

SPECIFICATIONS
To Invitation to Tender ECFIN/E/2005/002

Price convergence in the enlarged Internal Market

These specifications follow the publication of
- the prior information notice in OJEU S 97-095820 dated 21/05/2005
- the contract notice in OJEU S-169 dated 02.09/2005

Part 1: Technical description
Part 2: Administrative details
Part 3: Assessment and award of a contract
Part 4: Draft service contract

Annex 1: Financial Identification Form
Annex 2: Legal Entity form
Annex 3: Declaration of the candidate's eligibility

PART 1 : TECHNICAL DESCRIPTION

1. BACKGROUND

Through the creation of the Internal Market and successful introduction of the euro in a number of Member States, the EU has attained an unprecedented degree of economic integration. Nevertheless, there are indications that the pace of market integration has slowed down in the recent years. The high deficits in the transposition of the Internal Market directives by Member States and considerable number of infringement cases illustrate that there are still significant obstacles to cross-border trade and investment. The Lisbon strategy, a comprehensive agenda of structural reforms, has so far been unable to achieve a breakthrough in removing these obstacles. Moreover, the EU has recently embraced new member states from the Central and Eastern Europe and Malta and Cyprus, whose successful and full incorporation in the Internal Market, and later on in the euro area, poses additional challenges.

The extent of market integration can be analysed by looking at the convergence/dispersion of prices in the EU. Advances in the integration of European markets open up space for greater competition and allow the economic agents, businesses and consumers, to undertake price arbitrage which should result in greater convergence of prices across the EU. According to the structural indicator produced by Eurostat, measuring price dispersion by the coefficient of variation of comparative price levels, there has not been a clearly discernible decline in price dispersion at the aggregate level in the EU-15 over the last several years. While there was some convergence of price levels in the mid-90s, presumably due to the launch of the Internal Market at the beginning of 1993, this stopped towards the end of the decade and price dispersion has remained stable since then. In the EU-25 price disparities are much larger than in EU-15 because of the considerably lower levels of development (and thus price levels) in the “new” members in comparison with the “old” members. The Eurostat indicator for EU-25 shows a steep decline until 2000, which indicates that the price levels in the “new” member states were rapidly converging to those in the EU-15 in the course of their accession process. However, also this indicator has stagnated since 2001.

Given the existing imperfections in the functioning of the Internal Market and also comparisons with the US, where the price dispersion is lower, it is clear that there is still considerable scope for arbitrage, and therefore, price levels to converge in Europe. In this respect it is interesting to explore what is the likely scope for and pace of price convergence in the new Member States and what might be the impact of enlargement on price levels in the “old” member states and the whole EU. In addition to continuous efforts to remove the remaining barriers to intra-EU trade and investment, it is the enlargement of the Internal Market which is likely to give an additional impulse to price convergence through the increase in competition.

Economic theory suggests that one should look at the micro-level if we want to gain better understanding of why there is still significant price divergence and what are the likely consequences of the continuing integration of the European markets for both the new and the old Member States. Such an analysis could help disentangle developments at a disaggregated level and assess the likely consequences due to the continuing integration for these sectors and the economy as a whole. Better analysis of price convergence can also serve to improve the transparency of the Internal Market, towards more price convergence. In the case of new Member States, a lot of attention has been paid to this issue from the macroeconomic point of

view, in particular, in the context of the Balassa-Samuelson effect and the split between tradable and non-tradable goods. However, there is little comprehensive evidence across the new MSs and even less evidence at the microeconomic/sectoral level. Such evidence could provide insights into the patterns of price differences and their determinants and allow assessment of the potential for their elimination as a result of new Member States' participation in the Internal Market.

2. OBJECTIVES

The objective of the study is to analyse **the past pace of and the future scope for price convergence in the enlarged EU with a particular emphasis on the functioning of the Internal Market and the role of the new Member States therein.**

3. CONTENT

3.1 Tasks to be performed by the contractor

1. The contractor should establish a critical survey of the economic literature analysing the price dispersion from a theoretical and an empirical perspective. An emphasis should be placed on the European experience covering both the EU-15 and the new Member States (also in the pre-accession period) while recognising that comparisons with particularly the US have their value added.
2. The contractor should explore the price structure in the new member states to see the overall extent of differences and possible explanatory factors (taking into account the share of regulated prices and the pace of deregulation, differences in costs of factors of production, differences in VAT, excise duties or other taxes, extent of divergences in the tradable goods and price divergences in non-tradables). A discussion of the various data sources available and their suitability for the purpose of this study should be undertaken. Combining this evidence with that available for the EU-15 the study should then identify sectors/markets/products/product groups which are the most likely ones to be affected by the continuing integration in the enlarged EU and which should be the focus of a detailed analysis. A particular emphasis should be on tradable sectors in which prices can be expected to converge because of the functioning of the Internal Market. Nonetheless, non-tradable goods could also be considered in particular if they have a potential to become tradable. In order to be able to draw more robust conclusions in the further stage of work it would be useful to look at the extent of price convergence of both consumption and industrial/intermediate goods prices (the so-called B2B sector), with a possible focus on identifying price divergences in tradable sectors.
3. The contractor should employ appropriate econometric and statistic techniques on the consumption (and possibly industrial/intermediate goods) prices to explore the patterns and determinants of price convergence in the EU-25 and, in particular, the role of the new Member States. General reasons for price dispersion which should be considered in the analysis are well known: income differences, price regulation, tax differences, (perceived or real) quality differences, productivity and wage differentials, inadequate competitive conditions in some markets, border effects,

transaction costs etc. Besides an aggregate analysis (making a distinction between the tradable and non-tradable sectors of the economy) sectoral analysis focusing on the identified sectors/markets/products/product groups should be undertaken.

Issues to be addressed in this part should particularly be:

- What is the likely impact of the enlargement on the price structures in the EU-10?

As regards non-tradables, a secular convergence of prices towards the EU-15 levels can be expected if the new Member States sustain their catching-up in terms of living standards. Nevertheless, in the case of tradables the situation is less obvious. Removing barriers to trade increases opportunities for price arbitrage and thus price convergence even in the short-term. Despite the fact that the new EU members are highly open economies and trade heavily with their EU partners data show that the general price level of tradables is on average still considerably lower than that in the EU-15. It is clear that even full integration of markets will not eliminate price dispersion of traded goods completely. In this respect, it would be interesting to explore whether this limit has already been achieved in (some) new Member States or whether there is still remaining scope for prices to converge. Similarly, it should be explored whether enlargement would lead to upward or downward price convergence in the individual sectors of the new members' economies. For example, the higher prices in the large EU-15 market could "spill-over" into the new Member States' markets. On the other hand, increased competition could exert downward pressure on prices in some sectors. Such micro-evidence could also help explain the highly varying catching-up patterns of price levels in the EU-10 and some macro 'puzzles', as for example, why the Czech Republic, a new Member State with relatively high income level has such a comparatively low price level or why the price convergence seems to have stalled in several new Member States. Overall, this section could answer a question to what extent the new Member States have already succeeded in integrating in the Internal Market.

- Is there going to be any significant impact on price structures in the old EU members?

It is questionable whether the enlargement can have a significant impact on price level developments in the old Member States. Overall, this appears rather unlikely due to the small economic weight of the newly acceded Member States. On the other hand, there could be a considerable impact on certain sectors/products if the level of competition in these particular markets increases as a result of enlargement. Changes of production patterns in the enlarged EU could contribute to this process. More effective allocation of resources and consequently lower costs of production would provide companies with greater flexibility to adapt their prices and mark-ups in a more competitive environment.

- What conclusions can be drawn for EU-25 and the pace of and scope for price convergence?

At the whole EU level, it would be interesting to see whether the pace of price convergence has indeed stalled or whether it is the measurement problems which drive such a conclusion. In this respect, micro evidence could indicate whether the conclusions drawn at the aggregated level provide reliable evidence on overall progress in price convergence. If indeed prices are shown not to have been converging recently what are the reasons? Is it due to the lost momentum in integration of markets or some other factors play a role (e.g. “steady-state” price dispersion has been achieved)? Moreover, bringing together evidence from the new and old Member States one could establish a general link between price convergence and the level of competition in individual sectors. Similarly, one could determine to what extent “tradability” of a product impacts on the level of price convergence. Can the ongoing relocation of economic activities within the EU have an impact on level of price convergence? Have the “border effects” diminished in the course of economic integration in the EU-15 and what implications can be drawn for the post-enlargement period? A role of differential taxation on price convergence might also be explored.

3.2 Deliverables

During the study, the following reports written in English shall be submitted by the contractor. Each report will be examined by the Commission, which may ask for complementary information or propose adjustments in order to redirect the work when necessary. After the submission of each of the draft reports and within 20 days, the contractor will be required to attend a meeting in the offices of the Commission in Brussels in order to present and discuss the report. A fourth meeting in the Commission’s premises in Brussels will be convened with the Contractor to present the results of the study to a broader audience of Commission officials. The Contractor will present the results of the study maximum two weeks after the submission of the final report.

The physical and intellectual products generated by the contractor's assignment will remain the property of the Commission. The contractor undertakes not to use these products outside this assignment without the written agreement of the Directorate-General for Economic and Financial Affairs.

The work carried out by the contractor in performance of the contract will be the subject of the following reports, two copies of which must be sent to the Commission by the contractor at the following address:

European Commission,
Directorate-General for Economic and Financial Affairs,
Directorate E, Economic Evaluation Service,
BU1 2/211,
B - 1049 Brussels.

3.2.1 First interim report

The first interim report will provide an annotated outline of the study. It will delineate the methodological approach that the contractor intends to follow and the hypotheses to be tested. It will include a critical review of the relevant literature and the data the contractor intends to use. A draft of this first interim report must be submitted no later than 2 months after signature of the contract. Within 30 days, the Commission will then either inform in writing the contractor that it accept the draft, accept the draft under the condition of the integration of its remarks in the second interim report, or ask for a review of the first interim report based on its comments.

3.2.2 Second interim report

The second interim report will describe the preliminary results of the analysis of price patterns in the EU-10 and comparisons with the EU-15 and will identify the sectors/markets/products/product group which should be focused on in the detailed analysis (this selection would *inter alia* depend on the data and resource availability and would be a subject to Commission's approval). The report will also describe in detail the methodology and the model used in the econometric analysis and present first results from the application of such methodology supported, whenever possible, by empirical findings. A draft of this second interim report must be submitted to the Commission no later than 9 months after the signature of the contract by the last contracting party. The contractor will present its results to the European Commission in a presentation in the premises of the European Commission. Within 30 days, the Commission will then either inform in writing the contractor that it accepts the draft, accept the draft under the condition of the integration of its remarks in the final report, or ask for a review of the second interim report based on its comments.

3.2.3 Draft final report

The final report will present in full the results of all parts of the study, as well as issues for further investigation. It will also include an account of all the work carried out, including the empirical one. A draft of the final report must be submitted to the Commission no later than 12 months after the signature of the contract. Within 30 days, the Commission will then either inform in writing the contractor that it accepts the draft, accept the draft under the condition of the integration of its remarks in the report, or ask for a review of the final report based on its comments. Within one month of receiving any such comments, the contractor shall send the final report to the Commission in 6 paper copies and one copy in electronic form (Word 97 compatible). This final report will either take account of the comments made by the Commission or put forward alternative points of view.

The European Commission expects the contractor to adhere to the highest scientific and professional standards in his/her report. In particular, the methodology and the techniques used to meet the requirements of the study shall derive from accepted standards of the profession. The report should contain clear objectives and means deployed to reach those objectives. The report shall in addition be original in its content and/or findings and represent a contribution with value-added compared to existing materials. The European Commission retains the right to refuse a study that would not meet those standards.

4. STARTING DATE OF THE CONTRACT, DURATION OF THE TASKS

The contract is due to be signed in December 2005.

The duration of the tasks shall be 14 months.

The execution of the tasks may not start before the contract has been signed. The period of execution of the tasks may be extended, only with the written agreement of the contracting parties, before the end of the period originally stated in the contract.

5. PLACE OF PERFORMANCE

The place of performance of the tasks shall be the Contractor's premises or any other place indicated in the tender, with the exception of the Commission's premises.

PART 2: ADMINISTRATIVE DETAILS

1. GENERAL TERMS AND CONDITIONS FOR THE SUBMISSION OF TENDERS

Submission of a tender implies that the Contractor accepts all the terms and conditions set out in these specifications (including the annexes) and waives all other terms of business

Submission of a tender binds the Contractor to whom the contract is awarded during performance of the Contract

Changes to tenders will be accepted only if they are received on or before the final date set for the receipt of tenders.

Expenses incurred in respect of the preparation and presentation of tenders cannot be refunded.

No information of any kind will be given on the state of progress with regard to the evaluation of tenders.

Once the Commission has accepted the tender, it shall become the property of the Commission and the Commission shall treat it confidentially.

The protocol on the Privileges and Immunities or, where appropriate, the Vienna Convention of 24 April 1963 on Consular Relations shall apply to this invitation to tender.

2. NO OBLIGATION TO AWARD THE CONTRACT

- Fulfilment of adjudication or invitation to tender procedure shall not involve the Commission in any obligation to award the contract.
- The Commission shall not be liable for any compensation with respect to tenderers whose tenders have not been accepted. Nor shall it be liable in the event of its deciding not to award the contract.

3. JOINT TENDERS

When a partnership or a consortium is envisaged three cases can arise:

1. The offer originates from a consortium already formally set up as a separate and legal entity able to submit its statutes, mode of operation, technical and financial capacity, such as result from the contributions of its various members. It is such a consortium that will bear the technical and financial responsibility for the contract and will present the requested financial guarantee.
2. The offer originates from companies not yet having created a consortium as a separate legal entity but planning to constitute one as referred to in item 1, if their joint offer is accepted. In such a situation, the Tenderer will have to provide the legal form, the envisaged draft statutes and mode of operation of the consortium, the various technical and financial contributions as well as the guarantees envisaged.

3. The offer originates from companies not wishing to constitute formally a consortium as a separate legal entity and thus constituting effectively an association. In such a case, the offer will be submitted in the form of subcontracting (cf. 4), in which case one of the companies shall assume the total responsibility for the offer. This company will sign the contract in its name, the other companies then being regarded as subcontractors of the first.

In all cases of joint tenders, the information required below under point 6.1 “administrative information” and under Part 3, points 1 “information for assessment of exclusion criteria” and 2 “information for assessment of selection criteria” must be provided for all members participating in the tender.

4. SUBCONTRACTORS

Where, in a bid, the amount of the services executed by a subcontractor is equal to or exceeds 20% of the contract, the subcontractor must provide all the necessary documents for assessing the bid as a whole with regard to the exclusion criteria, selection criteria (as a whole) and award criteria. Where those services represent less than 20% of the contract, the subcontractor shall not be required to provide documents on his financial and economic capacity.

The bid must clearly identify the subcontractor(s) and document their willingness to accept the tasks and their acceptance of the terms and conditions set out in 1 above.

Tenderers must inform the subcontractor(s) that Article II.17 of the standard service contract will applied to them.

Once the contract has been signed, Article II.13 of the above-mentioned service contract shall govern the subcontracting.

5. DETAILS OF THE CONTRACT

5.1 Terms of payment

Payments shall be made in accordance with Article I.4 of the Draft Service Contract.

5.2 Contractual terms

In drawing up his bid, the tenderer should bear in mind the provisions of the standard contract attached to this invitation to tender (Part 4)

6. CONTENT OF THE TENDER

All tenders must be presented in three sections

6.1 Administrative proposal

- full name of organization, legal status, address, person to contact, person authorized to sign on behalf of the organization, telephone number, facsimile number, VAT number. In addition, a duly completed and signed financial identification form (see annex 1) and legal

entity form (see annex 3), proof of enrolment (declaration or certificates) in one of the professional or trade registers in country of establishment;

- if the tenderer is a natural person, she/he will be required to provide proof of her/his status as a self-employed person. To this end she/he must supply details of her/his social security cover and situation with regard to VAT regulation.
- a declaration of the candidate's eligibility; certifying that he/she is not in one of the situations listed in articles 93 and 94 of the Financial Regulation of the European Communities (Official Journal L 248 of 16/09/2002) (see annex 2)
- Documents relating to the selection criteria (see Part 3 point 2.1. Financial and Economic capacity)
- the service provider's educational and professional qualifications and those of the firm's managerial staff and, in particular, those of the persons responsible for providing the services (curriculum vitae including a list of publications)
- a list, for the past three years, of the principal studies, services contracts, consultancy work, surveys, publications or other work previously carried out in English, indicating the name of the client and stating which, if any, were done for the European Commission.
- tenders from consortiums of firms or groups of service providers must specify the role, qualifications and experience of each member (see also Part 3, points 1, 2 and 3 – exclusion, selection and award criteria).

6.2 Technical proposal

A study proposal with the methodology and project management to fulfil the requirements mentioned in Part 1. The tender should give indications on the theoretical background used, describe the methodology used in the study that will be undertaken and on its appropriateness for this purpose, in conformity with the guidelines included in the approach.

6.3 Financial proposal

Prices must be quoted in euro, including for the countries which do not form part of the euro zone. For the tenderers of the countries which do not form part of the euro zone, the amount of the offer cannot be revised because of exchange rate movements. The choice of exchange rate belongs to the tenderer, who assumes the risks or opportunities associated with these exchange rate movements.

The price must be a fixed amount, inclusive all expenses.

The price will not be subject to revision.

For your guidance, the maximum budget allocation to this study is fixed at €80.000,00. Offers above this amount will not be considered.

The price quotation must be signed by the tenderer or his duly authorised representative.

Prices should be quoted free of all duties, taxes and other charges, i.e. also free of VAT, as the Communities are exempt from such charges in the EU under Articles 3 and 4 of the Protocol on the Privileges and Immunities of the European Communities of 8 April 1965 (OJEC L 152 of 13 July 1967). Exemption is granted to the Commission by the governments of the Member States, either through refunds upon presentation of documentary evidence or by direct exemption.

For those countries where national legislation provides an exemption by means of a reimbursement, the amount of VAT is to be shown separately. In case of doubts about the applicable VAT system, it is the tenderer's responsibility to contact his national authorities to clarify the way in which the European Community is exempt from VAT;

PART 3: ASSESSMENT AND AWARD OF A CONTRACT

The assessment will be based on each tenderer's bid.

All the information will be assessed in the light of the criteria set out in these specifications. The procedure for the award of the contract, which will concern only admissible bids, will be carried out in three successive stages. Only bids meeting the requirements of stage one will be examined in the following stage.

The aim of each of these stages is:

- 1) to check, in the first stage (exclusion criteria), whether tenderers can take part in the tendering procedure and, where applicable, be awarded the contract (see annex 2);
- 2) to check, in the second stage (selection criteria), the technical and professional capacity as well as the economic and financial capacity of each tenderer who has passed the exclusion stage (see Part 3, point 2 – selection criteria);
- 3) to assess on the basis of the award criteria each bid which has passed the exclusion and selection stages (see Part 3, point 3 - Award criteria).

In the case of consortia, the exclusion, selection and award criteria will be applicable to all the members of the consortium. The same principle will also be applied in the case that there are sub-contractors.

The bid must clearly identify the subcontractors and document their willingness to accept the task and thus acceptance of the terms and conditions set out in Part 2 1.

Tenderers must inform the subcontractors that Article II.17 of the standard service contract will be applied to them.

Once the contract has been signed, Article II.13 of the above mentioned service contract shall govern subcontractors.

1. EXCLUSION CRITERIA

Tenderers falling within one or more of the following categories will automatically be excluded from the tendering procedure.

Tenders will not be considered if the candidates are in any of the following situations:¹

- (a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;

¹ In compliance with articles 93 and 94 of the Financial Regulation applicable to the general budget of the European Communities

- (b) they have been convicted of an offence concerning their professional conduct by a judgment which has the force of *res judicata*;
- (c) they have been guilty of grave professional misconduct proven by any means which the contracting authority can justify;
- (d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the country of the contracting authority or those of the country where the contract is to be performed;
- (e) they have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;
- (f) following another procurement procedure or grant award procedure financed by the Community budget, they have been declared to be in serious breach of contract for failure to comply with their contractual obligations;
- (g) they are faced with a conflict of interest;
- (h) they have been guilty of misrepresentation in supplying the information required or have failed to supply this information.

Tenderers or their representatives must fill in and sign the form in Annex 3 to these specifications. By completing this form, tenderers:

- state whether or not they are in one or more of the situations described in the form; and
- undertake to submit to the Commission any document relating to the exclusion criteria that the Commission may see fit to request.

2. SELECTION CRITERIA

Only the tenders fulfilling all the selection criteria will be examined in the light of the award criteria.

This part of the tender concerns the criteria and documents relating to the technical and professional capacity and economic and financial capacity of the service provider(s) involved in the bid. It should also contain any other document that the tenderer(s) wish(es) to include by way of clarification.

If several service providers are involved in the bid, each of them must have and show that they have a) the professional and technical capacity to perform the tasks assigned to them in the tender, and b) the required economic and financial capacity.

This rule applies to all service providers, regardless of the percentage of tasks they intend to execute, once they have chosen to be tenderers.

However, if the tender includes subcontractors whose tasks represents less than 20% of the contract, those subcontractors are not obliged to provide evidence of their economic and financial capacity.

2.1. Financial and Economic capacity may be shown by means of the following :

- financial statements for the past 3 financial year,
- declaration concerning the sales turnover related to the field associated with the invitation to tender during the past 3 exercise,

If, for some exceptional reason which the Commission considers justified, a tenderer is unable to provide one or other of the above documents, he may prove his economic and financial capacity by any other document which the Commission considers appropriate. In any case, the Commission must at least be notified of the exceptional reason and its justification in the tender. The Commission reserves the right to request any other document enabling it to verify the tenderer's economic and financial capacity.

2.2. Technical and professional competence:

The ability of service providers to perform services will be assessed in particular with regard to their know-how, efficiency, experience and reliability.

Evidence of the technical and professional capacity of the providers involved in the tender may be furnished on the basis of documents certifying the following (see also Part 2, point 6.1.):

1) The team to conduct the analysis should consist of at least one person with a university degree in economics or statistics and with at least 5 years or more of professional experience in conducting economic analysis in one or more of the following fields (analysis of the economic effects of EU enlargement, evaluation of European integration effects, price convergence, econometric models). The team leader should have professional experience in managing project of similar scale as this call for tender.

2) The candidate's technical and professional capacity of producing high quality reports on economic issues in English ;

3) Any tender exceeding the budget envisaged for this project will not be accepted.

By submitting a tender, each service provider involved therein accepts the possibility of a check being carried out by the Commission on his technical capacities and, if necessary, on his study and research facilities and quality control measures.

In addition, all tenderers are informed that they may be asked to prove that they are authorised to perform the contract under national law, as evidenced by inclusion in a professional or trade register or a sworn declaration or certificate, membership of a specific organisation, express authorisation, or entry in the VAT register.

Tenderers' attention is drawn to the fact that any total or partial omission of information for which one or more service providers involved in the tender are responsible may lead the Commission to exclude the tender from the rest of the procedure.

3. AWARD CRITERIA

Subject to the provisions of these terms of reference, the contract will be awarded in favour of the economically most advantageous offer on the basis of the following award criteria:

A. the Technical Score

1. Quality of the team proposed by the tenderer to conduct the study (30 points).
 - Professional experience in the field of the study;
 - Credentials in economic, econometric or statistical analysis;
 - Publication records in refereed economic journals in the fields listed.
2. The quality and relevance of a brief review of the economic literature (20 points);
3. Quality of the methodology used to carry out the study, with regards to its objectives as described in part I.2. (50 points).

B. the Price

Having examined the tenders from a technical point of view, the evaluation committee will proceed considering which is the economically most advantageous offer taking into account **only those tenders that have obtained at least a technical score of 60 points**. The evaluation committee will then proceed with the financial comparison of the tenders retained for further consideration according to the following procedure.

The retained tender with the lowest total price receives a financial score equal to the maximum score received for the technical award criteria. The other retained tenders are awarded points by means of the following formula:

$$\text{Financial score} = (\text{lowest total price} / \text{total price of the tender being considered}) \times (\text{maximum score in the technical award criteria})$$

The most economically advantageous tender is established by means of the computation of a final score according to the following formula:

$$\text{Final score} = (\text{Technical score}) + (\text{Financial Score}).$$

15. OPENING OF THE TENDER

The tenders received will be opened on 21.10.2005 at 15h00 in the Commission building at Avenue Beaulieu 1, room BU-1 3/139, B-1160 Brussels.

It would be appreciated if tenderers wishing to attend would inform Mrs. F. Ilzkovitz in advance, by electronic mail, fax or letter. Her address is:

Directorate General Economic and Financial Affairs

BU-1 02/174

B-1049 Brussels

Belgium

e-mail: fabienne.ilzkovitz@cec.eu.int

fax: +32 (02) 299 35 02

One authorised representative of each tenderer may attend the opening of tenders.

16. AWARD COMMITTEE

The process of awarding will take place in November 2005. An awarding committee is to be set up for this purpose.

17. INFORMATION FOR TENDERERS

The Commission will inform tenderers of decisions reached concerning the award of the contract, including the grounds for any decision not to award a contract or to recommence the procedure.

PART 4

DRAFT SERVICE CONTRACT Nr ECFIN-....-2005/SI2.....

The European Community (hereinafter referred to as "the Community"), represented by the Commission of the European Communities, hereinafter referred to as "the Commission", which is represented for the purposes of the signature of this contract by Mr Jan Schmidt, Director of the Economic Evaluation Service, Directorate General Economic and Financial Affairs,

of the one part,

and

[official name in full]

[*official legal form*]

[*statutory registration number*]

[official address in full]

[*VAT registration number*]

hereinafter referred to as "the Contractor", represented for the purposes of the signature of this contract by (name in full and function),

of the other part,

HAVE AGREED

the **Special Conditions** and the **General Conditions** below and the following Annexes

Annex I – Tender Specifications (Call for Tenders no. ECFIN/E/2005/002)

Annex II – Tender of the Contractor (no. [*complete*] of [*complete*])

which form an integral part of this contract (hereinafter referred to as “the Contract”).

The terms set out in the Special Conditions shall take precedence over those in the other parts of the Contract. The terms set out in the General Conditions shall take precedence over those in the Annexes. The terms set out in the Tender Specifications (Annex I) shall take precedence over those in the Tender (Annex II).

Subject to the above, the several instruments forming part of the Contract are to be taken as mutually explanatory. Ambiguities or discrepancies within or between such parts shall be explained or rectified by a written instruction issued by the Commission, subject to the rights of the Contractor under Article I.7 should he dispute any such instruction.

I – SPECIAL CONDITIONS

ARTICLE I.1 - SUBJECT

I.1.1. The objective of the study is to analyse the pace of and the future scope for price convergence in the enlarged EU with a particular emphasis on the functioning of the Internal Market and the role of the new Member States therein.

I.1.2. The Contractor shall execute the tasks assigned to him in accordance with the Tender Specifications annexed to the Contract (Annex I).

ARTICLE I.2 - DURATION

I.2.1. The Contract shall enter into force on the date on which it is signed by the last contracting party.

I.2.2. Execution of the tasks may under no circumstances begin before the date on which the Contract enters into force.

I.2.3. The tasks shall be carried out in accordance with the requirements set out in Annex I.

I.2.4. The duration of the tasks shall not exceed 14 months. This period and all other periods specified in the contract are calculated in calendar days. Execution of the tasks shall start from the date on which the contract is signed by the last contracting party. The period of execution of the tasks may be extended only with the express written agreement of the parties before such period elapses.

ARTICLE I.3 – CONTRACT PRICE

The total amount to be paid by the Commission under the Contract shall be EUR [amount in figures and in words] covering all tasks executed.

ARTICLE I.4 – PAYMENT PERIODS AND FORMALITIES

Payments under the Contract shall be made in accordance with Article II.4. Payments shall be executed only if the Contractor has fulfilled all his contractual obligations by the date on which the invoice is submitted. Payment requests may not be made if payments for previous periods have not been executed as a result of default or negligence on the part of the Contractor.

I.4.1. First interim payment (budget 2005):

The request for the first interim payment by the Contractor shall be admissible if accompanied by

- a draft of the first interim report in accordance with the instructions laid down in Annex I
- the relevant invoice

provided the report has been approved by the Commission.

On receipt of the draft report, the Commission shall have 30 days to approve, to approve under the condition of the integration of its remarks in the second interim report, or to ask for a review of the first interim report based on its comments. Within 30 days of the date on which the report is approved in writing by the Commission, an interim payment corresponding to (complete amount in figures) EUR (amount in figures and in words) equal to 30% of the total amount referred to in Article I.3 shall be made.

I.4.2. Second interim payment (budget 2005):

The request for the second interim payment by the Contractor shall be admissible if accompanied by

- a draft of the second interim report in accordance with the instructions laid down in Annex I
- the relevant invoice

provided the report has been approved by the Commission.

On receipt of the draft report, the Commission shall have 30 days to approve, to approve under the condition of the integration of its remarks in the final interim report, or to ask for a review of the second interim report based on its comments. Within 30 days of the date on which the report is approved in writing by the Commission, an interim payment corresponding to (complete amount in figures) EUR (amount in figures and in words) equal to 20% of the total amount referred to in Article I.3 shall be made.

I.4.3. Payment of the balance (budget 2006):

The request for payment of the balance of the Contractor shall be admissible if accompanied by

- the final report in accordance with the instructions laid down in Annex I
- the relevant invoice

provided the report has been approved by the Commission.

On receipt of the draft final report, the Commission shall have 30 days to approve, to approve under the condition of the integration of its remarks in the report, or to ask for a review of the final report based on its comments.

Within 30 days of the date on which the report is approved in writing by the Commission, payment of the balance corresponding to (complete amount in figures) EUR (amount in figures and in words) equal to 50% of the total amount referred to in Article I.3 shall be made.

ARTICLE I.5 – BANK ACCOUNT

Payments shall be made to the Contractor's bank account denominated in euro, identified as follows:

Name of bank: [complete]

Address of branch in full: [complete]

Exact designation of account holder: [complete]

Full account number including codes: [complete]

[*IBAN code*: [complete]]

ARTICLE I.6 – GENERAL ADMINISTRATIVE PROVISIONS

Any communication relating to the Contract shall be made in writing and shall bear the Contract number. Ordinary mail shall be deemed to have been received by the Commission on the date on which it is registered by the department responsible indicated below. Communications shall be sent to the following addresses:

Commission:

European Commission

Directorate Economic & Financial Affairs

Head of Unit R-2

Contract n°: **ECFIN-...-2005/SI2.....**

B-1049 Brussels

Belgium

Contractor:

Mr/Mrs/Ms [complete]

[Function]

[*Company name*]

[Official address in full]

ARTICLE I.7– APPLICABLE LAW AND SETTLEMENT OF DISPUTES

I.7.1. The Contract shall be governed by the national substantive law of Belgium.

I.7.2. Any dispute between the parties resulting from the interpretation or application of the Contract which cannot be settled amicably shall be brought before the courts of Belgium.

ARTICLE I.8 – TERMINATION BY EITHER CONTRACTING PARTIES

Either contracting party may, of its own volition and without being required to pay compensation, terminate the Contract by serving 3 months formal prior notice. Should the Commission terminate the Contract, the Contractor shall only be entitled to payment corresponding to part-performance of the Contract. On receipt of the letter terminating the Contract, the Contractor shall take all appropriate measures to minimise costs, prevent damage, and cancel or reduce his commitments. He shall draw up the documents required by the Special Conditions for the tasks executed up to the date on which termination takes effect, within a period not exceeding sixty days from that date.

II – GENERAL CONDITIONS

ARTICLE II.1 – PERFORMANCE OF THE CONTRACT

- II.1.1.** The Contractor shall perform the Contract to the highest professional standards. The Contractor shall have sole responsibility for complying with any legal obligations incumbent on him, notably those resulting from employment, tax and social legislation.
- II.1.2.** The Contractor shall have sole responsibility for taking the necessary steps to obtain any permit or licence required for performance of the Contract under the laws and regulations in force at the place where the tasks assigned to him are to be executed.
- II.1.3.** Without prejudice to Article II.3 any reference made to the Contractor's staff in the Contract shall relate exclusively to individuals involved in the performance of the Contract.
- II.1.4.** The Contractor must ensure that any staff performing the Contract have the professional qualifications and experience required for the execution of the tasks assigned to him.
- II.1.5.** The Contractor shall neither represent the Commission nor behave in any way that would give such an impression. The Contractor shall inform third parties that he does not belong to the European public service.
- II.1.6.** The Contractor shall have sole responsibility for the staff who execute the tasks assigned to him.

The Contractor shall make provision for the following employment or service relationships with his staff:

- staff executing the tasks assigned to the Contractor may not be given orders direct by the Commission;
 - the Commission may not under any circumstances be considered to be the staff's employer and the said staff shall undertake not to invoke in respect of the Commission any right arising from the contractual relationship between the Commission and the Contractor.
- II.1.7.** In the event of disruption resulting from the action of a member of the Contractor's staff working on Commission premises or in the event of the expertise of a member of the Contractor's staff failing to correspond to the profile required by the Contract, the Contractor shall replace him without delay. The Commission shall have the right to request the replacement of any such member of staff, stating its reasons for so doing. Replacement staff must have the necessary qualifications and be capable of performing the Contract under the same contractual conditions. The Contractor shall

be responsible for any delay in the execution of the tasks assigned to him resulting from the replacement of staff in accordance with this Article.

- II.1.8.** Should any unforeseen event, action or omission directly or indirectly hamper execution of the tasks, either partially or totally, the Contractor shall immediately and on his own initiative record it and report it to the Commission. The report shall include a description of the problem and an indication of the date on which it started and of the remedial action taken by the Contractor to ensure full compliance with his obligations under the Contract. In such event the Contractor shall give priority to solving the problem rather than determining liability.
- II.1.9.** Should the Contractor fail to perform his obligations under the Contract in accordance with the provisions laid down therein, the Commission may - without prejudice to its right to terminate the Contract - reduce or recover payments in proportion to the scale of the failure. In addition, the Commission may impose penalties or liquidated damages provided for in Article II.16.

ARTICLE II.2 – LIABILITY

- II.2.1.** The Commission shall not be liable for damage sustained by the Contractor in performance of the Contract except in the event of wilful misconduct or gross negligence on the part of the Commission.
- II.2.2.** The Contractor shall be liable for any loss or damage caused by himself in performance of the Contract, including in the event of subcontracting under Article II.13. The Commission shall not be liable for any act or default on the part of the Contractor in performance of the Contract.
- II.2.3.** The Contractor shall provide compensation in the event of any action, claim or proceeding brought against the Commission by a third party as a result of damage caused by the Contractor in performance of the Contract.
- II.2.4.** In the event of any action brought by a third party against the Commission in connection with performance of the Contract, the Contractor shall assist the Commission. Expenditure incurred by the Contractor to this end may be borne by the Commission.
- II.2.5.** The Contractor shall take out insurance against risks and damage relating to performance of the Contract if required by the relevant applicable legislation. He shall take out supplementary insurance as reasonably required by standard practice in the industry. A copy of all the relevant insurance contracts shall be sent to the Commission should it so request.

ARTICLE II.3 - CONFLICT OF INTERESTS

- II.3.1.** The Contractor shall take all necessary measures to prevent any situation that could compromise the impartial and objective performance of the Contract. Such conflict of interests could arise in particular as a result of economic interest, political or national affinity, family or emotional ties, or any other relevant connection or shared interest. Any conflict of interests which could arise during performance of the Contract must be notified to the Commission in writing without delay. In the event of such conflict, the Contractor shall immediately take all necessary steps to resolve it.

The Commission reserves the right to verify that such measures are adequate and may require additional measures to be taken, if necessary, within a time limit which it shall set. The Contractor shall ensure that his staff, board and directors are not placed in a situation which could give rise to conflict of interests. Without prejudice to Article II.1 the Contractor shall replace, immediately and without compensation from the Commission, any member of his staff exposed to such a situation.

II.3.2. The Contractor shall abstain from any contact likely to compromise his independence.

II.3.3. The Contractor declares:

- that he has not made and will not make any offer of any type whatsoever from which an advantage can be derived under the Contract,
- that he has not granted and will not grant, has not sought and will not seek, has not attempted and will not attempt to obtain, and has not accepted and will not accept, any advantage, financial or in kind, to or from any party whatsoever, where such advantage constitutes an illegal practice or involves corruption, either directly or indirectly, inasmuch as it is an incentive or reward relating to performance of the Contract.

II.3.4. The Contractor shall pass on all the relevant obligations in writing to his staff, board, and directors as well as to third parties involved in performance of the Contract. A copy of the instructions given and the undertakings made in this respect shall be sent to the Commission should it so request.

ARTICLE II.4 – PAYMENTS

II.4.1. Pre-financing:

Where required by Article I.4.1, the Contractor shall provide a financial guarantee in the form of a bank guarantee or equivalent supplied by a bank or an authorised financial institution (guarantor) equal to the amount indicated in the same Article to cover pre-financing under the Contract. Such guarantee may be replaced by a joint and several guarantee by a third party.

➤ The guarantor shall pay to the Commission at its request an amount corresponding to payments made by it to the Contractor which have not yet been covered equivalent work on his part.

The guarantor shall stand as first-call guarantor and shall not require the Commission to have recourse against the principal debtor (the Contractor).

The guarantee shall specify that it enters into force at the latest on the date on which the Contractor receives the pre-financing. The Commission shall release the guarantor from its obligations as soon as the Contractor has demonstrated that any pre-financing has been covered by equivalent work. The guarantee shall be retained until the pre-financing has been deducted from interim payments or payment of the balance to the Contractor. It shall be released the following month. The cost of providing such guarantee shall be borne by the Contractor.

II.4.2. Interim payment:

At the end of each of the periods indicated in Annex IV the Contractor shall submit to the Commission a formal request for payment accompanied by those of the following documents which are provided for in the Special Conditions:

- an interim technical report in accordance with the instructions laid down in Annex IV;
- the relevant invoices indicating the reference number of the Contract to which they refer;
- statements of reimbursable expenses in accordance with Article II.7.

If the report is a condition for payment, on receipt the Commission shall have the period of time indicated in the Special Conditions in which:

- to approve it, with or without comments or reservations, or suspend such period and request additional information; or
- to reject it and request a new report.

If the Commission does not react within this period, the report shall be deemed to have been approved. Approval of the report does not imply recognition either of its regularity or of the authenticity, completeness or correctness of the declarations or information enclosed.

Where the Commission requests a new report because the one previously submitted has been rejected, this shall be submitted within the period of time indicated in the Special Conditions. The new report shall likewise be subject to the above provisions.

II.4.3. Payment of the balance:

Within sixty days of completion of the tasks referred to in Annex III the Contractor shall submit to the Commission a formal request for payment accompanied by those of the following documents which are provided for in the Special Conditions:

- a final technical report in accordance with the instructions laid down in Annex IV;
- the relevant invoices indicating the reference number of the Contract to which they refer;
- statements of reimbursable expenses in accordance with Article II.7.

If the report is a condition for payment, on receipt the Commission shall have the period of time indicated in the Special Conditions in which:

- to approve it, with or without comments or reservations, or suspend such period and request additional information; or
- to reject it and request a new report.

If the Commission does not react within this period, the report shall be deemed to have been approved. Approval of the report does not imply recognition either of its regularity or of the authenticity, completeness or correctness of the declarations and information enclosed.

Where the Commission requests a new report because the one previously submitted has been rejected, this shall be submitted within the period of time indicated in the Special Conditions. The new report shall likewise be subject to the above provisions.

ARTICLE II.5 – GENERAL PROVISIONS CONCERNING PAYMENTS

II.5.1. Payments shall be deemed to have been made on the date on which the Commission's account is debited.

II.5.2. The payment periods referred to in Article I.4 may be suspended by the Commission at any time if it informs the Contractor that his payment request is not admissible, either because the amount is not due or because the necessary supporting documents have not been properly produced. In case of doubt on the eligibility of the expenditure indicated in the payment request, the Commission may suspend the time limit for payment for the purpose of further verification, including an on-the-spot check, in order to ascertain, prior to payment, that the expenditure is eligible.

The Commission shall notify the Contractor accordingly by registered letter with acknowledgement of receipt or equivalent. Suspension shall take effect from the date of dispatch of the letter. The remainder of the period referred to in Article I.4 shall begin to run again once the suspension has been lifted.

II.5.3. In the event of late payment the Contractor may claim interest within two months of receiving the payment. Interest shall be calculated at the rate applied by the European Central Bank to its most recent main refinancing operations (“*the reference rate*”) plus seven percentage points (“*the margin*”). The reference rate in force on the first day of the month in which the payment is due shall apply. Such interest rate is published in the C series of the Official Journal of the European Union. Interest shall be payable for the period elapsing from the calendar day following expiry of the time limit for payment up to the day of payment. Suspension of payment by the Commission may not be deemed to constitute late payment.

ARTICLE II.6 – RECOVERY

II.6.1. If total payments made exceed the amount actually due under the Contract or if recovery is justified in accordance with the terms of the Contract, the Contractor shall reimburse the appropriate amount in euro on receipt of the debit note, in the manner and within the time limits set by the Commission.

II.6.2. In the event of failure to pay by the deadline specified in the request for reimbursement, the sum due shall bear interest at the rate indicated in Article II.5.3. Interest shall be payable from the calendar day following the due date up to the calendar day on which the debt is repaid in full.

II.6.3. The Commission may, after informing the Contractor, recover amounts established as certain, of a fixed amount and due by offsetting, in cases where the Contractor also has

a claim on the Communities that is certain, of a fixed amount and due. The Commission may also claim against the guarantee, where provided for.

ARTICLE II.7 - REIMBURSEMENTS

II.7.1. Where provided by the Special Conditions or by Annex I, the Commission shall reimburse the expenses which are directly connected with execution of the tasks on production of original supporting documents, including receipts and used tickets.

II.7.2. Travel and subsistence expenses shall be reimbursed, where appropriate, on the basis of the shortest itinerary.

II.7.3. Travel expenses shall be reimbursed as follows:

- a) travel by air shall be reimbursed up to the maximum cost of an economy class ticket at the time of the reservation;
- b) travel by boat or rail shall be reimbursed up to the maximum cost of a first class ticket;
- c) travel by car shall be reimbursed at the rate of one first class rail ticket for the same journey and on the same day;
- d) travel outside Community territory shall be reimbursed under the general conditions stated above provided the Commission has given its prior written agreement.

II.7.4. Subsistence expenses shall be reimbursed on the basis of a daily allowance as follows:

- a) for journeys of less than 200 km (return trip) no subsistence allowance shall be payable;
- b) daily subsistence allowance shall be payable only on receipt of a supporting document proving that the person concerned was present at the place of destination;
- c) daily subsistence allowance shall take the form of a flat-rate payment to cover all subsistence expenses, including accommodation, meals, local transport, insurance and sundries;
- d) daily subsistence allowance, where applicable, shall be reimbursed at the rate specified in Article I.3.3.

II.7.5. The cost of shipment of equipment or unaccompanied luggage shall be reimbursed provided the Commission has given prior written authorisation.

ARTICLE II.8 – OWNERSHIP OF THE RESULTS - INTELLECTUAL AND INDUSTRIAL PROPERTY

Any results or rights thereon, including copyright and other intellectual or industrial property rights, obtained in performance of the Contract, shall be owned solely by the Community, which may use, publish, assign or transfer them as it sees fit, without geographical or other limitation, except where industrial or intellectual property rights exist prior to the Contract being entered into.

ARTICLE II.9– CONFIDENTIALITY

II.9.1. The Contractor undertakes to treat in the strictest confidence and not make use of or divulge to third parties any information or documents which are linked to performance of the Contract. The Contractor shall continue to be bound by this undertaking after completion of the tasks.

II.9.2. The Contractor shall obtain from each member of his staff, board and directors an undertaking that they will respect the confidentiality of any information which is linked, directly or indirectly, to execution of the tasks and that they will not divulge to third parties or use for their own benefit or that of any third party any document or information not available publicly, even after completion of the tasks.

ARTICLE II.10 - USE, DISTRIBUTION AND PUBLICATION OF INFORMATION

II.10.1. The Contractor shall authorise the Commission to process, use, distribute and publish, for whatever purpose, by whatever means and on whatever medium, any data contained in or relating to the Contract, in particular the identity of the Contractor, the subject matter, the duration, the amount paid and the reports. Where personal data is concerned, Article I.8 shall apply.

II.10.2. Unless otherwise provided by the Special Conditions, the Commission shall not be required to distribute or publish documents or information supplied in performance of the Contract. If it decides not to publish the documents or information supplied, the Contractor may not have them distributed or published elsewhere without prior written authorisation from the Commission.

II.10.3. Any distribution or publication of information relating to the Contract by the Contractor shall require prior written authorisation from the Commission and shall mention the amount paid by the Community. It shall state that the opinions expressed are those of the Contractor only and do not represent the Commission's official position.

II.10.4. The use of information obtained by the Contractor in the course of the Contract for purposes other than its performance shall be forbidden, unless the Commission has specifically given prior written authorisation to the contrary.

ARTICLE II.11 – TAXATION

- II.11.1.** The Contractor shall have sole responsibility for compliance with the tax laws which apply to him. Failure to comply shall make the relevant invoices invalid.
- II.11.2.** The Contractor recognises that the Commission is, as a rule, exempt from all taxes and duties, including value added tax (VAT), pursuant to the provisions of Articles 3 and 4 of the Protocol on the Privileges and Immunities of the European Communities.
- II.11.3.** The Contractor shall accordingly complete the necessary formalities with the relevant authorities to ensure that the goods and services required for performance of the Contract are exempt from taxes and duties, including VAT.
- II.11.4.** Invoices presented by the Contractor shall indicate his place of taxation for VAT purposes and shall specify separately the amounts not including VAT and the amounts including VAT.

ARTICLE II.12 – FORCE MAJEURE

- II.12.1.** Force majeure shall mean any unforeseeable and exceptional situation or event beyond the control of the contracting parties which prevents either of them from performing any of their obligations under the Contract, was not due to error or negligence on their part or on the part of a subcontractor, and could not have been avoided by the exercise of due diligence. Defects in equipment or material or delays in making it available, labour disputes, strikes or financial problems cannot be invoked as force majeure unless they stem directly from a relevant case of force majeure.
- II.12.2.** Without prejudice to the provisions of Article II.1.8, if either contracting party is faced with force majeure, it shall notify the other party without delay by registered letter with acknowledgement of receipt or equivalent, stating the nature, likely duration and foreseeable effects.
- II.12.3.** Neither contracting party shall be held in breach of its contractual obligations if it has been prevented from performing them by force majeure. Where the Contractor is unable to perform his contractual obligations owing to force majeure, he shall have the right to remuneration only for tasks actually executed.
- II.12.4.** The contracting parties shall take the necessary measures to reduce damage to a minimum.

ARTICLE II.13 – SUBCONTRACTING

- II.13.1.** The Contractor shall not subcontract without prior written authorisation from the Commission nor cause the Contract to be performed in fact by third parties.

II.13.2. Even where the Commission authorises the Contractor to subcontract to third parties, he shall none the less remain bound by his obligations to the Commission under the Contract and shall bear exclusive liability for proper performance of the Contract.

II.13.3. The Contractor shall make sure that the subcontract does not affect rights and guarantees to which the Commission is entitled by virtue of the Contract, notably Article II.17.

ARTICLE II.14 – ASSIGNMENT

II.14.1. The Contractor shall not assign the rights and obligations arising from the Contract, in whole or in part, without prior written authorisation from the Commission.

II.14.2. In the absence of the authorisation referred to in 1 above, or in the event of failure to observe the terms thereof, assignment by the Contractor shall not be enforceable against and shall have no effect on the Commission.

ARTICLE II.15 – TERMINATION BY THE COMMISSION

II.15.1. The Commission may terminate the Contract in the following circumstances:

- (a) where the Contractor is being wound up, is having his affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is the subject of proceedings concerning those matters, or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- (b) where the Contractor has been convicted of an offence concerning his professional conduct by a judgement which has the force of *res judicata*;
- (c) where the Contractor has been guilty of grave professional misconduct proven by any means which the contracting authority can justify;
- (d) where the Contractor has not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which he is established or with those of the country applicable to the Contract or those of the country where the Contract is to be performed;
- (e) where the Commission seriously suspects the Contractor of fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;
- (f) where the Contractor is in breach of his obligations under Article II.3;

- (g) where the Contractor was guilty of misrepresentation in supplying the information required by the Commission as a condition of participation in the Contract procedure or failed to supply this information;
- (h) where a change in the Contractor's legal, financial, technical or organisational situation could, in the Commission's opinion, have a significant effect on the performance of the Contract;
- (i) where execution of the tasks has not actually commenced within three months of the date foreseen, and the new date proposed, if any, is considered unacceptable by the Commission;
- (j) where the Contractor is unable, through his own fault, to obtain any permit or licence required for performance of the Contract;
- (k) where the Contractor, after receiving formal notice in writing to comply, specifying the nature of the alleged failure, and after being given the opportunity to remedy the failure within a reasonable period following receipt of the formal notice, remains in serious breach of his contractual obligations.

II.15.2. In case of force majeure, notified in accordance with Article II.12, either contracting party may terminate the Contract, where performance thereof cannot be ensured for a period corresponding to at least to one fifth of the period laid down in Article I.2.3.

II.15.3. Prior to termination under point e), h) or k), the Contractor shall be given the opportunity to submit his observations.

Termination shall take effect on the date on which a registered letter with acknowledgement of receipt terminating the Contract is received by the Contractor, or on any other date indicated in the letter of termination.

II.15.4. Consequences of termination:

In the event of the Commission terminating the Contract in accordance with this Article and without prejudice to any other measures provided for in the Contract, the Contractor shall waive any claim for consequential damages, including any loss of anticipated profits for uncompleted work. On receipt of the letter terminating the Contract, the Contractor shall take all appropriate measures to minimise costs, prevent damage, and cancel or reduce his commitments. He shall draw up the documents required by the Special Conditions for the tasks executed up to the date on which termination takes effect, within a period not exceeding sixty days from that date.

The Commission may claim compensation for any damage suffered and recover any sums paid to the Contractor under the Contract.

On termination the Commission may engage any other contractor to complete the services. The Commission shall be entitled to claim from the Contractor all extra costs incurred in making good and completing the services, without prejudice to any other rights or guarantees it has under the Contract.

ARTICLE II.16 – LIQUIDATED DAMAGES

Should the Contractor fail to perform his obligations under the Contract within the time limits set by the Contract, then, without prejudice to the Contractor's actual or potential liability incurred in relation to the Contract or to the Commission's right to terminate the Contract, the Commission may decide to impose liquidated damages of 0.2% of the amount specified in Article I.3.1 per calendar day of delay. The Contractor may submit arguments against this decision within thirty days of notification by registered letter with acknowledgement of receipt or equivalent. In the absence of reaction on his part or of written withdrawal by the Commission within thirty days of the receipt of such arguments, the decision imposing the liquidated damages shall become enforceable. These liquidated damages shall not be imposed where there is provision for interest for late completion. The Commission and the Contractor expressly acknowledge and agree that any sums payable under this Article are in the nature of liquidated damages and not penalties, and represent a reasonable estimate of fair compensation for the losses that may be reasonably anticipated from such failure to perform obligations.

ARTICLE II.17 – CHECKS AND AUDITS

- II.17.1.** Pursuant to Article 142 of the Financial Regulation applicable to the general budget of the European Communities, the European Court of Auditors shall be empowered to audit the documents held by the natural or legal persons receiving payments from the budget of the European Communities from signature of the Contract up to five years after payment of the balance.
- II.17.2.** The Commission or an outside body of its choice shall have the same rights as the European Court of Auditors for the purpose of checks and audits limited to compliance with contractual obligations from signature of the Contract up to five years after payment of the balance.
- II.17.3.** In addition, the European Anti Fraud Office may carry out on-the-spot checks and inspections in accordance with Council Regulation (Euratom, EC) No 2185/96 and Parliament and Council Regulation (EC) No 1073/1999 from signature of the Contract up to five years after payment of the balance.

ARTICLE II.18 – AMENDMENTS

Any amendment to the Contract shall be the subject of a written agreement concluded by the contracting parties. An oral agreement shall not be binding on the contracting parties.

ARTICLE II.19 – SUSPENSION OF THE CONTRACT

Without prejudice to the Commission's right to terminate the Contract, the Commission may at any time and for any reason suspend execution of the tasks under the Contract or any part thereof. Suspension shall take effect on the day the Contractor receives notification by registered letter with acknowledgement of receipt or equivalent, or at a later date where the notification so provides. The Commission may at any time following suspension give notice to the Contractor to resume the work suspended. The Contractor shall not be entitled to claim compensation on account of suspension of the Contract or of part thereof.

SIGNATURES

For the Contractor,

For the Commission,
Jan Schmidt,

Director of the Economic Evaluation
Service,
Directorate General Economic and
Financial Affairs

Signature:

Signature:

Done at Brussels, [date]

Done at Brussels, [date]

In duplicate in English.

Declaration of the candidate's eligibility

Tenders will not be considered if the candidates are in any of the following situations:

- (a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- (b) they have been convicted of an offence concerning their professional conduct by a judgment which has the force of *res judicata*;
- (c) they have been guilty of grave professional misconduct proven by any means which the contracting authority can justify;
- (d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the country of the contracting authority or those of the country where the contract is to be performed;
- (e) they have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;
- (f) following another procurement procedure or grant award procedure financed by the Community budget, they have been declared to be in serious breach of contract for failure to comply with their contractual obligations;
- (g) they are faced with a conflict of interest;
- (h) they have been guilty of misrepresentation in supplying the information required or have failed to supply this information.

..... (Nom)

..... (Signature)

..... (Date)

□ In compliance with articles 93 and 94 of the Financial Regulation applicable to the general budget of the European Communities.