

## Lesson 4

# Fee schedule for appraisers

In this lesson you will learn more about:

- how to determine an appropriate fee rate for appraisers and who enters into contracts with them
- the importance of a fee schedule
- how to create a fee schedule for your office
- how to determine the customary market price and how to logically categorise market prices and expertise
- what fees can be negotiated for working days, calendar days, travel days and weekends

## 4. Fee schedule for appraisers

In cases where contractual values are low, appraisers are often contracted without tendering. The fees paid in such instances must still correspond with customary market prices, however. In this lesson, you will learn more about the 'fee schedule', which is used to ensure that contracts concluded with international, local and regional experts are based on customary market prices.

### 4.1 Agreement on fees for local and regional consultants/appraisers

#### P+R Rule

The country director must ensure that the fees set for consultants (appraisers) resident in the country of assignment or a neighbouring country are in line with local market prices. For this purpose GIZ offices draw up a local fee schedule and enter it in the COSOFT contracting program. The fee schedule is updated at regular intervals.

In order to ensure that any contracts entered into are based on customary market prices, GIZ offices should develop standard, binding schedules of fees for appraisers and consultants, along with maximum limits that must be respected. To this end, they need to draft and update a country-specific fee schedule using CoSoft, GIZ's contracting software.

The fee schedule for international appraisers and consultants (see P+R) will provide support in this context.

<https://gizonline.sharepoint.com/sites/pur/SitePages/Rules.aspx?id=121>

The local fee schedule is applied for local and regional appraisers; however, for assignments outside the country or cross-border region of residence, the fee schedule for international assignments in accordance with ESPRIT may be applied if this seems appropriate in terms of the individual's professional profile and the particular assignment. The local fee schedule is used if the appraiser's place of residence and assignment are both in the partner country.

## 4.2 Fee categories



In order to create a fee schedule, the fee categories most commonly used in the country in question need to be defined. Fee categories list groups of experts that receive roughly the same remuneration.

Categories may be based on specific fields of expertise, e.g.

- A. Moderator
- B. Forestry expert
- C. Legal advisor

Alternatively, a broader criterion such as expertise may be used to determine and categorise remuneration. For example, if moderators, psychologists and trainers receive similar remuneration, they could be assigned to group A.

If remuneration in your country is based on formal educational background rather than on expertise, then this criterion could be used instead. Possible fee categories in this instance include:

- A. Graduate, PhD
- B. Graduate, first degree
- C. Non-academic, professionally trained
- D. Skilled worker

These examples are for orientation purposes only. You should take a close look at what criteria influence allocation to a particular category in your country. This is the only way of ensuring that any categorisation you make is realistic, transparent and in line with market conditions.

## 4.3 Fee levels



Once you have assigned experts to a basic category, you can break down each category into different levels, based on the number of years' experience gained in the relevant field of expertise.

You could use the following **levels** within each **category**, for example:

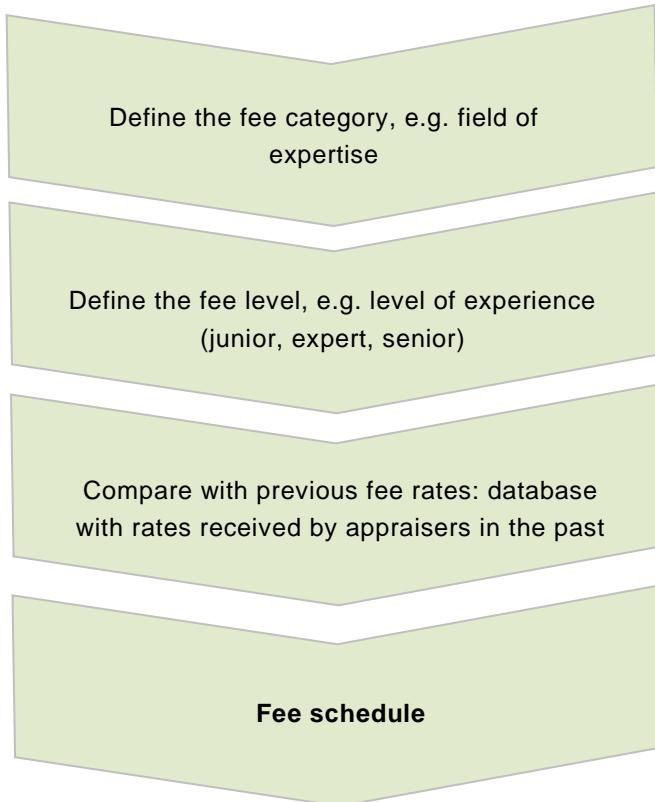
- Level 1 Junior expert, i.e. up to five years' experience
- Level 2 Qualified expert, between five and ten years' experience
- Level 3 Senior expert, more than ten years' experience

If the criteria "years of experience" is not a suitable way of structuring fee levels in your country, you could base the different levels on the complexity of the task in hand, e.g.

- Level 1 Easy, routine task
- Level 2 Task that requires specific expertise and experience in the area
- Level 3 Complex task
- Level 4 Particularly complex or responsible tasks; requires high level of specific expertise

Please make sure that you define fee categories and fee levels carefully and realistically, so that they work at a practical level. Once you have produced a schedule, it should be made binding in your country. Of course you can, and should, update it as the need arises, by adding more categories or levels. It is important that you stick to the original logical framework, however. This will ensure that the schedule provides your office and local projects with sound guidelines and guarantees that the process for negotiating and entering into contracts remains open and transparent.

### 4.4 Creating a fee schedule



You need a **written Curriculum Vitae (CV)** for all experts who have never worked for GIZ before. This will enable you to assess their professional background and sort them into a fee category. The CVs should be filed in the GIZ office.

#### Here is just one example for a fee schedule

##### A. Moderator



**Level 1:** Junior expert, i.e. up to five years' relevant experience

**Level 2:** Expert, between five and ten years' relevant experience

**Level 3:** Senior expert, more than ten years' relevant experience

Level	Minimum daily rate	Maximum daily rate	Minimum monthly rate	Maximum monthly rate	Currency
1	40	90	1,200	2,700	EUR
2	91	150	2,701	4,500	EUR
3	151	230	4,501	6,900	EUR

### B. Forestry expert



**Level 1:** Junior expert, i.e. up to five years' relevant experience

**Level 2:** Expert, between five and ten years' relevant experience

**Level 3:** Senior expert, more than ten years' relevant experience

Level	Minimum daily rate	Maximum daily rate	Minimum monthly rate	Maximum monthly rate	Currency
1	40	90	1,200	2,700	EUR
2	91	140	2,701	4,200	EUR
3	141	220	4,201	6,600	EUR

### C. Legal advisor



**Level 1:** Junior expert, i.e. up to five years' relevant experience

**Level 2:** Expert, between five and ten years' relevant experience

**Level 3:** Senior expert, more than ten years' relevant experience

Level	Minimum daily rate	Maximum daily rate	Minimum monthly rate	Maximum monthly rate	Currency
1	50	100	1,500	3,000	EUR
2	101	200	3,001	6,000	EUR
3	201	300	6,001	9,000	EUR

The fees paid to appraisers and consultants must reflect customary market prices. They should be determined following careful reflection, based on local research and on:



- ─ competitive tendering
- ─ the results of earlier tenders
- ─ any necessary adjustments for inflation
- ─ the results of earlier negotiations
- ─ information from other implementing organisations that operate in the partner country
- ─ a comparison with multilateral organisations in the partner country.

It may also be a good idea to compare the fees your office pays with the rates set by other offices in the region.

A lower rate should be agreed for assignments that run for longer than standard 'short-term' assignments.

The daily fee should only cover working days. Pay will only be provided for weekends if work is actually carried out on these days. A reduced rate may be paid for travel days.

Depending on the degree of complexity and difficulty, different fees may also be agreed for various types of assignments, with due regard for the quality of services provided to date.

As you can see, there is a lot of scope for negotiation. Remember that negotiations need to take into account the company's interests and comply with market conditions. Any arrangements you make need to be clear, transparent and valid for all appraisers and consultants. This will help you keep your eye on the 'big picture' and avoid constant renegotiations.

When drafting a fee schedule, you should define what exactly the rate includes, as this has a strong bearing on the overall fee paid. If an appraiser/consultant claims, for example, that he/she receives EUR 500 per day from another organisation, but only EUR 400 from GIZ, you should take a close look at what exactly is included.

Example Organisation XY:	GIZ		
4 days x EUR 500 =	2,000	4 days x EUR 400 =	1,600
4 per-diem allow. x EUR 150 =	600	1 day preparation x EUR 400 =	400
		4 per-diem allowances x EUR 20 =	80
		3 overnight acc.allow. x EUR 100 =	300
		Lump-sum travel expenses	250
Total amount paid in EUR	2,600	Total amount paid in EUR	2,630

In the example above, the appraiser/consultant fares better on GIZ's rate, that at first glance appears lower than the rate paid by the other organisation, which is calculated differently. It is therefore important to establish what exactly is included in the different rates and what costs are paid additionally.

Breaking down a fee into its different elements will not only ensure comparability; it will also help you to explain the rates to the officers responsible for the commission and the appraisers themselves and give you more scope for negotiation.

GIZ's fee rates do not include any travel expenses (such as per-diem allowances, overnight accommodation allowances, ticket costs, or lump-sum ancillary travel expenses).

Fee rates include the following costs incurred by the appraiser/consultant, such as:

- ─ day-to-day expenses e.g. for writing materials, communications (phone, internet), rent where applicable, insurance (including health/accident, pension provisions, liability and car insurance)
- ─ the cost of purchasing PCs, mobile phones
- ─ Continuing education costs.

GIZ only reimburses special costs if these are deemed necessary for fulfilling the contract with the appraiser. Such costs could include workshops, entry visas, special travel insurance or extra costs incurred for telephone interviews. Remember to ask if he/she is a frequent traveller and has long-term luggage/foreign health insurance and foreign liability insurance (then this will not need to be invoiced as a separate item). Additional telephone costs should be reasonable or may even be avoided if the appraiser consultant already has a flat-rate contract or can use Skype instead. To recap, these costs are not included in the daily/monthly rate, but are reimbursed as travel expenses/ancillary costs. They are settled as a lump sum or as vouched expenses.

#### CoSoft Tipp

COSOFT stores the most recent fee schedule for your country electronically. This means you can call it up at the touch of a button when you create contracts.



CoSoft

#### Keep in mind:

Remember to update your fee schedule regularly as prices may rise as well as fall depending on market conditions, inflation and the level of demand for certain services and expertise.



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message