**EQUIPMENT COSTS GUIDANCE**

 Programme funds should not routinely be used to purchase equipment, and care should be taken if some or all of the grant funding is used to purchase such items (such as equipment that constitutes part or all of the activities or outputs of a project).

Particularly expensive, high profile equipment purchases may be subject to HMT gifting rules or be considered “novel, contentious or repercussive” and need HMT approval (see Gifting guidance, and guidance on “Novel, Contentious or Repurcussive” payments in HMT guidance “Managing Public Money”).

Where a project proposal includes the purchase of equipment with Programme funds, it must be considered carefully by the project appraisal and selection teams during the bidding and selection stages in order to decide whether such equipment is essential for, and directly linked to, the delivery and policy-based outcomes of the project.

A Programme Board can approve the purchase of equipment with Programme funds if it is satisfied there is a genuine project-specific need and that a Grantee could not be expected to hold such equipment as part of its core business operations.

Programme and Project teams must not approve the use of programme funds to buy equipment that an implementing agency should reasonably be expected to provide itself. The FCO would expect a Grantee to provide much if not all of the equipment necessary to support its core activities and those of the project.

If equipment is provided for the general benefit and use of a Grantee then, even as part of a Grant, such equipment may be classified as a Gift and subject to HMT gifting rules.

Equipment remains the property of the FCO during project implementation. A Programme Board can exceptionally agree that ownership of such equipment transfers to the Grantee on completion of a project. All equipment purchases, including the ownership transfers at the end of a project, must be agreed and recorded before a project begins and after careful consideration by the selection teams that there is a genuine project-specific need (see clause 8.4 to 8.10 of the Grant Contract template).

Policy Programme Transformation Unit (PPTU)

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