

## Lesson 3

# Procedure for drawing up contracts with appraisers

### In this lesson you will learn more about:

- █ who concludes which contracts with appraisers, in accordance with P+R
- █ who is responsible for the technical aspects of contracts with appraisers and who is responsible for the commercial aspects
- █ standard procedures for drawing up local contracts with appraisers
- █ when to apply the cross-check principle when preparing and implementing contracts with appraisers

## 3. Procedure for drawing up contracts with appraisers/consultants

When drawing up contracts with appraisers, there are technical, commercial and legal aspects to consider. In addition, there are tendering procedures to be followed, locally customary market prices to be agreed upon, and risks to be avoided or reduced.

In order to avoid or, at the very least, reduce associated risks, the procedure for drawing up contracts always involves more than one person.

### 3.1 Who, according to P+R, concludes appraiser contracts?

#### Contracts with German and international appraisers

>20.000 €

These contracts must be concluded using **ESPRIT**, a SAP-based contracting application used at GIZ Head Office.

The Procurement and Contracting Division is responsible for processing and awarding contracts for services and work/labour concluded with German and international consultants (appraisers).

In the Sector and Global Programmes Department and at the Academy for International Cooperation (AIZ), the processing and awarding of contracts is the responsibility of the cost-unit financed administrative officer. The Procurement and Contracting Division is consulted in the case of contracts above the threshold of EUR 20,000.

Invoices associated with contracts drawn up by Head Office are also processed there. The Financial Services Division (OE 5700) is responsible for verifying invoices.

#### Contracts with local and regional appraisers/consultants

>50.000 €

The relevant **GIZ office** uses the **CoSoft** software application – the use of which is stipulated in P+R – to enter into these contracts.

The proposed contract award procedure must be approved by the Procurement and Contracting Division (E200) at Head Office if the contract value is in excess of **EUR 100,000**.

Delegation of authority to enter into local contracts

< 2.500€

Up to a contract value of **EUR 2,500**, the country director may delegate the task of concluding the contract to the officer responsible for the commission. Any such delegation must be documented in writing. In these cases, the contract is prepared using the template in Microsoft Word (see link in P+R) rather than CoSoft, and the officer responsible for the commission must therefore carry out a manual check of the blacklist. The corresponding link is available in P+R. More information on the blacklist can be found in section 4.3.

### 3.2 Technical elements of the contract: duties of the officer responsible for the commission

The officer responsible for the commission must ensure that all technical and budgetary elements of contracts with appraisers are correct. He/she must formulate the need for a specific service or work in precise terms and provide the office with all the technical information it requires to prepare the contract.

The officer responsible for the commission or the officer responsible for the cost centre is responsible for identifying appropriate needs and must involve the unit in charge of awarding the contract and preparing the contract documents in good time.

The officer responsible for the commission:

- █ determines the need for appraiser services;
- █ prepares the terms of reference (ToRs) including the specification of inputs;
- █ selects the qualified appraiser(s) and justifies the selection;
- █ assesses the performance of services/work/labour, decides on formal acceptance and documents both of these processes after completion.

### 3.3 Commercial elements of the contract: duties of the GIZ office

The GIZ office must ensure that the contract is prepared and managed correctly from a commercial perspective. This includes complying with P+R and with the established contract award procedures.

In accordance with the P+R standard, each office must establish and maintain a local fee schedule. This is a useful and well-established method of ensuring that fees are agreed transparently on the basis of customary market prices (see lesson 4).

The entire procedure must be documented and filed in a transparent manner.

To this end, the GIZ office must:

- check that the choice of contract type is correct (e.g. contract with appraiser or employment contract, contract for services or for work/labour);
- check that the ToRs and specification of inputs are plausible;
- decide on the correct contract award procedure (or where applicable check the reasons given for awarding the contract);
- obtain offers
- specify and document the corresponding fees using the local fee schedule (negotiation of fee for new appraisers/ or confirmation of fee in case of appraisers which whom a contract has already been concluded);
- prepare the contract in CoSoft including the basis for any reimbursements, payment schedule and payment terms;
- verify invoices and obtain confirmation from the officer responsible for the commission that the corresponding services/work/labour have been performed;
- keep and update the contract file.

The European Union has drawn up a blacklist to help combat terrorism. EU Member States are not permitted to do business with individuals, institutions and companies on the blacklist. Non-compliance is subject to substantial penalties. GIZ's IT systems (PBS, SAP-FI, SAP-MM, ESPRIT, CoSoft, and ProSoft) automatically carry out checks to ascertain whether individuals, institutions or companies are on the EU blacklist. If the system identifies a positive result (a 'hit'), processing of the respective transaction is automatically blocked and can only be continued once it has been checked in person and approved by Head Office. The relevant contact persons in this case are listed in the overview of contact persons and responsibilities for automatic blacklist checks, which is available in P+R.

The following P+R rule applies to manual blacklist checks.

**P+R Rule: Manual blacklist check**

In the case of procurements and other contracts that are not or are only partially recorded in GIZ's IT systems, the staff member responsible for procurement must carry out and document a manual blacklist check before entering into the business relationship if:

- there are grounds for suspecting that the contract partner might appear on the blacklist, or
- the procurement value is EUR 2,500 or more.

The director of division in the country department may set a lower threshold. Please note that in the case of projects the officer responsible for the commission must check the blacklist manually. The check must then be documented in the contract file.

### 3.4 Award procedure

Contracts worth up to EUR 1,000 may be awarded directly (Federal Foreign Office Commissions: up to EUR 500). For commissions worth between EUR 1.001,00 and EUR 7.999,99, one economically advantageous bid must be obtained to procure the service (direct award). From EUR 8.000,00 , three price bids shall be obtained. The officer responsible for the commission names at least three appraisers that are technically eligible. A technical evaluation of the bids no longer takes place. Only the price offers are evaluated. The contract is awarded to the most competitive offer. A direct award is only possible if the appraiser has unique characteristics. Examples of a contractor's unique characteristics include its specific qualifications, its capacity to deliver a service in a certain way or its unique market position (e.g. specific experience, intellectual property rights, monopoly). For contracts with an estimated value of EUR 20,000 or more, CoSoft is used to manage competitive tendering. The GIZ office may choose to set a lower threshold. From a threshold of EUR 100.000,00, the GIZ office must refer the contract to the Procurement and Contracting Division (E200) at an early stage, before competitive tendering or contract preparation starts, so that it can check and approve the contract award procedure intended. This review is based on the form 'Determining the order placement procedure for local and regional consulting contracts', which is available in P+R. This form must be submitted together with all the relevant annexes. The approval

decision is based on various factors such as the reasons given for the choice of contract award procedure and the terms of reference.

The award procedures and thresholds also apply to consulting firms.

The following steps must be adhered to in competitive tendering:

- █ send the ToRs, technical assessment grid, letter and the application conditions to potential bidders;
- █ assess the technical qualifications of bidders,
- █ assess the price bid;
- █ draw up an overall ranking.

More information on implementing a competitive tender in CoSoft can be found in the CoSoft manual and in the course on contracts with consulting firms.

Link to CoSoft tips:

<https://dms.giz.de/dms/llisapi.dll?func=ll&objAction=browse&viewType=1&objId=42566222>.

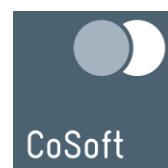
### 3.5 Flowchart – Procedure to be used at GIZ offices for entering into contracts with local consultants



According to P+R, the country director may delegate authority for entering into contracts valued at up to EUR 2,500 to the officer responsible for the commission. This decision must be documented. In such cases, the officer responsible for the commission must follow the same procedure outlined above.

**CoSoft Tipp**

In CoSoft contracts, two GIZ signatures must be provided at the bottom of the contract. We recommend that the officer responsible for



the commission sign to confirm that the technical elements of the contract are correct, and that the GIZ office sign to confirm that the procedural and commercial elements of the contract are correct.

As soon as all the information has been entered, the local appraiser/consultant contract is entirely prepared in CoSoft and can be printed out.

The technical elements (especially the ToRs) are specified by the officer responsible for the commission. They are entered in the 'special agreements' section, which forms an integral part of the contract.

CoSoft is not used when contracts with a maximum value of EUR 2,500 are concluded by the project (if authority to do so has been delegated). The officer responsible for the commission must carry out the blacklist check manually and document it accordingly in the contract file.

### Keep in mind:

The project is responsible for ensuring that all documentation is submitted in good time and in full to the GIZ office before the contract starts. The officer responsible for the commission handles technical aspects of contracting.

The GIZ office is in charge of commercial aspects of contracting. GIZ Head Office draws up contracts with German and international experts in ESPRIT.

The GIZ office draws up contracts with local experts in CoSoft. GIZ Head Office must be consulted where the intended contract value exceeds EUR 100.000,00.



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