

MEMORANDUM TO THE COMMISSION
ON A FINANCING DECISION RELATING TO A 2007 WORK PROGRAMME IN
THE FIELD OF ECONOMIC AND FINANCIAL AFFAIRS

The Commission decision on a 2007 work programme in the field of economic and financial affairs has been prepared in accordance with article 75 of the Financial Regulation and article 15 of the Internal Rules 2006 for the procurement and in accordance with article 110 of the Financial Regulation and article 166 of the Implementing Rules for the grants.

The proposals can be split into *grants*, *contributions to international organisations*, *procurements* and *financial contributions* of another kind:

- The first group contains the grants to be financed under the Joint Harmonised European Union Programme of Business and Consumer Surveys and for the actions managed by Member States in the field of information and communication on economic and monetary union, including the euro. The first group of actions will result from calls for proposals, while the second one will be awarded without a call for proposals to bodies with a *de jure* or *de facto* monopoly in this area. In accordance with Articles 49(2) and 75(2) of the Financial Regulation, the work programme for general grants awarded within the framework of a call for proposals also contains the information required for adopting a financing decision.
- The second group contains the financing of an action to be carried out in joint management with an international organisation (OECD) under the general activities of Directorate-General for Economic and Financial Affairs: "Economic and Monetary Union".
- The third group contains the procurements related to the financing of actions to be carried out under the following general activities of Directorate-General for Economic and Financial Affairs: "Economic and Monetary Union" and "International Economic and Financial Affairs".
- The fourth group contains the payments to the Community's Guarantee Fund for external actions in accordance with the provisioning method established for this purpose by the relevant basic act. These actions are carried out under the general activity "Financial Operations and Instruments".

The Commission will now adopt a decision on a 2007 work programme in the field of economic and financial affairs. On this basis, it is requested to adopt the attached Decision.

In view of the above, the Commission is invited:

- To approve the annexed 2007 work programme of the Directorate-General for Economic and Financial Affairs;
- To authorise publication of this work programme on the Commission's website;
- To confirm that the work programme of the Directorate-General for Economic and Financial Affairs ranks as a financing decision within the meaning of Article 75 of the Financial Regulation and Article 90 of the Implementing Rules for the Financial Regulation and constitutes a budgetary implementation framework for the purposes of Article 15 of the Internal Rules.

Draft

COMMISSION DECISION

of [...]

on adopting a 2007 work programme in the field of economic and financial affairs

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, as last amended by Commission Regulation 1248/2006 of 7 August 2006, OJ L 227/3 19/8/2006, and in particular Article 166 thereof,

Having regard to the fact that expenditure falling under the activity “Economic and Monetary Union” (01 02 02 – Coordination and surveillance of economic and monetary union – and 01 02 04 – Prince Communication on economic and monetary union, including the euro) result from the Commission’s prerogatives at institutional level, as provided for by Article 49(2)(c) of the Financial Regulation.

Whereas:

- (1) Under Article 75 of Council Regulation (EC, Euratom) N° 1605/2002 (the “Financial Regulation”), the commitment of every item of expenditure shall be preceded by a financing decision adopted by the institution or the authorities to which powers have been delegated by the institution.
- (2) Under Article 15 of the Internal Rules on the implementation of the general budget of the European Communities (2006) and Article 90(3) of the Implementing Rules, items of expenditure related to appropriations which can be implemented without a basic act in accordance with Article 49(2) of the Financial Regulation have to be authorised through a financing decision taken by the Commission offering an equivalent framework.
- (3) The 2007 work programme for procurements of Directorate-General for Economic and Financial Affairs (set out in detail in the annex) relates to the following activities:
 - Economic and Monetary Union;
 - International Economic and Financial Affairs;
 - Financial Operations and Instruments.

- (4) The 2007 work programme for financial contributions under joint management with an international organisation falls under the Coordination and Surveillance of economic and monetary union.
- (5) Under Article 110 of Council Regulation (EC, Euratom) No 1605/2002 (the "Financial Regulation"), grants are subject to an annual programme, to be published at the start of the financial year.
- (6) Under Article 166 of Commission Regulation (EC, Euratom) No 2342/2002 (the "Implementing Rules"), the work programme for grants is adopted by the Commission. It specifies the basic act, the objectives, the schedule of calls for proposals with the indicative amount, and the results expected.
- (7) The 2007 annual work programme for grants of the Directorate-General for Economic and Financial Affairs comprises two parts, set out in detail in the annex as follows:
 - Grant agreements under the Joint Harmonised European Union Programme of Business and Consumer Surveys;
 - Grant agreements under the Prince Programme.

The first category of actions falls under the Coordination and Surveillance of economic and monetary union and the second one falls under the Communication on economic and monetary union including the euro (Prince Programme).

HAS DECIDED AS FOLLOWS :

Sole Article

The 2007 work programme for grants and procurements annexed to the present decision is adopted.

Done at Brussels, [...]

For the Commission
[...]
Member of the Commission

ANNEX

Relating to the Financing of actions to be carried out in 2007 under the following general activities of Directorate-General for Economic and Financial Affairs: *“Economic and Monetary Union”, “International Economic and Financial Affairs” and “Financial Operations and Instruments”.*

1. INTRODUCTION

In accordance with article 75 of the Financial Regulation and article 15 of the Internal Rules 2006 for the procurement, in accordance with article 53 of the Financial Regulation and article 43 of the Internal Rules for joint management with an international organisation and in accordance with article 110 of the Financial Regulation and article 166 of the Implementing Rules for the grants, the commitment of every item of expenditure by the authorising officer by delegation shall be preceded by a financing decision adopted by the institution or the authorities to which powers have been delegated by the institution. According to article 90 of the Implementing Rules, the financing decision shall determine the essential elements of an action involving expenditure from the budget.

Directorate-General Economic and Financial Affairs (DG ECFIN) organises its activities around the following five ABB (activity based budgeting) activities:

- **Economic and Monetary Union**
- **International Economic and Financial Affairs**
- **Financial Operations and Instruments**
- **Policy Strategy and Coordination for DG Economic and Financial Affairs**
- **Administrative Support for DG Economic and Financial Affairs**

The present document forms a 2007 financing decision of DG ECFIN for actions to be carried out under the above-mentioned first three ABB activities. These actions will be realised by means of procurements, contributions to an international organisation, grants and financial contributions of another kind. Within each ABB activity listed below, planned actions are described and classified by budget line involved.

2. ECONOMIC AND MONETARY UNION

One of the general objectives of DG ECFIN is *“to foster EU growth, employment creation and sustainable development”*. Within this framework, the ABB activity *“Economic and Monetary Union”* (EMU) embodies the core activity of DG ECFIN. EMU is multifaceted and implies notably the realisation of objectives covering public finance issues, monetary policy issues, exchange rate issues, the coordination of national economic policies, structural reform as well as legal and practical questions. More generally, the EMU activity gives rise to a constant production of analytical and policy notes on a variety of subjects, both within the Commission and to outside bodies (Ecofin, Eurogroup, Economic and Financial Committee, Economic Policy Committee, etc.).

The budget lines related to the above activity are the following:

- | | |
|----------|---|
| 01 02 02 | Coordination and surveillance of economic and monetary union
Appropriations for commitments 2007: 6,715,000 € |
| 01 02 04 | Prince – Communication on economic and monetary union, including the euro
Appropriations for commitments 2007: 7,000,000 € |

2.1. Budget line 01 02 02 – Coordination and surveillance of economic and monetary union

An important part of the appropriations (5,000,000 €) under this budget line covers grants intended to carry out or continue the Joint Harmonised European Union Programme of Business and Consumer Surveys. This programme is described in detail in a Commission Communication of 12th July 2006 (COM(2006)379 final).

A small part of the appropriations (90,000 €) under this budget line covers a contribution under joint management to an international organisation (OECD) for an extension to a database of unit labour cost indicators.

The remaining appropriations on this budget line (1,625,000 €) are intended to cover the cost of procurements in respect of studies, analyses, evaluations, conferences, seminars, workshops, publications, technical assistance, the purchase of databases and software and the financing of measures relating to the internal and external aspects of Economic and Monetary Union (in the broadest sense of the term). This action programme for the promotion of research and analysis of issues related to the European economic and monetary union is described in detail in a Commission Communication of 14th July (COM(2006)389 final).

DG ECFIN expenditures for the line 01 02 02 (Coordination and surveillance of economic and monetary union) do not require a basic act as they are covered by article 49.2(c) of the Financial Regulation on the institutional prerogatives of the Commission.

On the basis of these prerogatives, the following actions are planned:

2.1.1. Joint Harmonised European Union Programme of Business and Consumer Surveys (BCS)

2.1.1.1. Introduction

One of the actions undertaken under the objective to support the Commission's internal capacity to conduct economic studies is the harmonisation, coordination, analysis and dissemination of business surveys in Member States.

Harmonisation is essential to allow the comparison of business cycles in the different Member States and the calculation of a meaningful business cycle index for the euro area and for the EU as a whole, in order to inform the EU authorities, the Member States and the various economic agents about the present economic situation. Business and consumer surveys summarise attitudes and judgements of a large number of managers and consumers for different sectors of the economy in the European Union. Results are published on a monthly basis.

In view of the time lag involved before results become available for countries applying for EU membership, work needs to be set in motion before the actual accession date (selection of suitable national institutes, technical assistance, etc.), which implies that business and consumer surveys are also conducted in these countries. As a result, these activities also contribute to the realisation of another objective of DG ECFIN ("to prepare for further enlargement"), which falls under the ABB activity "International Economic and Financial Affairs".

2.1.1.2. Work programme 2007

The Commission's share in the joint financing may not exceed 50% of the expenditure incurred.

Contractual method	Annual indicative amount for 2007	Objectives / expected results
Call for Proposals	3 600 000	<p>Objectives: To collect data on the opinions of business managers and consumers in all Member States on the state of their economies. To this effect, surveys are carried out in various economic sectors (industry, construction, retail trade, investment, services sector, households and international) in accordance with a harmonised methodology.</p> <p>Results: As a result, timely and comparable information on the state of the individual countries' business cycle should become available, which can be aggregated meaningfully into EU and euro area aggregates. Such information has become an essential tool for policy making in the economic and monetary union.</p>
Call for Proposals	720 000	<p>Objectives: To collect data on the opinions of business managers and consumers in all recently acceded Member States, and in Bulgaria and Romania, on the state of their economies. To this effect, surveys are carried out in various economic sectors (industry and households) in accordance with a harmonised methodology.</p> <p>Results: As a result, timely and comparable information on the individual countries' business cycle should become available, which can be aggregated meaningfully into EU aggregates. Such information has become an essential tool for policy making in the economic and monetary union.</p>
Call for Proposals (Framework Partnership Agreement)	680 000	<p>Objectives: To collect data on the opinions of business managers in all recently acceded Member States, and in Bulgaria, Romania and Croatia, on the state of their economies. To this effect, surveys are carried out in various economic sectors (construction, investment, services sector and retail trade) in accordance with a harmonised methodology.</p> <p>Results: As a result, timely and comparable information on the individual countries' business cycle should become available, which can be aggregated meaningfully into EU aggregates. Such information has become an essential tool for policy making in the economic and monetary union.</p>

2.1.2. Extension of a database of unit labour cost indicators

2.1.2.1 Introduction

The OECD is developing a new system to produce annual and quarterly unit labour cost indicators (UCL) covering all economic activities and compiled according to a specific methodology for all 30 OECD Member countries and the European Monetary Union.

2.1.2.2 Description

The OECD has proposed to the Commission to co-finance under joint management the extension of the database to include:

- Six non-OECD European Union countries to the OECD System of Unit Labour Cost indicators (Latvia, Estonia, Lithuania, Slovenia, Malta and Cyprus);

- Development of geographic zone estimates, including EU 27;
- Development of competitiveness indicators, labour compensation per unit of labour input indices and labour productivity indices for the same economic activities as covered by the ULC indicators;
- Access to the OECD corporate statistical information system where all outputs will be available for analysis.

The total cost of the Commission's intervention is estimated at € 90,000.

Justification: currently there is no unique source that directly provides quarterly data on ULC, compiled according to an agreed methodology. The OECD proposal to provide data for the six non-OECD EU countries and to give access to OECD corporate statistical information fills a gap in data provision. Consequently the output of this initiative would be useful for monitoring labour market and inflation developments, for medium-term analysis of labour markets, for the construction of cost competitiveness indicators and would provide a breakdown by all EU Member States for the country desks.

The OECD is in a privileged position insofar as 19 of the 27 EU countries are members and it has an extremely good contact and networking system with National Statistical Institutes. The OECD has in addition the in-depth knowledge of the existing source statistics and the relevant methodological expertise and experience required to extend the UCL database.

2.1.3. Conferences, Workshops and Seminars

Within the activity of coordination and surveillance of economic and monetary union, DG ECFIN will hold a series of conferences, workshops and seminars. The aim is to examine topics of particular importance for the economic and monetary union and to strengthen in-house know-how through improved connections with the economic research community.

In order to carry out these actions, negotiated procedures for low-value contracts will be launched and some will be based on a prior call for interest. The planned actions are as follows:

Annual Economic Research Conference

The topic of the 2007 edition of this conference will be "growth and income distribution in our globalised economies". For this purpose, the following broad areas will be debated during two days: profits and the labour income share, the pattern of growth in income inequality, the links between growth and income inequality and the design of economic policies to influence growth and the distribution of income and wealth. A number of prominent economists carrying out research in the fields covered will be invited to submit papers for the conference. (Procurement procedures will start in spring 2007).

Justification: A continued bifurcation of the income distribution could have a profound negative impact on our economies, in particular in Europe compared to the United States. Therefore, there is a need to better understand the trends and drivers of the patterns of income distribution in our societies and the efficacy of the redistributive tools at the disposal of policy-makers in varying circumstances.

Seminars – “Economic Seminar Programme 2007”

During their one-day visit at DG ECFIN, the seminar speakers will present their research in the form of a general lecture organised by DG ECFIN, based on a paper (Procurement procedures will start in January 2007).

Justification: The general aim of the Programme is to enhance the overall quality of work done by DG ECFIN, strengthening in-house know-how by improving its connections with the economic research community.

Seminars – “Visiting Fellows Programme “

During their stay, Visiting Fellows will be expected to either (a) present their research work in the form of a Seminar to staff members, and prepare an accompanying Seminar Paper for eventual publication in the “*Economic Papers*” series of DG ECFIN, or (b) give a series of presentations (approx. 5 per week) on a somewhat broader economic research agenda related to the functioning of EMU (Procurement procedures will start in January 2007).

Justification: The general aim of the Programme is to strengthen in-house know-how through improved connections with the economic research community.

Workshop – “EMU: Looking ahead after 10 years“

This workshop is designed as an input into DG ECFIN's contributions to mark 10 years of EMU. The ideas, arguments, analysis and evidence which the papers produced for this event will feed into DG ECFIN's internal work on this issue, e.g. a possible update of the European Economy Special Report on "EMU after 5 years" (Procurement procedures will start in July 2007).

Justification: Making a success of EMU is central to the core activities of DG ECFIN. For this reason, it is essential that DG ECFIN should play a prominent role in the debate on the tenth anniversary of EMU's launch by promoting a balanced assessment of the single currency's achievements and stimulating discussions on future challenges for euro-area economic policy.

Workshop – “Dynamic adjustment within EMU“

Attention has focussed recently on growth differentials across euro area Member States and the factors behind such differentials. Now seven years after the creation of the euro area, we are in a better position to assess how economic adjustment has been progressing under the euro, with particular focus on the channels of inter-country adjustment and how policies have influenced the operation of these channels. The objective of this joint workshop with the ECB would be to discuss economic adjustment under the euro on several fronts – model-based analysis, experience with the various channels of adjustment, the roles of fiscal policy, financial markets and structural policies – and to explore possible policy responses that would improve the functioning of the euro area (Procurement procedures will start in March 2007).

Justification: The ECB has proposed a joint workshop on "dynamic adjustment within EMU". This proposal has been endorsed by the Board of Directors. Analysing economic adjustment within the euro area is a key issue in DG ECFIN surveillance.

Workshop – “The role of monetary and fiscal policy in catching-up countries”

The new Member States and the acceding countries are engaged in a challenging catching-up process and the speed at which they develop varies across countries. This catching-up occurs against the background of EU membership and its multilateral surveillance, with at the centre the Lisbon process. Having the appropriate macroeconomic policies is one of the three pillars of the Lisbon strategy (next to micro and employment policies). The workshop aims to analyse macro economies policies, with a focus on fiscal policy, in the context of catching-up and more precisely the link with structural reform (Procurement procedures will start in May 2007).

Justification: The workshop could draw attention to the macroeconomic pillar for which DG ECFIN has a general responsibility, as an essential element of the Lisbon agenda. Issues of sequencing and reform fatigue could be addressed, as well as country experiences. This workshop could complement the ongoing studies of financial stability in these countries and build on the EU Review's analysis of adjustment mechanisms in the euro area.

2.1.4. Access to Databases

External commercial data supply services for DG ECFIN

The aim of this action is to provide DG ECFIN users with a comprehensive array of relevant, reliable and timely macro-economic statistical information that they require. In addition to internal statistical databases, external data sources are needed. Statistical requirements have been coordinated within the DG.

Several existing contracts will be renewed in 2007. For this purpose, a series of calls for tenders will be launched throughout 2007 as well as negotiated procedures in a few cases. An inexhaustible list of the external commercial data supply can be found below.

- Ratings and research services: Provision of Global Issuers for Treasury Operations by Standard and Poors. This service includes credit ratings and relevant analyses on banks, financial institutions and corporates in the OECD, the EU and its neighbouring regions and on sovereigns, regional or local governments and supranational entities of this area.
- Ratings and research services: Provision of ratings on Structured Finance instruments for Treasury Operations, in particular on asset backed securities.
- Annual Accounts: provision of data on financial accounts of companies, in particular European companies.
- Consensus Economics EU and Eastern EU: provision of data relating to macroeconomic forecasts for given countries by the leading forecasters by Consensus Economics.
- Mergers and Acquisition: provision of mergers and acquisitions data in order to carry out research into levels and changes in mergers and acquisitions activity

over time to inform policy decisions and to produce the twice yearly DG ECFIN Mergers and Acquisitions Note.

- Reuters Trader: provision of data relating to currencies and short-term interest rates by Reuters.
- Ecowin: provision of macroeconomic data by Reuters.
- Bankscope: provision of data for Financial risk management for Treasury Operations by Bureau Van Dijk.
- Bloomberg: provision of financial data by Bloomberg.
- Reuters Xtra: provision of real-time financial data for treasury operations.
- Provision of prices and indices for bonds.
- Provision of various economic and financial data.
- Subscriptions to specialised databases or online information services providing economic and financial statistics and analysis.

Justification: In order to be able to provide accurate economic analysis and evaluation, implement EU financial programmes on behalf of other Commission departments, and undertake financial market operations (borrowing and lending, treasury management) in close cooperation with the EIB, EIF and EBRD, on-line access to specialised macro-economic and financial data is required.

2.1.5. Studies and evaluations

In the framework of DG ECFIN's research activities, several studies will be carried out by external contractors in 2007. For this purpose, several calls for tenders will be launched.

Study on spillover effects across countries in the euro area

The work underlying the 2006 EU Economy Review has investigated many issues related to economic adjustment within the euro area. One issue which deserves further investigation is the spillover effects of the economic adjustment/behaviour/policy of one member state in terms of its implications for adjustment in other euro area Member States. Quantitative evaluation involving a model is needed to capture the intricacies of the economic and policy interlinkages across Member States. The project would end with a workshop to discuss with other international experts the evidence concerning such spillovers and their implications for policies to enhance the medium to long term adjustment in the euro area. A call for tenders will be launched for this purpose (procurement procedures will start in July 2007).

Justification: Existing academic studies do not provide suitable models and empirical grounding to evaluate how spillovers in terms of economic adjustment and policy impinge on adjustment and policies in other Member States in the euro area framework. In addition, the work underlying the 2006 EU Economy Review only scratches the surface where "spillovers" is concerned.

Financial development and stability in Eastern Europe

The EU Member States in Eastern Europe, and a number of candidates and potential candidates in the region, are experiencing very rapid credit growth and in some cases wide external current account deficits. Many recent studies focused on headline credit growth, against cross-country benchmarks. The aim of this project, by contrast, would be to evaluate country experiences in a manner that pays more regard to credit composition, sectoral developments, counterparts to the external current account, and the real economy setting, including productivity trends. The project would end with a workshop to discuss with other international experts the evidence concerning sustainability of growth dynamics and the risks of financial sector stress, including contagion questions (procurement procedures will start in January 2007).

Justification: Financial sector developments in recently acceded Member States and candidate countries is a key issue for DG ECFIN surveillance. Moreover, existing academic and international financial institutions studies do not provide sufficient empirical grounding to evaluate how risks vary across countries, and how they map to the design and implementation of macroeconomic, supervisory and other structural policies.

Price and wage stickiness in the euro area: microeconomic reasons and employment impact

This study will further investigate the microeconomic reasons behind the price and wage stickiness of firms in the EU looking in particular at the role of competition and market integration. Furthermore, it will aim at better understanding the difference in the pricing behaviour of firms in services and manufacturing, given the increasing importance of the former in the EU economy. The price increases in services may reflect rising in production costs due to wage increases, arguably higher costs of technology adoption or more protected competitive environment due to lower exposition to trade (Procurement procedures will start in spring 2007).

Justification: Recent research based on survey firm data evidence shows that prices and wages remain sticky across the euro-area. It is therefore of crucial importance for policy making to investigate further the reasons why price and wage stickiness persists, as it hinders the benefits that market integration and structural reforms can deliver to European Citizens.

Efficiency of public spending on education

The objective of the study is to improve the economic foundation of policy decisions to be taken on the use of public funds for education. This will require the analysis and measurement of the efficiency of Member States' public spending on education and training. The contractor will be invited to develop a tool to establish a comparison of the EU-27 member States according to their efficiency levels based on well-defined measures of the education inputs and outputs, to explain the differences between them in relation to the exogenous factors and to discuss appropriate measures to increase efficiency of public spending on education and training for the Member States (Procurement procedures will start in spring 2007).

Justification: Since 2000, many European Councils have stressed that learning is a key component for the development of the European economy and have issued recommendations to the Member States on this issue. In order to perform its

monitoring activities, the Commission must be able to assess the efficiency of government spending in the area of education and human capital.

Review of the Slovenian changeover to the euro

Slovenia will be the first Member State to adopt the euro after 1 January 2002. The Slovenian changeover moreover constitutes the first opportunity to assess the effectiveness and smoothness of a changeover under a "big bang" scenario. A comprehensive ex-post review of the Slovenian changeover should be carried out in order to deepen our understanding of the critical elements in the process and to draw lessons for future changeover preparations.

The review should take the form of a study to be conducted by an independent external consultant under the new DG BUDG Framework Contract for procurement of evaluation and evaluation related services (envisaged to be signed in September/October 2006). The review should cover all relevant aspects of the transition (notably cash changeover, conversion of financial and administrative systems, changeover of the public sector, information and communication on the euro). It should be based on an extensive consultation of the most relevant actors and sectors (through interviewing), on available quantitative information, and should include an assessment of the coverage of the changeover in the national media. The active co-operation and involvement of the Slovenian authorities will be sought as this constitutes an essential condition for conducting a comprehensive review (Procurement procedures will start in January 2007).

Justification: Preparing and accompanying the enlargement of the euro area is one of DG ECFIN's core activities under the Commission's Work Programme. A comprehensive review of the Slovenian experience will help us to draw the right lessons for the future and thus constitute valuable input for all future preparations. The conclusions will furthermore be discussed and examined in specialised fora such as the "Public Administration Network" (PAN II) and the Directors of Communication on the euro and EMU (DIR-COM). Recourse to an external evaluator allows for an independent assessment of the changeover."

2.1.6. *General Publications*

The annual publication programme of DG ECFIN is devoted to economic issues of EU relevance, and is divided between several specific publication series. The generic "European Economy" series covers the reports on important recurrent Commission exercises (e.g. Broad Economic Policy Guidelines, economic forecasts, public finances in EMU). Other series cover special reports on issues dealt with either at Commission or DG ECFIN level, analytical papers on economic issues, and reports on the enlargement process of the EU.

These publications will be produced through several specific contracts (concluded throughout 2007) under a Framework Contract managed by OPOCE.

Justification: This publication programme aims at informing a more specialised public on the results of the works of economic nature carried out within DG ECFIN, which are relevant for the Economic and Monetary Union.

2.2. Budget line 01 02 04 – Prince – Communication on economic and monetary union, including the euro

The first priority for our communication activities in 2007 is to help the new Member States which intend to adopt the single currency in the following years in their communication campaigns on the euro. The Commission will continue to implement these activities in close cooperation with the Member States, mainly within the framework of Partnership Agreements but also through central activities. The implementation of the work programme under the Partnership Agreements depends on the target date set by the Member States and the communication strategies they have adopted.

A second priority is to improve the information on the euro and the economic and monetary union (EMU) within the Member States belonging to the euro area. For this purpose, the Commission intends to modernise its communication tools through the development of audiovisual material and an increased use of the Internet.

The appropriations for commitments amount to € 7,000,000 in 2007 for budget line 01 02 04 (PRINCE – Communication on economic and monetary union, including the euro). Within this amount, € 6,200,000 will be used for procurements to be launched under the various categories of actions defined below while € 800,000 will be reserved for grants (co-financing of actions in the new Member States).

The three building blocks of the 2007 information campaign are:

- decentralised actions in the new Member States within the framework of partnership agreements and including twinning programmes;
- conferences, seminars and events;
- studies, surveys, publications, website and promotional material.

2.2.1. Decentralised actions to be organised in the new Member States under strategic Partnership Agreements or ad-hoc partnerships and twinning programmes

Partnership Agreements

Contacts have been made with Slovakia, Latvia and the Czech Republic to help them drawing up a communication strategy with a view to the conclusion in 2007 of a Partnership Agreement (PA). Discussions might also start with Hungary and Poland (which does not have a target date yet).

These Partnership Agreements will be implemented by the Commission through:

- *Procurements* for supporting Member States' communication activities as, for example, publications, surveys, promotional material, stands, exhibitions, conferences and seminars for journalists and national euro-related competitions, involving schools.

These procurements will be realised through specific contracts or contracts under Framework Contracts from DG ECFIN or other DGs. For communication products made available under a strategic Partnership agreement, like publications or stands, the property of the products will be transferred to the Member State.

- *Grants* for co-financing various activities which form part of national communication plans such as publications, media campaigns, euro hotlines or the recruitment of communication officers. Estonia and Cyprus have already signalled interest in the conclusion of such agreements.

Pursuant to Article 168(1)(c) of the Implementing Rules, grants may be awarded without a call for proposals to bodies with a de jure or de facto monopoly duly substantiated in the Commission's relevant award decision. The authorities designated in the Member States for the implementation of these communication activities (e.g. Central Bank, Ministry of Finance) are the only national bodies with the necessary financial and monetary expertise to conduct, with the assistance of a Community grant, a successful communication policy on economic and monetary union, in particular on the changeover to the euro in the relevant Member States. In accordance with the above provisions, ad hoc grant agreements will be signed with Member States for the co-financing of the above-mentioned communication activities in preparation of the introduction of the euro.

Furthermore, the speed of implementation of existing Partnership agreements, in particular through grants for the co-financing of communication activities launched by Member States, largely depends on the political target dates set by the Member States and by the speed of preparation of national changeover plans and communication strategies. Unavoidably, revisions in target dates or in changeover plans decided by Member States lead to necessary adjustments in DG ECFIN's communication strategies, in particular with respect to the total amounts of grants which can be committed throughout the year for the co-financing of communication activities of Member States. Therefore, considering that the amount which will actually be committed for grants essentially depends on external conditions the fulfilment of which lies with the Member States, DG ECFIN will be authorised to amend the amount committed for grants within a bracket of € 640,000 to € 960,000 without it constituting a substantial amendment to this financing decision. The corresponding revision of the total amount reserved for procurements will also be covered by this financing decision.

Twinning Programme

The purpose of the twinning programme is to foster the exchange of know-how and transfer of technical expertise on the changeover preparations between countries in the euro area and the new Member States, involving the Ministries of Finance, the Central Banks and other public authorities.

The European Commission's financial contribution to the twinning programme will essentially consist in reimbursement of travel and accommodation costs of participants and the financing of a few low value contracts for interpretation or the organisation of training events or seminars.

Justification: To increase, in partnership with the New Member States, the public awareness on issues related to the euro and EMU and to prepare the public at large for the introduction of the euro expected to take place in 2007 and the following years in some of the new Member States. Use should be made of the expertise in the countries of the euro area for the introduction of the euro in the New Member States.

2.2.2. *Conferences, seminars and special events on the euro and EMU within the EU, information activities in third countries and exhibitions and public stands*

Conferences and events on the euro and EMU within the EU

A number of conferences and events will be organised throughout the year on euro and EMU-related issues:

- *“Pan-European” conferences* on the preparations in the Member States aiming for euro introduction. Conferences should focus on the governance framework in EMU, the convergence process and the necessary technical preparations for the euro;
- *Thematic euro-related conferences* in Brussels (e.g. Slovenian experience with the first big-bang euro changeover, challenges in the changeover for SMEs, changeover of public administration);
- *Seminars for journalists* in Brussels, Frankfurt and other cities together with the European Journalism Centre and, as far as possible, the ECB. Seminars should be concentrated on journalists coming from the new member States. There should also be a special module for euro area journalists. We will also organise seminars for journalists from specific countries under the Partnership agreements (notably with Malta and Cyprus) in Brussels or the Member State concerned;
- *Public event* at the occasion of the further enlargement of the euro area in Brussels along the lines of the successful event organised on 11 July 2006 for Slovenia;
- *Brussels Economic Forum*. Annual conference aimed at stimulating an open debate on topics which are important for the good functioning of Economic and Monetary Union;
- *Meetings with Directors of Communication* of the Member States. One meeting comprising representatives of the EU-27 and one comprising representatives from the non-euro area countries only;
- *Euro exhibition*. The exhibition will be developed in 2007. It will be organised in Member States and contains more general information about the euro and EMU.

The Euro Team

The Euro Team is a dedicated network of speakers coming from the 10 new Member States who are trained with a view to intervene on euro and EMU related issues. For this purpose, the Commission actively supports the network through training seminars, publications, standard presentations, promotional material and a dedicated website. At least two training seminars should be organised in the course of next year for members of the network.

Euro competitions

Organisation of euro-related competitions for specific target groups (e.g. competition for school editors awarding the best coverage of EMU related issues in school journals, for photographers or for cartoonists).

Information activities in third countries

Such information activities mainly target financial markets representatives and multipliers. In parallel, publications, promotional material and stands with information on the euro and EMU will also be made available to delegations in third countries.

Moreover there will be a number of activities which are organised by the Delegations under a sub-delegation by DG ECFIN:

- *Information activities in Japan:* The Delegation intends to organise the following activities:
 - A conference on the enlargement of the EU and the euro area together with local partners;
 - A series of seminars in the regions for the local banking community, business circles and academia;
 - A video for educational purposes which can be used by the network of the delegation and by European Documentation Centres;
 - Distribution of publications on the euro and of euro related promotional items.
- *Information activities in the US:*
 - High-level conference in NY on recent progress made in financial market integration in the euro area;
 - Organisation of the "Euro Challenge", a High School Student Competition, modelled after the US Federal Reserve's annual "Fed Challenge", in which high schools were asked to participate in a competition on the euro and EMU;
 - Organisation of some smaller euro-related events (conferences/seminars) and support to some euro-related sessions at the Annual Meeting of the American Economic Association;
 - *Information activities in other countries:* Development of an EMU/euro related communication strategy in China. Organisation of a euro-related conference in Latin-America (Brazil or Argentina) and support of further euro-related events organised by Delegations in other parts of the world.

Publications stands at public events

Installation of stands with publications on the euro and EMU (as well as other publications of the Commission) in all public events organised by the Commission, mainly within Europe but also in third countries.

The procurements launched for the above actions will be realised through specific contracts or contracts under framework contracts of DG ECFIN or existing in the Commission (SCIC and other DG's).

Justification: these activities will contribute to the dissemination of information on the euro and EMU within the EU and in third countries.

2.2.3. *Studies, surveys, publications and promotional material*

Publications for the general public

Existing publications on the economic and monetary union and the euro will be updated in order to reflect the enlargement of the euro area and the enlargement of the EU and bring them in line with the new leaflet series.

The following publications should be updated in 2007:

- The euro in the world (leaflet);
- The euro and enlargement (leaflet);
- United in diversity (Childrens' brochure and poster);
- History of EMU (brochure and poster);
- The short guide to EMU (leaflet).

Furthermore, the following new publications should be published in 2007:

- Check list for SMEs;
- Brochure for vulnerable groups, e.g. the blind (based on material under “The euro made easy” project);
- Brochure on EMU for secondary schools;
- Leaflet in our new standard series dedicated to euro coins and banknotes or another specific EMU-related subject;
- Fact sheets on the euro and EMU;
- Update of the existing CD with pictures of euro coins and banknotes developed so as to add more general information on EMU.

Promotional activities will be carried out to inform about our various publications for the general public and for other target groups.

Stands

Update of the stands made available in 2005 to the Representations (based on the enlargement leaflet) and the Delegations (based on the euro in the world leaflet). Furthermore, at the occasion of the 50 years of Rome a special edition of stands build on the History Poster and featuring the commemorative coin issued by the Member States will be produced. These stands could be offered to Representations or Europe Direct Information Relays.

Promotional material

Production and distribution of promotional material with references to the euro, our visual identity or DG ECFIN's internet address at events. Moreover, promotional material will be made available, within certain limits, to Member States, in particular those with whom Partnership agreements have been signed, to members of the Euro Team and to Commission Representations.

Furthermore, promotional material with a stronger educational element (like playing cards or puzzles for distribution to children) will be developed. Finally, standard folders will be produced for PRINCE related activities and for other activities organised by DG ECFIN services (to be included in briefing packs for journalists, visitors, etc.).

External newsletter

The external newsletter will be significantly revised with respect to its layout, format, content, frequency and distribution channels. At the same time, an evaluation will be conducted on the possibility to complement the paper and web-based newsletter by a more concise, higher-frequency electronic version which could be sent to readers by e-mail.

Surveys

Two quantitative public opinion surveys will be conducted in the New Member States and one survey in the euro area Member States. The results obtained through the quantitative surveys will be analysed through qualitative studies.

In Slovenia, we will carry out before, during and after the dual circulation period surveys to measure the progress of the changeover process and citizens perceptions of it.

Finally, quantitative surveys in some of the new Member States which are close to their target date (e.g. Malta and Cyprus) will focus on specific target groups, like SMEs, retailers, etc. These quantitative surveys would allow us to better assess the degree of preparedness in those countries ahead of the euro introduction planned for 2008.

Studies and evaluations

A study on a communication strategy for celebrating the 10 years of EMU will be launched, in order to prepare the events that will be organised for this purpose in late 2008/early 2009.

A comprehensive evaluation of the Prince programme will be carried out, as announced in the Communication on the implementation of an information and communication strategy on the euro and Economic and Monetary Union which the Commission adopted on 11 August 2004 (COM (2004) 552 final). The evaluation should pave the ground for the preparation of the new communication later in 2007.

Website

In the framework of the recast of the DG ECFIN website, the information currently exclusively provided in English language will be translated into the other Community languages (starting with the working languages of the Commission and the languages of Member States close to euro introduction).

Furthermore, the content of the website will continue to be updated and completed throughout the year.

Multimedia production

In cooperation with DG COMM, various audio-visual products will be developed (in particular a short video presenting the Commission's activities on EMU and euro and a more comprehensive video targeted at the public in general explaining the institutional set-up of EMU and the benefits of the euro.

Later on, these products will be made available on-line or on CD/DVD to Member States authorities, TV-Stations, journalists, schools, etc.

The procurements launched for the above actions will be realised through specific contracts or contracts under framework contracts of DG ECFIN or framework contracts of DG COMM or of other Commission services.

Justification: the surveys will be carried out in order to set communication objectives and measure progress in achieving them, and to allow the Commission and Member

States to adjust their objectives and strategies in line with the evolving situation. The publications and the website will provide information for the general public and for specific target groups in order to raise awareness on issues related to the euro and EMU. The promotional materials, to be used at conferences and other events, should strengthen the identification with the euro and enhance acceptance.

3. INTERNATIONAL ECONOMIC AND FINANCIAL AFFAIRS

Other general objectives of DG ECFIN are “to work towards further enlargement” and “to contribute to the implementation of EU external relations policies, notably towards the neighbours of the enlarged Union, by providing support on international economic and financial affairs”.

Within this framework, the ABB activity “*International Economic and Financial Affairs*” implies contributions to the economic aspects of the enlargement process, the Stabilisation and Association Process in the Western Balkans, and the European Neighbourhood Policy (in complement with, respectively, the Barcelona Process with Mediterranean Partner countries and the Partnership and Cooperation Agreements signed with the New Independent States). Furthermore, this activity comprises the analysis of the economies of other non-EU countries, the coordination of the Commission’s relations with international financial organisations, and the management of macro-financial assistance to third countries and its coordination with other Community assistance programmes.

The budget lines related to the above activity are the following:

01 03 01 European Bank for Reconstruction and Development

Appropriations for commitments 2007: p.m.

01 03 02 Macroeconomic assistance

Appropriations for commitments 2007: 79,591,000 €

Usually, most expenditures financed by the above budget lines are covered by ad hoc financing decisions of the Commission throughout the budgetary year.

3.1. Budget line 01 03 01 – European Bank for Reconstruction and Development (p.m.)

3.2. Budget line 01 03 02 – Macroeconomic assistance

3.2.1. Operational assessments

Several Operational Assessments of financial circuits and controls in third countries recipient of macro-financial assistance

The objective of these operational assessments is to assess the soundness of the fiduciary system of the countries benefiting from macro-financial assistance (MFA). The studies to be carried out in 2007 will focus on the follow up of previous missions in the countries involved so as to provide further analysis of the changes that have been implemented in the accounting system, internal and external control bodies, and

procedures for budgetary data processing in the Central bank and in the ministries involved in the management of Community funds.

These operational assessments will be carried out through specific contracts to be concluded under the DG ECFIN framework contract with Deloitte or through specific contracts to be concluded under a new framework contract to be signed after a call for tenders (procurement procedure will start from 2nd quarter 2007). The total estimated budget amount for these operational assessments is 150,000 €.

Justification: These operational assessments are carried out on the basis of the specific Council Decisions for providing macro-economic assistance and the provisions of the Financial Regulation (articles 27, 28, 33, 164, and 165). Furthermore, the special report of the ECA on these activities (March 2002) points out that the Commission should considerably improve the monitoring of the financial management of macro-economic assistance and the transparency of decision making.

3.2.2. *Ex-post evaluations*

Ex post Evaluations of the Macro-Economic Assistance in favour of Albania, Georgia and Serbia-Montenegro

This evaluation will focus on assessing ex post the contribution of MFA to structural reform and the macroeconomic performance of the recipient country, thereby complementing the MFA implementation reports prepared by DG ECFIN.

These ex post evaluations will be carried out through specific contracts to be concluded under the DG ECFIN framework contracts signed with Ecorys and TEP-MFA. The total estimated budget amount for these three ex post evaluations is 450,000 € (Procurement procedures for Albania and Serbia-Montenegro will start in April 2007 and for Georgia in September 2007).

Justification: Such an ex post evaluation is provided for by article 27 of the Financial Regulation and article 21 of the Implementing Rules. It is also foreseen in DG ECFIN Multi-annual Evaluation Programme.

4. FINANCIAL OPERATIONS AND INSTRUMENTS

Another general objective of DG ECFIN is “to support the realisation of EU policies by fostering enhanced coordination with the EIB group, by designing new financial instruments and by managing EU financial market operations and programmes in a sound and efficient way”. Within this framework, the ABB activity “Financial Operations and Instruments” embraces institutional and policy relations with the EIB Group, work on capital markets including risk capital and financing instruments for SMEs and infrastructure, the management and design of budget-based programmes directed in particular at SMEs, TEN-transport and RTD projects, the management of the borrowing and lending activities of the Communities and treasury management of off-budget resources.

4.1. **Budget line 01 04 01 13 – Reserve for loans and loan guarantees to and in non-member countries**

Appropriations for commitments 2007: 200,000,000 €

4.2. Budget line 01 04 01 14 - Payments to the Guarantee Fund in respect of new operations

Appropriations for commitments: p.m.

The legal basis for these two budget lines is Council Regulation (EC, Euratom) N° 2728/94 of 31 October 1994 establishing a Guarantee Fund for external operations (OJ L 293, 12.11.1994, p.1), as last amended by Regulation (EC, Euratom) N° 2273/2004 (OJ L 396, 31.12.2004, p. 28).

This Regulation established a Guarantee Fund for external actions so that the Community's creditors could be reimbursed in the event of any default by the beneficiaries of loans granted or guaranteed by the Community. The main function of this Guarantee Fund is to shield the Union budget from shocks due to defaults on loans or guarantees granted by the Community. The Guarantee Fund, which is owned by the Community, is provisioned from the European Union budget and has to be maintained at a certain percentage (termed the 'target rate', which is currently set at 9%) of the outstanding amount of the loans granted and loans guaranteed (i.e. mainly EIB loans, Euratom loans and Macro-financial assistance loans).

Budget line 01 04 01 14 is intended to receive the necessary appropriations from budget line 01 04 01 13 for the payment to the Guarantee Fund according to the provisioning needs, which are calculated on the basis of the provisions of the provisioning method enshrined in the above-mentioned Council Regulation. Depending on the respective size of terminated loan and loan guarantee operations and newly concluded ones, the resulting outstanding amount may either lead to a transfer in favour of the Guarantee Fund or to a recovery order in favour of the budget.

In line with Regulation No 2728/94, the provisioning of the Fund follows different rules according to the type of operation covered. In the case of EIB loans, the single yearly provisioning of the Fund currently takes place at the beginning of each year, based on the forecast provided by the EIB of total loans to be signed in the respective year. Euratom loans are provisioned on a forecast basis and are fully provisioned, at the latest, at the time of the signature of the loans. In the case of macroeconomic assistance loans, the provisioning takes place as soon as the Council has adopted the decision to grant macro-financial assistance, for the maximum amount decided by the Council. Due to these rules it is impossible to anticipate the exact number of provisioning activities.

It should be noted that the Commission proposal for a new provisioning mechanism (COM (2005) 130) which is actually being discussed by the Council will change the way in which the provisioning will take place. In the future, the Guarantee Fund will be provisioned only once a year. The amount will be calculated as the difference of the value of the Fund's assets at the end of the previous year as compared to the target amount. Should the Fund's assets exceed the target amount, no provisioning will take place and the excess amount will be recuperated by the budget via a recovery order. In 2007 no provisioning is expected under this mechanism.

4. DESCRIPTION OF THE ACTION

See Annex 1 to the Decision.

5. METHOD OF CALCULATION ADOPTED

Not applicable to the 2007 work programme.

6. PAYMENT SCHEDULE (IN EUROS)

Headings		Commitment 2007	Payment			
			2007	2008	2009	2010
01 02 02						
TOTAL 01 02 02		6.715.000	4.715.000	1.750.000	250.000	
01 02 04						
TOTAL 01 02 04		7.000.000	4.900.000	1.850.000	250.000	
01 03 02						
TOTAL 01 03 02		600.000	420.000	180.000		
01 04 01						
TOTAL 01 04 01		200.000.000				