the scope for the gain in operational efficiency for government officials;
- develop and managing of fleet database.

4.3 General Guidelines for Government Vehicle Usage

Vehicle Usage

The user of Government owned/leased/hired vehicle shall abide by general guidelines as specified in the Fleet Policy. Failure to abide by the following guidelines will result in disciplinary action by the employer up to and including dismissal for the concerned employee or imposition of fines and including cancellation of the service contract for the private vehicle operators, who are selected through open bidding process:

- (i) any person using a Government vehicle shall do so only with the proper departmental authorization and in accordance with Fleet Policy;
- (ii) persons operating a government-owned/leased/hired vehicle must have a valid driver's license;
- (iii) all drivers shall comply with the rules and regulations of driving, and traffic laws in the region where operating. Any traffic violations shall be the responsibility of the operator and outstanding fines must be paid immediately; and
- (iv) safety belts must be worn at all times when operating a Government vehicle;

Guidelines for Operators

- (i) operators are responsible for completing any log books or report forms placed in the vehicles by Fleet Management;
- (ii) operators shall be responsible for keeping their vehicles clean and tidy at all times;
- (iii) operators are required to comply with any maintenance schedules set out for the vehicle and replace any unfit vehicle as determined by the competent authority;
- (iv) operators shall be responsible in reporting to the duties in time and any late arrival will be penalised proportional to the time being late from the schedule arrival time;
- (v) operators shall be responsible for providing continuous service while on duty and any disruptions of service due to break down, lack of fuel or any other substandard services will be subjected to appropriate fines as determined by competent authority as per service contract;

- (vi) operators shall be responsible for providing mechanically fit vehicle intended for a any specific task on demand from the relevant authority and failure to provide requisite service on demand will result in imposition of appropriate fines as determined by the competent authority as per conditions of the contract;
- (vii) operators may be required to participate in safe driving programs from time to time;
- (viii) in the case of accidents, involving Government vehicles, operators must report to the appropriate authority as well as police as required by the relevant traffic law; and
- (ix) persistent violations of the standard practices as specified in this policy or service contract may result in the cancellation of the lease/hiring contract after issuing at least two cautionary notices for improvement by the appropriate authority.

Permanently Assigned Vehicles/Equipment

All government vehicles/equipment operated from a permanently assigned place of work shall be parked at the end of the day's work at the assigned location. Exceptions to this rule will be as follows:

- (i) for periods during which the employee is officially on call, the Government vehicle may be kept at his/her place of residence.

During circumstances where a Government vehicle is parked at an employee's residence, the vehicle shall not be mobile for any reason other than official Government business. The vehicle will be at the employee's residence for parking only. No employee shall be permitted to use a Government vehicle from his/her place of residence to work on a daily basis unless such use is authorized by the appropriate authority.

Travel Status

Vehicles/equipment operated by employees on travel status shall be used for Government related business only.

4.4 Modifications of the 2008 Fleet Policy

The following modifications of the 2008n Fleet Policy will be introduced in the design and the management of the scheme. The structure of the existing schemes is kept the more or less the same dropping majority of the Subsidiary Scheme but an increase to maximum the government's contribution to equity and Government taking full responsibility for

expected running cost for official business while downsizing the ceilings is suggested.

4.4.1 SCOPE OF THE SCHEME -

There shall be provisions for two variants of the scheme as follows:

Vehicle Loan Scheme

Vehicle Loan Scheme will be applicable to Ministers, Ministers of State, Permanent Secretaries, Senators, Deputies (member of Parliament), Mayors, Director Generals, Vice Mayors, Executive Secretaries of District and their equivalents, selection being on the basis of operational needs. Under the scheme the beneficiary shall be entitled to receive:

- A full tax exemption on the retail cost of a vehicle;
- A portion of monthly lump sum that will cover 100% of the expected running costs; and
- A 100% contribution towards the repayment of monthly loan instalments including interest for 100% purchase cost of the vehicle without tax for a period of 5 years, to be received as a part of monthly lump sum.

The Government Fleet Management Team collect and analyse data during the year and will adjust the amount of the lump sum for vehicle running costs under this scheme annually before 1st April every year taking into account the category of the beneficiary, intended use, cost escalation and inflation. All new as well as existing contracts, if any, after the cost adjustment will fall into the new price regime and monthly lump sum for vehicle running cost will be adjusted for every beneficiary accordingly.

In addition the beneficiary under the Vehicle Loan Scheme will be entitled to receive a Km Indemnity to cover the additional fuel, maintenance and depreciation costs for using the vehicle for long distance travel (outside the 30 km of the radius of the main workplace, that is, outside Headquarters City) instead of hiring another vehicle during the period of loan repayment. In order to be eligible for Km Indemnity payment, the concerned beneficiary shall obtain necessary authorisation for business miles outside 30 km radius from the competent authority. However, car hire for beneficiaries of the Vehicle Loan Scheme may be a preferred option where payment of Km indemnity for a single or a group beneficiaries travelling in the same destination is more expensive.

Special Group

The Special Group has three categories of officials as follows:

Category I

The Category I under Special Group will consist of Executive Secretaries of Local Government at Sector level, the selection being on the basis of operational needs;

A beneficiary under this category shall be entitled to receive:

- A full tax exemption on the retail cost of a vehicle;
- A fixed monthly lump sum as determined by the most recent ministerial instructions related to this policy.

Category II

The Category II under Special Group will consist of a selected group of Government officials, such as Agronomists and Veterinary of the Sector, Veterinary, Agronomists and Inspectors of Education at District level, the selection being on the basis of operational needs;

A beneficiary under this category shall be entitled to receive:

- A full tax exemption on the retail cost of a motorcycle;
- A monthly transport allowance as a part of monthly salary as determined by the Ministry of Public Service and Labour (MIFOTRA)

Category III

The Category III under Special Group will consist of Specialist Doctors of public hospitals and Senior Lecturers and Professors of public higher learning institutions.

A beneficiary under this category shall be entitled to receive on full tax exemption for the retail cost of a new vehicle in accordance with the maximum ceiling as specified in the most recent ministerial instructions related to this policy. A beneficiary under this category shall not be entitled to get any monthly lump sum or Km Indemnity

All other employees of the Government of Rwanda who will remain outside the scope of monthly lump sum payment shall be entitled to receive a monthly transport allowance as a part of monthly salary as determined by the Ministry of Public Service and Labour (MIFOTRA).

4.4.2 DURATION OF THE SCHEMES

The duration of Vehicle Loan scheme and Special Group for the management of the fleet as well as the renewal period for all the schemes shall be five (5) years. After 5 years the beneficiary will be entitled to take over the full ownership of the vehicle. The beneficiary will then be able to re-enter the scheme. The minister having transport in its attributions will provide, through ministerial instructions, guidelines to manage the transitional period between the end of the period of the scheme (5 years) and the re-entry of the beneficiary into the scheme in case the beneficiary decides not immediately purchase a vehicle after the period of five years has ended.

Any beneficiary under Vehicle Loan scheme or Special Scheme category I and II will be allowed to use the vehicle for both official and private purposes. However, beneficiaries under Vehicle Loan scheme or Special Scheme category I should not be allowed to use the vehicle for any commercial purpose, such as hiring, leasing, etc. during the loan repayment period of the vehicle.

4.4.3 ACQUISITION OF VEHICLES

Before purchasing a vehicle, a beneficiary of the vehicle loan scheme may be requested by the Government Fleet Management Team to enter into contract with the Government of Rwanda concerning the purchase of a vehicle under the Vehicle Loan Scheme. This contract, if any, will fix the terms and conditions of purchasing the vehicle under this policy.

Lump sum values of the cost of the acquired vehicle

The proposed maximum ceilings are communicated through accompanying ministerial instructions by the Minister having transport under his/her attribution. These lump sums transport allowances under various schemes will be readjusted before 1st April every year and communicated through ministerial instructions. These adjustments should take effect on the following 1st July.

Vehicle Loan Scheme

The Government Fleet Management Team will adjust maximum ceilings for the purchase of a vehicle annually before 1st April every year, taking into account the rank of the beneficiary, intended use, cost escalation and inflation. All new contracts after the cost adjustment will fall into the new price regime, while terms and conditions of the existing contracts will remain unchanged. These adjustments should take effect on the following 1st July.

Special Group

The Government Fleet Management Team will adjust maximum ceilings for the purchase of vehicle under different groups annually before 1st April every year taking into account of the intended use, cost escalation and inflation. All new contracts after the cost adjustment will fall into the new price regime, while terms and condition of the existing contracts will remain the same. These adjustments should take effect on the following 1st July.

Selection Criteria for Government Owned, Leased or Hired Vehicles

In order to fulfil the demand for new vehicles, the competent authority, that is, Government Fleet Management Team will collect information regarding the needs of each Government institution and make arrangement for new vehicle acquisition considering among other the following key criteria:

Type of Government Owned, Leased or Hired Vehicles

While selecting vehicle for acquisition, competent authority will review the vehicle type and its potential use that are well suited to performing the work needed to be accomplished but neither exceed the needs for the intended use deemed relevant for the concerned Government institution nor exceed the costs ceilings as concealed in the ministerial instructions. The relevant authority will prepare a written statement of justification while recommending any vehicle type taking into account anticipated costs, fuel and operational efficiency, potential risks of mechanical failure and break down, safety standards and pollution rating that meets the needs of the potential users. While preparing the specification for acquiring new vehicle, the authority will follow manufacturer ratings, including load carrying capacity and trailer pulling capacity. In addition all applicable government laws, rules, and regulations will have to be followed concerning vehicle type selection.

Vehicle Life Cycle Selection for Government Owned, Hired and Leased Vehicle

The Government Fleet Management Team will establish a life cycle for each vehicle type at the time of vehicle acquisition taking into account vehicle type as well as the work environment and road condition in which the vehicle will likely to perform. This life cycle will be used while calculating vehicle depreciation, running cost per km and Km Indemnity annually.

Financing Considerations

The competent authority will make cost effective decisions considering available budget, relative amount of Government's subsidy and alternate financial options like vehicle rental, vehicle leasing and shared vehicle ownership when acquiring new vehicles.

Preference of the Beneficiary under Vehicle Loan Scheme and Special Group

While acquiring a vehicle under Vehicle Loan scheme, the beneficiary will be allowed to choose any vehicle in respect of the prescribed financial ceiling limits for each eligibility category as indicated in the accompanying ministerial instructions. The vehicles under Vehicle Loan Scheme and Special Group will be acquired directly by the concerned beneficiary. It should be bear in mind that beneficiaries who buy vehicles whose values are in excess of the maximum ceilings shall be liable to pay extra taxes.

Acquisition Process for Government Vehicles

The Government owned vehicles will be acquired under an open bidding process in accordance with the procurement law, rules and regulations of the Government of Rwanda.

4.4.4 INSURANCE COVERAGE AGAINST DAMAGE OF VEHICLE FROM ACCIDENTS

The beneficiary shall be responsible for purchasing insurance coverage that is adequate for the vehicle's use (e.g., Vehicle Loan Scheme vehicles must be covered for business and private purposes). The appropriate employing agency in each Ministry/Agency must ensure that valid comprehensive liability coverage has been obtained. The scope of the comprehensive insurance shall cover:

- (i) the driver's legal liability for damage to property belonging to other persons such as cars; fences; street lighting etc. It also includes the driver's legal liability for death of or bodily injury to passengers and third parties caused by his negligence;
- (ii) accidental loss or damage by fire and/or theft of the vehicle;
- (iii) any accidental damage to the insured's own vehicle, accessories and spare parts arising in Rwanda.

As per provision of the Vehicle Loan scheme, the Government shall bear 100% of recognized working days as indicated in the ministerial instructions (displacement on official government business) of the insurance premium for any comprehensive insurance policy as a part of

monthly lump sum contribution for vehicle running cost. The government will not pay any additional insurance premiums arising from the loss of safe driver discounts resulting from an accident.

4.4.5 REPLACEMENT OF VEHICLE IN CASE OF BREAKDOWN, ACCIDENTS AND OTHER MECHANICAL FAILURE

In order to minimise the potential detrimental impacts of accident, breakdown and other mechanical failure and to continue providing transport facility, a vehicle replacement insurance policy will be compulsory for every Vehicle Loan Scheme. The replacement insurance shall cover the costs for at least 10 consecutive days of replacement service in case of breakdown and repair for:

- (i) Towing or transporting the insured vehicle;
- (ii) Accommodation and/or transport home;
- (iii) A replacement vehicle for at least 10 consecutive days.

The Government shall bear 100% of the cost of vehicle replacement insurance premium as a part of the payment for monthly lump sum for vehicle running cost. Any vehicle received as a replacement vehicle from the concerned insurance company will be under the responsibility of the beneficiary.

4.4.6 ANNUAL RE-EVALUATION OF VEHICLE RUNNING COST

In order to take into account the impacts of inflation and cost escalation, lump sum amounts for running costs will be re-evaluated annually before 1st April each year on the basis of a detailed investigation by Government Fleet Management Team subject to the approval of the Fleet Management Team of the Government. Every new as well as existing contract after the annual re-evaluation will fall into the new price regime and monthly lump sum for vehicle running cost will be updated accordingly. These adjustments should take effect on the following 1st July. The recommended procedure for calculating lump sums for various schemes is outlined in the following sections:

Vehicle Loan Scheme and Special Group

The lump sum amount for running cost will be revised annually considering constituent elements of the running cost of the vehicle on the basis of average market price during the previous quarter of the last fiscal year. The recommended approach for calculating monthly lump sums under Vehicle Loan Scheme and Special Group is described in the following paragraphs:

Every beneficiary under Vehicle Loan Scheme will be entitled to receive a monthly lump sum for 100% of the estimated running costs. A beneficiary under the Category I of the Special Group will be entitled to receive a fixed monthly lump sum as determined in the most recent ministerial instruction. For the Vehicle loan Scheme, the constituent elements of the lump sum for running costs are as follows:

- (i) Variable Vehicle Running Costs; and
- (ii) Overhead Vehicle Running Costs

The elements of these costs are outlined in the following paragraphs,

(i) Variable Vehicle Running Cost

The constituent elements of the variable cost are:

- Fuel consumption cost, and
- Maintenance and repair cost;

The standard procedure for estimating Variable cost is outlined in the following paragraphs.

Fuel Consumption Cost

For estimating fuel consumption under the Vehicle Loan scheme, i.e. Ministers/Ministers of State, Permanent Secretary, Mayors and Vice Mayors (and equivalent), Senators and Member of the Parliament will be entitled to use their vehicle every day of the year for work purpose, whereas other officials will be eligible to use their vehicles 6 days a week. All officials under the scheme will be entitled to use the vehicle on average 70 km per day for work. The fuel efficiency in terms of vehicle-km per litre will be determined by the Government Fleet Management Team considering type of vehicle appropriate for the position of the beneficiary, terrain and operating environment. Since fuel efficiency in terms of vehicle-km per litre is dependent on road condition, the Government Fleet Management Team will be encouraged to make proper use of standard vehicle operating cost estimation package, such as HDM-4 to have a reliable estimate of annual average fuel consumption of the vehicle per km depending on the average roadway condition of the country. The cost of fuel per litre will be adjusted annually before 1st April every year taking average fuel price of the previous quarter of the current fiscal year. These adjustments should take effect on the following 1st July.

Maintenance and Repair Cost

The constituent elements of Maintenance and Repair costs are:

- Lubricant costs;
- Tyre replacement and rethreading costs; and
- Parts consumption and repair costs

The annual maintenance and repair cost per beneficiary will be determined by the Government Fleet Management Team considering operating terrain, vehicle type, nature and extent of use corresponding to the position of the concerned beneficiary group and after collecting all relevant information either from different motor vehicle workshops and garages or using appropriate vehicle operating cost estimation software as deemed appropriate. The average maintenance and repair cost per beneficiary will be adjusted annually before 1st April every year taking average price of different constituent elements of the maintenance and repair cost of the last quarter of the previous financial year. These adjustments should take effect on the following 1st July.

In absence of reliable data, the Repair and Maintenance costs can be taken as 36% of the fuel costs got from industry standards¹

(ii) Overhead Costs

The elements of the Overhead costs are:

- Insurance cost;
- Driver cost; and
- Road tax;

The estimation process of the Overhead cost is described in brief in the following paragraphs.

Insurance Cost

The total annual insurance cost per beneficiary will consist of providing a comprehensive insurance cover as specified in the section 4.4.4 plus the cost of providing insurance cover for vehicle replacement for at least 10 consecutive days in case of breakdown on the basis of the appropriate vehicle type for the position of the beneficiary as determined by the Government Fleet Management Team. The total annual insurance cost per beneficiary will be determined considering average annual premium costs for standard insurance companies in the previous fiscal year. Every new as well as existing contract after the annual re-evaluation will use new insurance premium and monthly lump sum for vehicle running cost will be updated accordingly.

¹ Fleet News Calculators as retrieved in <http://www.fleetnews.co.uk/>

Driver's Cost

Only Ministers and equivalent will be entitled to include the salary of a driver as part of their monthly lump sum.

Road Tax

The annual road/transport tax per beneficiary will be determined by the Government Fleet Management Team considering amount of tax payable for the type of the vehicle corresponding to his/her official position. The total annual road/transport tax per beneficiary will be determined after collecting relevant tax rates from the Rwanda Revenue Authority for the current fiscal year before 1st April every year. Every new as well as existing contract after the annual re-evaluation will use new tax rates and monthly lump sum for vehicle running cost will be updated accordingly. These adjustments should take effect on the following 1st July.

Lump Sum for Monthly Loan Repayment Instalment (MLRI) for all schemes

The lump sum for monthly loan repayment instalment will be calculated considering interest on a declining balance. The following mathematical formula will be used to calculate the monthly amortization schedule for loan payments:

$$MLRI = PV \times i \times \left(\frac{(1+i)^n}{(1+i)^n - 1} \right) \quad \text{Equation 4.1}$$

where *MLRI* = monthly loan repayment instalment;

i = interest rate per payment period, that is, for monthly loan repayment instalment it is equivalent to annual interest rate divided by 12;

n = number of payments;

PV = principal amount of the loan.

While calculating monthly lump sum for loan repayment for a beneficiary the maximum price ceilings for purchase of a vehicle, as instructed in the latest Ministerial Order, will be used. However, the terms and conditions of lump sum amount for loan repayment of the Fleet Policy will remain unchanged. In order to take into account the impacts of inflation and cost escalation, lump sum amounts for monthly loan repayment will be re-evaluated annually before 1st April of every fiscal year after conducting a detailed investigation on vehicle purchase costs and interest rates by Government Fleet Management Team subject to the approval of the relevant authority of the Government. These adjustments should take effect on the following 1st July.

The Government shall pay a lump sum as a transportation allowance towards the monthly loan repayment instalment for each beneficiary, which will be equivalent to 100 % of the total monthly loan repayment instalment including interest calculated based on a period of 5 years.

4.4.7 ANNUAL RE-EVALUATION OF KM INDEMNITY

For travel outside a 30 km radius (i.e. outside Headquarters City) only beneficiaries in the Vehicle Loan Scheme will be entitled to receive a Km Indemnity to cover the additional fuel, maintenance and depreciation costs in accordance to their rank and thus to encourage the use of his/her vehicle for business miles rather than hiring another vehicle.

In order to take into account the impacts of inflation and cost escalation, average Km Indemnity per km for a beneficiary will be re-evaluated annually before 1st April of every fiscal year after conducting a detailed investigation by Government Fleet Management Team. These adjustments should take effect on the following 1st July. Every new as well as existing contract after the annual re-evaluation will fall into the new price regime. The estimation of the Km Indemnity will be determined considering 50% of the depreciation of the price of the vehicle including tax per km plus 100% of the fuel and maintenance cost per km of travel for business miles. The recommended sequential steps to be followed for calculating lump sum for Km Indemnity under Vehicle Loan scheme is outlined in the following sections:

Step 1: Calculation of the Total Cumulative Vehicle-Km

For estimating fuel consumption under the Vehicle Loan scheme, Ministers, Ministers of State, Permanent Secretaries, Mayors, Senators, Members of Parliament, Executive Secretaries of District and Vice Mayors (and equivalent) will be entitled to use their vehicle every day of the year for work purpose, whereas other officials will be eligible to use their vehicles 6 days a week. All officials under the scheme will be entitled to use the vehicle on average of 70 km per day of work. The annual cumulative vehicle-km for Ministers, Ministers of State, Permanent Secretaries (and equivalent), Mayors, Senators, Members of Parliament, Executive Secretaries of District and Vice Mayors (and equivalent) will therefore be determined by multiplying 365 days with 70 km per day, whereas that for Director Generals (and equivalent) will be calculated by multiplying 312 days 70 km per day. The total cumulative vehicle-km for any beneficiary during the whole life of the scheme will be determined by multiplying annual cumulative vehicle-km by 5

Step 2: Calculation of Average Variable Vehicle Running Cost per km

The annual variable vehicle running cost per beneficiary will be determined as described in section 4.4.6. The average variable vehicle running cost per km will be determined by dividing annual variable vehicle running cost by the corresponding value of the annual cumulative vehicle-km for the concerned beneficiary.

Step 3: Calculation of Average Depreciation Cost per km

It is proposed that the equity percentages be changed to reflect decreasing balance depreciation that is more realistic than the straight line pro-rata method. The declining (or reducing) balance method of depreciation assumes that the item depreciates at a constant percentage rate each year. The formula for declining balance method is:

$$S = V_0 \times (1 - r)^n \quad \text{Equation 4.2}$$

Where,

S = salvage (current) value of asset

V_0 = the purchase price of asset

R = the percentage interest rate, per time period, expressed as a decimal

n = the number of time periods

In order to estimate average depreciation, the purchase cost of a vehicle with tax for each category of beneficiary will be determined by adding full purchase tax to the duty free value of a vehicle. While calculating the after tax price of a vehicle for a beneficiary, the maximum ceilings for duty free purchase of a vehicle will be determined in accordance with the latest Ministerial Order. The total depreciation cost during the recommended contract period, i.e. 5 years will be obtained by deducting the salvage value from the vehicle purchase price including tax as per Equation 4.2.

The average depreciation cost per km will be estimated by dividing the total depreciation cost by the total cumulative vehicle-km as determined in the Step 1

Step 4: Calculation of Average Depreciation Cost per km with Discount

Assuming 50% discount, average depreciation cost per km with discount will be obtained by multiplying the average depreciation cost per km without discount as determined in the Step 3 by a factor of 0.50.

Step 5: Estimation of total Km Indemnity cost per km

Total Km Indemnity cost per km will be determined by adding the average variable vehicle running cost per km obtained from Step 2 plus

average depreciation cost per km with discount as determined in the Step 4

The average Km Indemnity per km per beneficiary will be revised annually considering the constituent elements of different variable costs on the basis of average market price during the previous fiscal year by the Government Fleet Management Team before 1st April every year. These adjustments should take effect on the following 1st July.

4.4.8 IMPLICATIONS OF THE CHANGE OF THE POSITION/STATUS OF THE BENEFICIARY

Exit treatment for all beneficiaries shall be uniform to minimize administrative costs of implementing the policy. Treatment of beneficiaries on termination of contract shall be clearly defined in the contract.

In case of change of position/rank of the beneficiary under various schemes, the following provisions shall apply depending on a number of possible scenarios:

Scenario 1: Promotion to a Higher Rank

If a beneficiary who receives 100% government contribution and tax exemption after receiving a vehicle for a certain rank, is promoted to a higher rank, he/she will have two alternatives, that is, either (i) continuing driving the existing vehicle but receiving the higher rate, which is entitled for his/her new position or (ii) selling the vehicle, repaying the government on a pro rata basis and start a new vehicle loan scheme from scratch.

Scenario 2: Demotion to a Lower Rank

If a beneficiary who receives 100% government contribution and tax exemption after receiving a vehicle for a certain rank, is downgraded to a lower rank, he/she will be entitled to remain with the current vehicle (if she/he wishes) and to pay the loan balance by monthly instalments until the end of the repayment period. He/she will be entitled to the lump sum, if any, corresponding to the new position. If she/he is not able to keep the current vehicle, she/he will be allowed to get a vehicle corresponding to the new position. The beneficiary will be given maximum six months to sell the current vehicle. Before selling the vehicle, this latter will have to be valued by a government authorised expert. The beneficiary will have to use the money from the sale of the vehicle to refund the government contribution on pro rata basis, and to repay the bank loan if any.

If a beneficiary under Special Group who is receiving a monthly lump sum as transport allowance is downgraded to a lower rank, he/she will be eligible to receive new monthly lump sum, if any, corresponding to his/her present position.

Scenario 3: Provisions for Replacement Staff

If a staff member is acting officially in replacement of a staff member entitled to the Vehicle Loan Scheme or Special group for more than 60 days but the acting staff is already a beneficiary of the scheme, he/she will continue to receive the lump sum for running cost and Km Indemnity at the level he/she entered into the scheme. On the other hand if the acting staff is not already a beneficiary of the scheme, he/she will not be entitled to enrol into the vehicle loan scheme. However, the beneficiary will be given a fixed lump sum per month to pay the cost of hiring a vehicle for business miles from private operators as deemed appropriate by the competent authority of the Government Fleet Management Team

If a staff member is acting officially in replacement of a staff entitled to the Special Group for more than 60 days but the acting staff is already a beneficiary of the scheme, he/she will continue to receive the lump sum as transport allowance at the level he/she entered into the scheme. On the other hand if the acting staff is not already a beneficiary of the scheme, he/she will be entitled to receive the same monthly lump sum as transport allowance for tenure of his/her temporary assignment.

Scenario 4: Long term Absence from Service Due to Training or Other Overseas Assignment

If a beneficiary of the Vehicle Loan Scheme or Special Group who receives 100% Government contribution and tax exemption remains absent from normal official duty due to long term training or other overseas assignment and if the leave is less than 3 months, he/she will be allowed to continue his/her Vehicle Loan scheme or Special Group as usual. If the leave is for more than 3 months, he/she will be allowed to continue his/her scheme provided he/she pays monthly loan repayment contribution as per conditions of the contract. He/she will be entitled to receive reduced monthly loan repayment contribution from the Government without receiving any contribution for running costs and Km Indemnity.

If a beneficiary of the Special Group who receives monthly lump sum as transport allowance remains absent from normal official duty due to long term training or other overseas assignment and if the leave is less

than 3 months, he/she will be entitled to continue to receive the monthly lump sum as usual. On the other hand if the leave is for more than 3 months, he/she will not be eligible to receive monthly lump sum any more for the whole period of his/her absence.

Scenario 5: Officials Enjoying both Vehicle Loan Scheme Vehicle as well as Qualified Non-Personal Use Vehicles

The Government will provide Qualified Non-Personal Use Vehicles for officials of the defence/police and emergency services, and the same beneficiary will not be entitled to receive any further facilities under Vehicle Loan Scheme or Special group. However, if a beneficiary who is a member of the defence/police/emergency services, is already in possession of a vehicle through Vehicle Loan scheme, but also has been provided with Qualified Non-Personal Use Vehicles as a member of a special service, he/she will no longer be entitled to remain in the Vehicle Loan Scheme or Special Group. However, he/she will be entitled to receive a monthly loan repayment contribution from the Government for his/her vehicle, without receiving any contribution for running costs and Km Indemnity.

4.5 Project Vehicle Fleet Policy

In order to maintain operational flexibility, efficiency, reduction of operating costs and to retain the customary provisions for projects to donate vehicles at the end a project to the Government exchequer, the vehicle fleet of development projects (for which there is substantial need for field vehicles in remote/rural areas), will remain outside the scope the vehicle loan and shared ownership schemes. In order to remain outside the scope of these schemes, the appropriate coordinating authority of the project will have to seek 'no objection' clearance from the Minister having transport in his/her attribution.

It is recommended to consider linking the Special Project Implementation Unit structure to determine the need for project vehicles. While preparing project concept papers for approval, the competent authority will have to prepare a detailed list of the number of vehicles, vehicle type and their potential use that will be well suited to but not exceed the needs for the intended use as deemed appropriate for the successful completion a project. The relevant project coordination authority will prepare a written statement of justification while recommending the total number of vehicles, along with detailed specifications of the vehicles to be procured during the life of the project taking into account: anticipated costs; fuel and operational efficiency; potential risks of mechanical failure and break down; and safety standards and pollution ratings that meet the needs of potential users. While preparing the specifications for acquiring vehicles for any project, the authority will follow manufacturer ratings, including load carrying

capacity and trailer pulling capacity. In addition, all applicable government laws, rules and regulations, and standard practices of the concerned donor agencies will have to be followed while planning vehicles for a project. The relevant coordinating authority of the project will have to prepare a list of the potential vehicles, capital and operational costs, which will be required during the life of the project for the approval of the designated authority of the concerned ministry. After the end of the project, ownership of all vehicles, including the vehicles owned by the donor agencies, will be transferred to the Government. After receiving the project vehicles after the end of the project, Government will either sell them through open bidding system or reallocate them to RDF, RNP and other emergency services as Qualified Non-Personal Use Vehicles in accordance with their potential transport needs as determined by Government Fleet Management Team.

4.6 Motor Pool Vehicle

Local districts and Central Government School Inspectors, governmental high schools, universities and other institutions of higher education as well as local health centres in Provinces and some government institutions where there is a need for operational or pool vehicles that cannot be accommodated by or it is not appropriate to offer the vehicle as part of a staff member's remuneration or Vehicle Loan Scheme then a vehicle will be procured either through replacement purchase of existing vehicle upon authorization of the minister in charge of transport or through term lease agreements with private operators based on the needs of the organisation and will be housed in a secure location as determined by the relevant authority. However, new requests for operational vehicles need to be subjected to thorough scrutiny. Mechanisms for monitoring the use of operational vehicles shall be enhanced.

In order to maintain operational efficiency and basic transport needs, each local district authority, Central Government School Inspectors, Governmental high schools, universities and high education institutes as well as local health centres in each Province and district will keep at least one (1) motor pool vehicle, and to minimise the misuse of such provision, the maximum number of motor pool vehicles in any local district authority/Province shall not exceed two (2) under any circumstances excluding emergency vehicles in health centres. In order to procure more than 1 or 2 motor pool vehicles, the competent local authority/relevant education authority and health centre authority at each Province shall have to seek 'no objection' clearance from the Minister in Charge of transport.

The competent authority will have to specify the number of vehicles, vehicle type and their potential use that will be well suited to the intended use. The relevant authority will prepare a written statement of justification while recommending the number of vehicles, along with detailed specifications of the vehicles to be procured through purchase or term lease agreement: required capacity, anticipated costs; fuel and operational efficiency; safety standards and pollution ratings. While preparing the specifications for acquiring the vehicles through purchase or term lease agreement, the relevant authority will follow manufacturer ratings, including load carrying capacity and trailer pulling capacity. In addition, all applicable government laws, rules and regulations, will have to be followed. While the operational conditions will lead on the choice of vehicle, the specified ceilings and CC's shall be abided by. The maximum ceiling for the number of motor pool vehicles will not be applicable for RDF, RNP and other emergency services, where vehicles will be classified as Qualified Non-Personal Use, and in order to provide for efficient and economic services and management, the following policies and procedures shall prevail for Motor Pool Vehicles:

- (i) A competent official appointed by the concerned local authority shall be responsible for the effective implementation of the policies and procedures pertaining to the Motor Vehicle Pool and shall work closely with the fleet management team;
- (ii) All motor vehicles required by any staff for casual, short and long term or continuing use shall be provided through a designated official appointed by the concerned local authority unless specific exemption has been authorised by the competent authority;
- (iii) Written authority in prescribed forms from the appropriate authority shall be required before a vehicle may be released to a user. The concerned local authority shall prepare and make all requisite forms available to the prospective users.
- (iv) The appointed private operator(s) for motor pool vehicle services shall ensure that every vehicle including a qualified driver will be available on-call at all times as required by the appropriate authority. Drivers shall be personally responsible for traffic violations and criminal charges arising from their failure to observe traffic regulations and reasonably safe driving practices.
- (v) All arrangements for providing fuel, servicing, repairs and replacement for vehicles shall be vested to the private operators/suppliers selected through competitive bidding process.
- (vi) Tentative bookings for vehicles shall be made by telephone, written or verbal request. Users shall be able to make

reservations as far as possible in advance for casual, short and long term or continuing use. The user shall confirm the bookings by completing a "Request for Pool Vehicle" form specifying the vehicle requirements and shall obtain the signature of the appropriate authority of the concerned local authority.

- (vii) The authorized driver of a motor pool vehicle bears full responsibility for ensuring that the vehicle is used only for official business; limiting passengers of the motor pool vehicles to employees of the concerned local authority others on official business and official guests; observing all traffic regulations; and practising safe driving habits. It will also be the responsibility of the driver to report all accidents and damage to the operator, the appropriate authority in the ministry as well as the police.
- (viii) Since the vehicles will be rented on term lease agreement with private operators, the driver/designated official shall record mileage at the time of vehicle issue and at the time the vehicle is returned to the Pool by the driver (user). For term or continuing use, a mileage log shall be kept on the form provided, and a signed copy shall be submitted to appropriate authority of the concerned Ministry at each month's end.
- (ix) Designated Motor Vehicle Pool maintenance personnel from the private operator and a counterpart official from the concerned local authority shall be jointly responsible for inspecting each vehicle before assigning it to a Government staff. The inspection shall ensure that the vehicle is clean, in operating condition, gas tank filled and a record made of all visible defects at the time it is signed out. A copy of the record shall be given to the user. When vehicles are returned to the Pool, Motor Vehicle Pool maintenance personnel shall complete the vehicle inspection to verify mileage and other information reported by the user at the time the vehicle is returned.
- (x) A joint investigation comprising representatives from the private operators and Government officials shall undertake monthly, periodic and annual inspections of vehicles to verify the condition of any vehicle to provide the intended service, and recommend any repair or replacement of vehicles to ensure uninterrupted service. There shall be provision for imposing a penalty on the service provider in the contract agreement for any failure to comply with specified standard service criteria.
- (xi) The Government fleet management team shall work in close collaboration with the local authorities having the Motor Vehicle Pool under their responsibility to gather all data on a continuous basis with regards to the number and types of vehicles used, purposes, long and short term rental costs; components costs of fuel and maintenance on the overall rental costs, incidents etc..

This data shall be consolidated and used for future policy and regulations updates as well as for future rental contracts negotiations.

- (xii) It is the responsibility of the user and the relevant authority to insure that the vehicles pool is exclusively used for operational activities.
- (xiii) The Government fleet management team shall strive to check the efficient use of the existing government vehicle fleet before engaging in new purchases, hires or term leasing contracts for new pool vehicles.
- (xiv) For new acquisition where justified, buying option will be preferred to term lease agreements.
- (xv) Short-term leases will be accepted only in exceptional cases and only upon clearance from the Government Fleet Management Team.

4.7 Mission and Local Car Hires

The cost of Mission and Local car hire has skyrocketed due to unlimited travels and has made the Fleet Policy very costly. The contribution of the costs of Mission and Local hires was only 2.5% of total fleet management cost in 2004 when Government employees were provided with Government vehicles. In 2013 the contribution of Mission and Local hires has increased to as high as 35.6% of the total cost of fleet management. It is therefore essential to reduce the cost of Mission and Local car hire to an affordable limit.

To keep the Mission and Local car hire to a minimum, each agency/ministry shall submit annual cost estimate for Mission and Local car hire to the Ministry of Finance and Economic Planning (MINECOFIN) for business travel only. Accordingly MINECOFIN will allocate annual budget for Mission and Local hire for each ministry/agency. To this end, a number of actions may be taken as follows:

- Efforts should be made to employ Information Technology and advanced communication methods to limit the need for travel;
- Establish strong control mechanisms for mission and local car hires and ensure that expenditure limits are controlled to minimize wastage;
- Expenditure ceilings for local hire and mission hire will be established every year during budget consultations;
- Transport outside office premises for staff other than those in the Vehicle Loan scheme will be hired by the Agency on business

case basis. However, transport to and from their home to office will be organized privately by the employees as has been the case; and

- Car hire for beneficiaries of the Vehicle Loan Scheme may however be a preferred option where payment of Km indemnity for a single or a group beneficiaries travelling in the same destination is more expensive.

4.8 Contract Agreement with Vehicle Leasing/Hiring Companies

The relevant Finance and Accounts unit within each government institution will be responsible for administering the contracts for the provision for motor pool vehicle fleets including leasing services. All organisations operating under each ministry will be obliged to source their vehicle leasing and fleet management services under the contractual arrangements administered by the concerned ministry. The competent authority within each ministry will explore different alternative financial packages for hiring vehicles under both short and long term lease agreements. In order to ensure coordination of the services, the Government Fleet Management Team will provide technical assistance and guidelines for the effective planning and management of vehicle leasing/hiring contracts.

4.8.1 CONTRACT PACKAGES OF VEHICLE LEASING/HIRING

The following will give a brief explanation of alternative models eligible for consideration as an acceptable package for lease agreement. Rather than a 'one size fits all' approach, the competent authority in each ministry shall explore a tailored solution to meet their needs in terms of risk, balance sheet, gearing ratios and fixed cost requirements for any vehicle leasing agreement. Before making a final selection, relevant financial/contract experts of the Ministry shall prepare a comparative analysis of different contract packages from the following alternative options for approval from the appropriate authority:

Finance Lease

Finance leases will allow the Government to use the vehicle from private operators throughout its useful working life without ultimately owning it. At the end of the lease agreement there will be two options for the Government: the fleet can either continue to use the asset by simply paying nominal rentals; or sell it and benefit from a proportion of the sale proceeds. Either way, the exposure to risk on the vehicle's residual value for both the Government and the private operator is minimised.

The competent authority shall consider both potential Finance Lease options as it deems appropriate to maintain an efficient fleet service. The first is a Residual Value Lease, which provides fixed monthly payments over the period of the contract followed by a 'balloon payment'. The second is a 'Fully Amortised Lease'. With this type of lease, the monthly payments account for the entire value of the vehicle over the contract period. A designated auditor from the ministry shall maintain the cash in and out flows on any Finance Lease agreements on the balance sheet to offer the transparency that is desirable for any lease agreement.

Operating Lease

This finance product can be treated as 'off balance sheet' for accounting purposes, which can lead to improved financial ratios such as gearing and liquidity. At the end of the leasing period, the private leasing company will have to take on the residual value risk of the vehicle, protecting the Government from the volatility of the market and any unforeseen changes in legislation. In addition, when calculating the rental payments on an operating lease, the residual value of the asset will be taken into account. This is likely to result in significantly lower rental costs than those offered on a hire purchase agreement.

Contract Hire

Contract Hire is a method of hiring motor vehicles for use over an agreed time and mileage without ownership, where the monthly rental is fixed (often referred to as an Operating Lease). The competent authority in each ministry shall bear responsibility for a range of additional services such as servicing; maintenance; tyres; road fund licence; and repair and replacement of any unfit vehicle to maintain a worry-free upkeep of the service throughout the terms of the agreement and to have a better understanding of forecasting and budgeting of the fleet service. Qualifying agreements will be treated as off-balance sheet, which means that financial ratios such as gearing and liquidity are not adversely affected.

4.8.2 GENERAL TERMS AND CONDITIONS FOR CONTRACT AGREEMENT

In order to provide for efficient and problem-free fleet services and minimising risks, important conditions of the contract following general terms and conditions shall prevail:

- (i) There shall be mandatory provisions for joint investigation comprising representatives from private operators and Government officials (preferably representatives from the fleet management team) on monthly, periodic and annual inspection of hired/leased vehicles to verify the condition of any vehicle to

provide intended service and recommend the repair or replacement of vehicles to ensure uninterrupted service.

- (ii) There shall be provision for imposing a significant penalty on the service provider in the contract agreement for any failure to comply with specified standard service criteria including late arrival; failure to provide uninterrupted service; unscheduled break down of vehicles while on duty; failure to provide an appropriate vehicle for its intended purpose; failure to provide the requisite amount of fuel and other resources to accomplish any specific task on demand; and any other substandard services.
- (iii) There shall be mandatory provision for cancellation of the service contract upon repeated failures to provide the specified service. The termination of the contract will come into effect after two cautionary notices to the concerned service provider have been issued by the relevant authority;
- (iv) There shall be provision in the contract agreement to employ the services of designated Motor Pool Vehicle fleet maintenance personnel from the private operator and a counterpart official from the concerned authority for undertaking joint inspection of each vehicle before assignment. The inspection shall ensure that the vehicle is fit for its intended use, clean, in operating condition, gas tank filled and a record made of all visible defects at the time it is signed out. A copy of the record shall be given to the user. When vehicles are returned to the Motor Vehicle Pool, Motor Vehicle Pool maintenance personnel shall complete the vehicle check-out to verify mileage and other information reported by the user at the time the vehicle is returned. A copy of the check-out document shall be given to the user. Both records at hiring and check-out shall be transmitted regularly to the fleet management team for record keeping, future reference and analysis.
- (v) There shall be provision in the contract agreement to ensure the service provider bears responsibility for operating all hired/leased vehicles safely and according to the applicable laws, rules, and regulations;
- (vi) Any vehicle lease/hiring contract shall assign the sole responsibility of the vehicle to service providers for any fines and/or penalties resulting from improper use of a vehicle;
- (vii) The operators shall bear responsibility for keeping all leased/owned/rented vehicles maintained in safe operating condition.
- (viii) The vehicle operator shall be responsible for purchasing insurance coverage that is adequate for the vehicle's use (e.g., Vehicle Loan scheme vehicles must be covered for both business

and private purposes). The appropriate authorities must ensure that valid third party liability coverage has been obtained and rated business use for vehicles that are used for business purposes for more than six (6) days per month.

4.9 Development of Digitised Fleet Management Database

The Government Fleet Management Team will bear overall responsibility for maintaining the Government's centralised vehicle fleet database including the management of the vehicle loan scheme. The fleet management team will handle the recovery process, insurance files, will perform economic analysis and projections, will submit periodic reports and liaise with all ministries fleet representatives on a regular basis. All ministries/agencies shall report vehicle data to Government Fleet Management Team at least on a monthly basis using an appropriate data transfer mechanism. The mileage logs and an inspection form shall be provided by the team in electronic format to each ministry for exporting such data to the central database at MININFRA on a monthly basis. There shall be provision for all ministries to provide information to the central database at MININFRA through an appropriate reporting system.

The Government Fleet Management Team will design a digitised fleet management database to automate the day-to-day duties required to operate and maintain a fleet of both owned and hired vehicles. Its main functions will include:

- (i) manage vehicle data including number and types of owned/hired/leased vehicles; expenditure on fuel and maintenance of vehicles;
- (ii) record of acquisition of new/replaced vehicles; assign vehicles to employees and/or sections;
- (iii) track vehicle mileage;
- (iv) manage installed equipment;
- (v) deadline old vehicles instead of deleting them from the database;
- (vi) track accidents record employee incidents;
- (vii) incorporate employee pictures;
- (viii) manage the Vehicle Loan and Special schemes including updating every new contract, calculation of lump sum and Km Indemnity, monitoring of monthly payment,
- (ix) automatically schedule inspections and calibrations;
- (x) generate a random list of vehicles for joint inspections with inspection forms;
- (xi) save annual scenarios for new and condemned vehicles and;
- (xii) perform economic analysis and base subsequent years' projections on previous scenarios ;
- (xiii) produce reports; and export data to Excel.

The administrator of central database at MININFRA shall also be responsible for keeping each and every record related to the vehicle loan and Vehicle Loan scheme and Special Group, and report them to the Government Fleet Management Team on monthly basis. In addition, the Government Fleet Management Team shall be responsible for the construction of a brief and accessible policy guideline document to be made accessible on the government website and distributed throughout the civil service.

5 CONCLUSIONS

The key conclusions, as drawn from the Fleet Policy are as follows:

- (i) The current Fleet policy did not fail, was good in essence, but was not properly implemented;
- (ii) For the revised policy to succeed, the government fleet management team must be reinforced and fully operational.
- (iii) The revised Fleet Policy will assist developing an appropriate fleet management system for the Government of Rwanda by reducing capital and operating costs, and misuse and abuse of Government facilities;
- (iv) The Fleet Policy will provide transparent guidelines for the management of vehicle loan and special scheme ensuring efficient and effective management of the schemes;
- (v) The policy will guide decision makers to develop appropriate and efficient fleet management strategies for all government owned/hired/leased vehicles;
- (vi) The policy will provide appropriate guidance for the efficient and appropriate management of project and motor pool vehicles;

- (vii) The policy will provide guidance to develop an efficient transport system for Government officials ensuring maximum operational mobility and efficiency;
- (viii) The policy will encourage the Government to implement the adopted Public Transport Policy and Strategy; and
- (ix) The policy will assist in formulating policy guidelines for vehicle hiring contracts providing adequate safeguards against substandard service and negligence.