

SPECIFICATIONS

To Invitation to tender ECFIN/R3/2006/001

Evaluation of DG ECFIN's forecasting services

These specifications follow the publication of:

- the prior information notice in OJEU 2006/S 024-025720
- the contract notice in OJEU 2006/S 153-164778

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PART 1: TECHNICAL DESCRIPTION

1. INTRODUCTION

In the framework of the 2006 Evaluation Plan of the Directorate General for Economic and Financial Affairs (DG ECFIN), an evaluation of DG ECFIN's forecasting activities will be launched in 2006.

2. SCOPE OF THE EVALUATION

The evaluation will examine the planning, implementation, outputs and effects of the forecasting activities. The evaluation will be both retrospective and prospective in nature insofar as it will take as its starting point the internal study on the track record of the Commission services' forecasts, published in 1999 (see footnote 1), and assess how forecasting activities may need to evolve in the context of, amongst other things, changing user needs and possible innovations in the field of forecasting. The evaluation will consider DG ECFIN's forecasting activities in the broader context of other activities of DG ECFIN, on one hand, and of the DG being but one provider of macro-economic forecasts among many outside the Commission (e.g. OECD, IMF, ECB, Member States finance ministries...), on the other.

2.1. Nature of the contract

The European Commission (the awarding authority) wishes to establish a service contract for the evaluation of the aforementioned ongoing activities.

The contract will be managed by Unit R3 of the Directorate-General for Economic and Financial Affairs, responsible for evaluation in the DG for Economic and Financial Affairs.

2.2. Description of the activity to be evaluated

The production of macroeconomic forecasts is one of a number of major activities of the Economics and Financial Affairs DG, in the framework of its economic and fiscal surveillance of the euro zone and the EU-25 and in support of its economic dialogues with third countries and its participation in international fora.

While there is no explicit legal obligation requiring the Commission or the Commission services to produce macroeconomic forecasts, a number of references exist in both the Treaty and secondary legislation forming a clear legal basis for DG ECFIN's forecasting activity. The references relate to (i) the EU fiscal surveillance framework and (ii) the economic convergence towards Economic and Monetary Union. A detailed presentation of the legal basis is provided in Annex 1.

DG ECFIN's forecasting activity involves services of four of its seven directorates. A modest budget is available to finance meetings of experts from outside the Commission involved in the exercise. Other activities and tools of the DG are

inputs into the process (databases, model simulations, surveys...) and the forecasts are themselves inputs into other activities of DG ECFIN.

Twice a year (in spring and autumn) DG ECFIN produces detailed fully-fledged short-term macro-economic projections, which have the following main characteristics:

- The focus is on the euro area and the Member States of the EU.
- The forecast horizon is 1^{1/2} and 2^{1/2} years in spring and autumn, respectively.
- It concerns a comprehensive set of macroeconomic variables.
- They are most relevant for short-term economic policy analysis, where the objective is to take timely corrective action if appropriate.

Not all variables are forecast. A number of exogenous factors are determined outside the iterative forecasting process. Purely technical assumptions are used for exchange rates.

The major input to the forecasting work originates from country desks. By aggregation the EU-wide data are obtained. A separate trade consistency model and various statistical tests are used to ensure consistency at the aggregate level.

The European Commission (i.e. the college of Commissioners) does not formally adopt the forecasts but is informed of the outcome by the Commissioner in charge of economic and financial affairs. After having informed his colleagues, the Commissioner releases the forecasts during a press conference, usually held in Brussels. The press release provides a short description of the economic situation in the EU, the euro area and the Member States and a set of key projections. At the same time a comprehensive document is made available containing the details of the forecasts; the interest rate projections are, however, not published.

Twice a year DG ECFIN prepares a partial update of its economic forecasts, namely in end-February and early September. The focus is on real GDP and inflation for the current year for the six largest Member States. The interim forecast is based on a lighter procedure that is less resource intensive and markedly shorter, including some 15 staff members during 2 weeks. As with the fully-fledged forecasts, the interim forecast is not adopted by the Commission.

In January 2006, DG ECFIN introduced a new model for the projection of quarterly GDP growth in the euro area, based on factor analysis of around 2000 economic time series. This dynamic factor model (DFM) replaced the existing indicator-based model, the projections of which had been published from March 2002 to October 2005. The DFM provides projections of quarterly GDP growth for three quarters beyond the quarter of the latest GDP estimate. The projections are issued in the form of a short press release simultaneously with (flash, first and second) Eurostat estimates of quarterly GDP. There is no publication in months where the results would coincide with either the fully-fledged macroeconomic forecasts or the interim forecasts.

Twice a year, combined with the fully-fledged forecasts, a medium-term projection with the DG ECFIN's production function methodology is performed. DG ECFIN uses its production function methodology to give a simple technical extrapolation for the three years following the end of the latest Commission services forecasts (e.g. for the Spring 2006 forecasts which covers the years 2006-2007, the medium term extension is carried out for the years 2008-2010). This technical extension is in no way a forecast for these years, it is simply an attempt to illustrate what would happen if the trends of recent years were to continue, using established and transparent ARIMA procedures. The results are published together with the fully-fledged forecasts and are subsequently used by DG ECFIN for the calculation of cyclically adjusted budget balances and for the assessment of stability and convergence programmes. A variant of these medium-term projections is used by DG BUDG for the financial perspectives exercise.

The accuracy of the projections of key variables is assessed on an ad hoc basis and the assessment has been published ¹. An update of these past exercises is currently being prepared by DG ECFIN; the results will most likely be ready for use in this evaluation.

The technical organization of the forecasting processes has gone through several changes aimed mostly at increasing efficiency and at adapting to the situation that emerged with the enlarged EU. Until 2004, the forecasting cycle was linked to the annual cycle of the Broad Economic Policy Guidelines (BEPGs) with the simultaneous release of both outcomes at the end of the Spring round. In this way, the Commission economic policy recommendations included in the BEPGs were supported by the rather detailed series of economic variables included in the forecasts. In the new framework created with the new Lisbon agenda, there has been a de facto separation between economic policy advice and economic forecasts.

Within the current management plan of the DG the objectives of the forecasting activities are threefold:

- Providing high-level analysis and policy advice to the Commission and its services on economic questions, and international economic and financial questions
- Supporting further preparation for enlargement
- Analysing and supporting the economies of third countries

¹ The track record of the Commission forecasts, Economic Papers No. 137 (Oct 1999) available at: http://ec.europa.eu/economy_finance/publications/economic_papers/economicpapers137_en.htm
External assumptions, the international environment and the track record of the Commission Forecast, Economic Papers No. 189 (Sept 2003) available at: http://ec.europa.eu/economy_finance/publications/economic_papers/economicpapers189_en.htm
Economic forecasts and fiscal policy in the recently acceded Member States, Economic Papers No. 234 (Nov 2005) available at: http://ec.europa.eu/economy_finance/publications/economic_papers/economicpapers234_en.htm

The direct user of the forecasts is DG ECFIN itself for its key activities, notably the implementation of the EU fiscal surveillance framework and the examination of economic convergence towards the Economic and Monetary Union. Furthermore, by undertaking this activity, DG ECFIN is able to maintain and enhance its knowledge base in the field of macro-economic developments, forecasting and policy issues. Other Directorates-General, such as BUDG, REGIO, EMPL and RELEX, use the forecasts as an input into their own activities and policy making.

The European Parliament, the Council (Eurogroup, ECOFIN), the Economic and Financial Committee and the Economic Policy Committee use the forecasting outputs as reference documents to support policy making, in particular for the implementation of the revised Stability and Growth Pact, the follow-up of the Lisbon strategy and for decisions concerning the enlargement of the euro area.

Beyond the Commission, which is the principal user of the forecasts, there is a wider forecasting community (e.g. ECB, OECD, IMF, EIB, Member States' economic and finance ministries and central banks) which is likely to use the forecasts as an input into their own activities and policy making and as a point of reference or benchmark for the results of their forecasts.

Finally, private sector organisations (commercial banks, industrial companies, interest organisations, etc.) are also to some extent users of the forecasts. The Commission forecasts are included in Consensus Forecasts.

2.3. Reasons for the evaluation and its objectives

The objective for this evaluation is primarily to support learning and understanding, leading, where demonstrated as being necessary, to changes to the forecasting activities of the DG and their resulting outputs, with consequent benefits for the various communities of users, both internal and external to the Commission.

To this end, the evaluation's results will be used primarily by those services of DG ECFIN responsible for the implementation of forecasting activities with a view to improving the organisation and management of the activities, to develop a more strategic approach to forecasting within the DG, and to improve the communication of the forecast results.

A wider audience across the European Institutions is likely, however, to be interested in the evaluation results from a transparency and accountability perspective.

The rationale in statutory terms for the evaluation of DG ECFIN's forecasting activities can be found in the Financial Regulation and its Implementing Rules², the latter stating (Art 21(2)) that:

“All programmes or activities shall [then] be the subject of an interim and/or ex post evaluation in terms of the human and financial resources allocated and the

² Council Regulation 1605/2002 and Commission Regulation 2342/2002

results obtained [...]” and that “[...] activities financed on an annual basis shall have their results evaluated at least every six years”.

Furthermore, the requirement to evaluate is legally underpinned by two Commission Communications:

- Communication on Evaluation of July 2000
- Communication on Activity Based Management of July 2001

3. THE EVALUATION COMMISSIONER AND USERS

The Directorate-General for Economic and Financial Affairs is the initiator of this evaluation and will be its main user.

4. EVALUATION QUESTIONS

In the course of the evaluation the contractor will collect and analyse data with the specific purpose of providing fully substantiated conclusions to the evaluation questions presented below.

It will also be necessary for the contractor to develop a sufficient understanding of the underlying activities of the DG’s forecasting activities so as to be able to propose useful recommendations commensurate with the aforementioned conclusions, with a view to optimising their future performance, in particular through the provision of elements to be used by the Commission services to elaborate a relevant and coherent medium-term strategy.

In the course of the evaluation the contractor will specifically address the following evaluation questions:

Q1a. To what extent are the forecasting outputs used by EU institutions:

- European Commission
- European Parliament
- Council and the supporting EFC and EPC Committees
- European Economic and Social Committee, Committee of Regions
- and international organisations³?

In case EU institutions and international organisations are not users of the forecasting outputs: do they use alternative sources and, if so, why?

Q1b. What are the actual needs of the different users of the forecasting services and to what extent are they met in terms of:

- the geographical scope,

³ Throughout this evaluation, "international organisations" will mean: IMF, OECD, ECB

- the nature and level of detail of key indicators and variables,
- frequency,
- timing,
- reliability
- and relevance of forecasting outputs and products?

To what extent are the users interested in the exact values of the variables or/and the underlying story of the projections, in future or recent development, in policy analysis? What have been the consequences of the recent separation of the forecasts and the BEPGs processes in terms of target populations' satisfaction?

Q1c. What are likely to be the future needs of users and what, if any, are the new issues and problems that should be specifically addressed by the DG's forecasting services?

Q2a. To what extent can the current mix of forecasting products by DG ECFIN, i.e.

- medium-term and fully-fledged short-term forecasts,
- interim forecasts,
- indicator (factor) model forecasts

be considered as optimal with respect to designated goals? What portfolio of forecasting products exists in other international organisations? How do these compare to the DG ECFIN forecasting mix in terms of strengths and weaknesses?

Q2b. To what extent do the current forecast processes in DG ECFIN ensure a sustained high quality of the forecast output in particular with respect to:

- the sequencing of the different forecast stages (e.g. external assumptions, various storages, internal meetings, consistency exercises, expert consultation meeting, etc)?
- the organisational separation of tasks between the country-desks and the forecast coordination unit?
- the resource allocation within national economies desks (e.g. large and small countries)?
- the variety of forecasting approaches, including econometric models and other inputs, at the level of the country desks?

Q2c. To what extent do the current forecast processes in DG ECFIN ensure the independence of forecast results, particularly with regard to variables that are relevant for fiscal surveillance purposes (e.g. in the framework of the Stability and Growth Pact)?

Q2d. In what way do approaches to forecasting in other international organisations differ from that implemented by DG ECFIN? What recent innovations in forecasting methods are being taken up by the ECB, the IMF and the OECD and why? To what extent are experiences in this respect transposable to DG ECFIN?

Q3a. To what extent is the conducting of forecasts within DG ECFIN necessary as a means to maintain and enhance its internal knowledge and skills base of the DG, in particular in relation with the implementation of the Stability and Growth Pact and the Lisbon agenda? Are there examples of extensive outsourcing of forecasting activities in other administrations and bodies, and if so what have been the consequences on their knowledge and skills base and activities relying on forecasts as an input?

Q3b. What would be the likely effects of a decision to stop producing forecasting services for the current users?

Q4a. Beyond the legal requirements, to what extent have the forecast products been used by the EU Institutions in policy formulation and implementation?

Q4b. To what extent the forecast products and outputs have influenced Commission activities and EU policies in design and formulation?

Q5a. What are the strengths and weaknesses of the current Communication strategy of the Commission forecasts as compared with other international organisations? What is the press coverage of the Commission forecasts as compared to that of other international organisations?

Q5b. What other target populations/locations, if any, should the Communication strategy of the Commission forecasts focus on and why?

5. METHODOLOGICAL ORIENTATIONS

The contractor will design and implement an evaluation method that will provide answers to the above questions and allow DG ECFIN's activities in this field to be placed within the broader context of macroeconomic forecasting practices and techniques. The contractor is free to propose the tools and techniques that (s)he considers the most appropriate given the needs and constraints of the exercise, but the following elements must obligatorily be covered by the method:

- Data will be collected directly from users of DG ECFIN's forecasts, both internal and external to the Commission, about their needs (present and future) and how current forecasts respond to them;
- A comparative study (benchmarking) with other bodies conducting forecasting exercises of a similar type.

6. ORGANISATION, TIMETABLE AND REPORTING

6.1. Steering group composition and role

A steering group has been established consisting of Commission officials with experience and knowledge of the forecasting services, policy and programme evaluation. After the signature of the contract, a national expert from a public administration of a Member State with long experience of the Commission forecasting services will participate in the steering group. The steering group has been charged with preparing and overseeing the evaluation exercise. In the context of the execution of the evaluation, the steering group will among other things facilitate the access of the contractor to appropriate sources of data, check the factual accuracy and focus of the work as it progresses, participate in the formulation of recommendations with the evaluator and be responsible for the quality assessment (see point 6.4 below) of the final report.

The steering group will meet in the presence of the contractor at the launch meeting of the evaluation and no later than a fortnight after the receipt of each deliverable to provide feedback to the evaluator about their contents. The contractor must take account of the steering group's observations and comments and keep it informed of the progress of the work (see table page 10 for applicable delays).

The steering group is coordinated and chaired by Unit R3, responsible for evaluation in the Economic and Financial Affairs Directorate.

6.2. Scheduling of work – Duration

The contract is due to be signed in November/December 2006. The duration of the expected service contract will be 11 calendar months from the date of its signature by the last contracting party. The final report has to be submitted to the Commission before the end of month nine of the contract duration.

The contractor will meet with the steering group for a kick-off meeting not later than 15 days after signature of the contract by the last signing party.

During the evaluation process, the documents listed under point 6.3 shall be submitted by the contractor within the deadlines indicated for each of the reports. Each document will be examined by the steering group.

The contractor will meet with the steering group for the kick-off meeting, and for the presentation and discussion of the inception report, the intermediate report and the draft final report. In addition the contractor will meet with the steering group for a workshop in Brussels to finalise the recommendations and one further meeting will take place in Brussels within the contract period to present the evaluation results to Commission services.

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.

The following table summarises the timetable for the evaluation work and the reports to be submitted:

N	Signing of contract by last signing party
N + 15 days max	Kick-off meeting of the Contractor with the steering group
N + 2 months	Submission of the Inception report
N + 2 months + 15 days max	Meeting of the contractor with the steering group to discuss the inception report
N + 2 months + 30 days max	Delay for EC to approve, to approve under the condition of the integration of its remarks in the intermediate report, or to ask for a review of the inception report based on its comments
(N + 2 months + 30 days + 20 days max)	(Delay for the contractor to submit a new report taking into account the comments of the Commission.)
N + 5 months	Submission of the Intermediate report
N + 5 months + 15 days max	Meeting of the contractor with the steering group to discuss the intermediate report
N + 5 months + 30 days max	Delay for EC to approve, to approve under the condition of the integration of its remarks in the draft final report, or to ask for a review of the intermediate report based on its comments
(N + 5 months + 30 days + 20 days max)	(Delay for the contractor to submit a new report taking into account the comments of the Commission.)
N + 7 months	Submission of the Draft final report
N + 7 months + 15 days max	Meeting of the contractor with the steering group to discuss the Draft final report
N + 7 months + 30 days max	Workshop of the contractor with the steering group to finalise the recommendations
N + 9 months	Submission of the Final report
N + 9 months + 30 days max	Delay for EC to approve, to approve under the condition of the integration of its remarks in the final report, or to ask for a review of the final report based on its comments.
(N + 9 months + 30 days + 20 days max)	(Delay for the contractor to submit a new report taking into account the comments of the Commission.)
N + 10 to 11 months	Presentation of evaluation results to Commission services

6.3. Deliverables and their contents

In the course of the evaluation the contractor will deliver an inception report, an intermediate report, a draft final report and a definitive final report, including an executive summary and technical annexes.

All documents should be drafted in English in a clear and understandable way. In addition, the executive summary attached to the final report should be made available in both English and French (see point 6.3.4 below).

Four meetings will usually take place in Brussels between the steering group and the contractor: a kick-off meeting; an inception meeting where the inception report will be presented; a meeting where the intermediate report will be presented; and a final meeting where the draft final report will be presented. A fifth meeting will be organised in the form of a workshop to finalise the recommendations of the evaluation. The contractor will also, in addition to the meetings with the steering group, foresee one oral presentation of the evaluation results in Brussels to Commission services.

Additional meetings may be called by the Commission when significant revisions to reports are required.

6.3.1. Inception report

The inception report will consist of two major elements:

- A fully operational evaluation method, including definitions of key terms and concepts in the evaluation questions and an exploration of the issues underlying them including the identification of key users and data sources and the development of success criteria and indicators as appropriate. Data collection tools and an analytical framework will be presented in detail, including draft interview guides, questionnaires, case study protocols, etc., as necessary. A detailed schedule will be presented for the remaining months of work.
- A description of the underlying activities and processes of the DG's forecasting activities, along with an analysis of their rationale and intervention logic.

This report will enable the steering group to validate the finalised evaluation methodology and to assess the level of understanding of the contractor of the activities being evaluated before the start of the fieldwork.

6.3.2. Intermediate report

The intermediate report will present the results of preliminary analyses of the fieldwork and eventually a first draft of tentative

conclusions. It will also include a progress report on the implementation of the evaluation.

It will provide the steering group with a basis for interaction with the contractor on the substantive work conducted so far and allow the group to assess that the work is both on schedule and remains focused on answering the evaluation questions in the terms of reference.

6.3.3. *Draft final report*

This report will consist of the following elements:

- Complete answers to all evaluation questions, including conclusions accompanied by a preliminary set of recommendations. Conclusions will be clearly underpinned by the results of analyses, and recommendations will respond directly to issues raised in the conclusions.
- A succinct description of the underlying activities of the DG's forecasting services
- A succinct description of the evaluation methodology employed, the data used, and their limits

The report will not exceed 100 pages in length with the core text focusing on substantive issues listed in the above first bullet point. The report should be drafted in a clear and understandable way in English.

This report will be the subject of a structured quality assessment by the steering group (see below, point 6.4).

6.3.4. *Final Report*

The final report will take into account the observations and comments of the steering group on the draft final report, insofar as they do not impinge on the independent judgement of the evaluator. It will contain a finalised set of recommendations resulting from the workshop with the steering group and an executive summary of no more than 3 pages in both French and English. The summary will present a synthesis of the conclusions and recommendations found in the main body of the report.

Appended to the final report will be a series of annexes presenting detailed information on the methodology and data used along with any other relevant background information.

The quality assessment of the draft final report will be updated on the basis of the final report. Both the final report and the updated quality assessment will be made public.

The final report will be delivered both in electronic (Word and PDF) and paper form (10 copies).

6.4. Quality assessment

The steering group will assess the quality of all reports. For a report to be considered as being of adequate quality, the minimum requirements are that:

- **Conclusions** are clearly and unambiguously based on evaluation *findings*, which themselves follow logically from, and are justified by sound *analyses* and *interpretations* based on carefully described assumptions and reasoning.
- **Recommendations** flow directly from the conclusions and provide a basis for addressing weaknesses and/or reinforcing strengths.

7. PLACE OF PERFORMANCE

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

8. PUBLICATION

The European Commission retains all rights relating to evaluation reports produced under this contract and to their reproduction and publication. Any document based in full or in part on the work carried out under these contracts may be disseminated or published only with the European Commission's permission.

Publication of the final report or its results will be accompanied by a quality assessment of the evaluation by the Commission's staff.

PART 2: ADMINISTRATIVE DETAILS

9. 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.

10. 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.

11. 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. 12), 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 sections 14.1 “administrative information”, 15 “information for assessment of exclusion criteria” and 16 “information for assessment of selection criteria” must be provided for all members participating in the tender.

12. 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 this document.

Tenderers must inform the subcontractor(s) that Article II.17 of the standard service contract will apply to them. Once the contract has been signed, Article II.13 of the above-mentioned service contract shall govern the subcontracting.

Any human resources used under contract by the successful tenderer but not part of the permanent staff will be considered as subcontracted. This also applies to independent consultants employed for a limited time and staff on secondment from another firm.

Failure to declare subcontracting may result in termination of the contract concluded with the Commission.

13. DETAILS OF THE CONTRACT

13.1. Terms of payment

Payments shall be made in accordance with Article I.4 of the draft service contract (Part 4).

13.2. Contractual terms

In drawing up his bid, the tenderer should bear in mind the provisions of the draft service contract attached (Part 4).

14. CONTENT OF THE TENDER

All tenders must be presented in three sections:

14.1. Administrative proposal

The administrative proposal will provide the following information:

- the tenderer's name and/or business name;
- a clear description of the tenderer's legal form;
- address of the tenderer's registered office;
- the tenderer's telephone and fax numbers, e-mail address and where available, Internet address;
- the names of the legal representatives (directors,etc) of the tenderer, authorised to sign contracts with third parties on behalf of the organization;
- the tenderer's VAT number and trade-register entry number;
- A bank identification form filled in and signed by an authorised representative of the tenderer and his banker. (see attached in Annex 1)
- A legal entity form (see attached in Annex 2)
- 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 3)
- Proof of Financial and Economic Capacity : documents listed in Part III – Point 16.1
- Proof of Technical and professional competence : documents listed in Part III – Point 16.2
- other substantiating documents if the candidate or tenderer cannot, for valid reasons, provide those indicated above.
- CVs of the members of the team who will carry out the evaluation
- References of the members of the team, those of the tenderer and, where relevant, its subcontractors, regarding the three aforementioned areas of expertise

- A list of evaluation reports and studies in the relevant policy field made over the past three years

14.2. Technical proposal

This section is of great importance in the assessment of the bids, the award of the contract and the future execution of any resulting contract. Some guidelines are given below, but attention is also drawn to the award criteria, which define those parts of the technical proposal to which the tenderers should pay particular attention. The technical proposal should address all matters laid down in the specifications and should include models, examples and technical solutions to problems raised in the specifications. The level of detail of the tender will be extremely important for the evaluation of the tender. Tenderers must include in their bids the technical specifications set out in Part I, giving an answer to each of the points mentioned with regard to methodology, deadlines and organisation.

The technical proposal must meet the technical specifications set out below and provide, as a minimum, all the information needed for the purpose of awarding the contract.

The technical proposal will provide a well structured, concise and detailed description of:

- The contractor's understanding of the key issues underlying the evaluation questions
- How the evaluation will be carried out in the allotted time schedule
- How the team's work will be structured from the kick-off meeting to the delivery of the final report
- The technical means, methods and sources of data that will be used to answer the evaluation questions
- The missions or visits required as part of the evaluation

14.3. Financial proposal

- **The price 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.
- **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;

- **The price must be fixed and not subject to revision, inclusive of all expenses.**
- The reference price for the award of the contract shall consist of two amounts:
 - a) **the amount in payment of the tasks executed**, as stated in Article I.3.1 of the contract.

For each category of staff to be involved in the project, the tenderer must specify:

- the total labour costs;
- the **daily rates** and **total number of days** (man-days) each member of staff will contribute to the project;
- other categories of costs, except for the costs specified under point b) below, indicating the nature of the cost, the total amount, the unit price and the quantity. Flat-rate amounts should be avoided. If, exceptionally, they are used, specimen quotations for the flat-rate amounts must be provided;

b) the amount corresponding to the reimbursable expenses.

This amount, referred to in Article I.3.2 of the draft service contract referred to above, corresponds to the expenses directly connected with the execution of the tasks under the contract which are incurred by the Contractor.

In any event, this amount is the **maximum** amount that can be reimbursed for the expenses incurred.

Reimbursable expenses are travel, subsistence and shipment expenses and other expenses listed in the technical specifications in accordance with the rules on reimbursement set out in Article II.7 of the draft service contract referred to above. The daily scales applicable to subsistence expenses are set out in Article I.3.2 of the draft service contract referred to above.

This amount will be estimated on the basis of the articles of the draft service contract referred to above and the information given below. In the bid it must be indicated separately from the amount stipulated in a).

The following information is intended to help tenderers to estimate the maximum amount of expenses:

- Meetings with the Commission:
Four meetings will usually take place in Brussels between the steering group and the contractor: a kick-off meeting; an inception meeting where the inception report will be presented; a meeting where the intermediate report will be presented; and a final meeting where the draft final report will be presented. A fifth meeting will be organised in the form of a workshop to finalise the recommendations of the evaluation. The contractor will also, in addition to the meetings with the steering group, foresee one oral presentation of the evaluation results in Brussels to Commission services.
- For your guidance, the maximum budget allocation is fixed at €120,000.
- The price quotation must be signed by the tenderer or his duly authorised representative.
- The price must be quoted free of all duties, taxes and other charges, including VAT, as the Communities are exempt from such charges under Articles 3 and 4 of the Protocol on the Privileges and Immunities of the European Communities. The amount of VAT should be shown separately.

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 3);
- 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 16 – 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 17 - 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 any subcontractor's and document their willingness to accept the task and thus acceptance of the terms and conditions set out in this document.

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.

15. 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:

- (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.

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.

16. 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.

16.1. Evidence of the economic and financial capacity of the service provider(s)

All tenderers (and subcontractors whose tasks are equal to or exceed 20% of the contract) must provide proof of economic and financial capacity by presenting the following documents:

- Balance sheets or extracts from balance sheets for at least the last two years for which accounts have been closed, where publication of the balance sheet is required under the company law of the country in which the tenderer is established.
- Statement of overall turnover and turnover concerning the works, supplies or services covered by the contracts during a period which may be no more than the last three financial years.

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.

16.2. Evidence of the technical and professional capacity of the service provider(s)

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 the following documents:

The evaluation will be entrusted to a team that integrates experts with expertise and experience in the following areas:

- Economic research, with a strong emphasis on Economic and Monetary Union
- Organisation and use of research in a policy-making context
- Policy and programme evaluation

Technical and professional competence will be substantiated by providing:

- CVs of the members of the team who will carry out the evaluation
- References of the members of the team, those of the tenderer and, where relevant, its subcontractors, regarding the three aforementioned areas of expertise
- A list of evaluation reports and studies in the relevant policy field made over the past three years

Tenderers should, on request, be prepared to submit a sample of the studies most relevant to this evaluation.

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.

17. AWARD CRITERIA

The contract will be awarded to the most cost-effective tender. The following award criteria will be applied:

17.1. Quality of the tender (100 points)

The quality value of the tender offer will be judged on the basis of:

- Clarity and presentation of the proposal (20 points)
- Appropriateness, composition and organisation of evaluation team proposed in relation to the work to be performed (30 points)
- The contractor's understanding of the evaluation questions and associated underlying issues (25 points)
- The methodology proposed to answer the evaluation questions (25 points)

17.2. Quality threshold

Tenders scoring **less than 70%** of the maximum score for quality value will not be examined in terms of price with a view to awarding the contract.

The selected tender is assessed according to the above qualitative award criteria and the weighting applicable to each criterion.

18. PRICE ASSESSMENT

The points scored for the above qualitative criteria will be compared to the price, and the contract will be awarded to the tender which is the most cost-effective (offers the best value for money) on the basis of the ratio between the total points scored and the price.

$\text{Overall score} = \text{Quality Value} / \text{Price offer}$
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Since assessment of the tenders will focus on the quality of the proposed services, tenders should elaborate on all points addressed by these specifications in order to score as many points as possible. The mere repetition of mandatory requirements set out in these specifications, without going into details or without giving any added value, will only result in a very low score. In addition, if certain essential points of these specifications are not expressly covered by the tender, the Commission may decide to give a zero mark for the relevant qualitative award criteria.

19. OPENING OF TENDERS

The tenders received will be opened on 02/10/2006 at 11h00 in the Commission building at Avenue Beaulieu 5, B-1160 Brussels (Room BU-1 4/46).

An authorised representative of each tenderer may attend the opening of the bids. Companies wishing to attend are requested to notify their intention by sending a fax or e-mail at least 48 hours in advance to the address given in the invitation letter. This notification must be signed by an authorised officer of the tenderer and specify the name of the person who will attend the opening of the bids on the tenderer's behalf.

20. AWARD COMMITTEE

The process of awarding will take place in October/November 2006. An award committee is to be set up for this purpose.

21. 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

ANNEX 1

Legal basis for Commission services' forecast in EU budgetary surveillance

Stability and Growth Pact

Art. 104 of the Treaty requires the Commission to monitor public finance developments in the Member States with a view to identifying gross errors. In particular it shall examine compliance with budgetary discipline on the basis of the deficit and debt criteria, the numerical values of which are set out in the Protocol on the excessive deficit procedure. According to the protocol, the statistical data used for the application of the excessive deficit procedure, which involves a number of forward-looking elements, shall be provided by the Commission.

ECOFIN Report, 20 March 2005, section 1.6: The Council recognises *the important contribution that Commission forecasts can provide for the coordination of economic and fiscal policies.*

In their macroeconomic and budgetary projections, Member States, in particular euro area Member States and Member States participating in ERM II, should use the "common external assumptions" if provided by the Commission in due time. Member States are free to base their stability/convergence programmes on their own projections. However, divergences between the national and the Commission forecasts should be explained in some detail. This explanation will serve as a reference when assessing a posteriori forecast errors.

Council regulation (EC) 1467/97 of July 1997 on speeding up the implementation of the excessive deficit procedure as amended by Council regulation (EC) No 1055/2005 of 27 June 2005

Art. 2: [...] the excess of the reference value shall be considered temporary if budgetary forecasts as provided by the Commission indicate that the deficit will fall below the reference value following the end of the unusual event or the severe economic downturn.

Art. 3 (5): [...] The Council shall assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances against the economic forecast in its recommendation;

Art. 5 (2): [...] The Council shall assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances against the economic forecast in its notice;

Traditionally the forecast in the notice is the one of the Commission. In addition section 1.6 of the ECOFIN Report of 20 March 2005 specifies that the Commission forecast serves as a benchmark when assessing *a posteriori* forecast errors.

Specifications on the implementation of the Stability and Growth Pact and Guidelines on the format and content of Stability and Convergence Programmes (Code of Conduct) endorsed by the ECOFIN Council on 11 October 2005.

Corrective part of SGP

Section I, Part B.1: *The excess over the reference value shall be considered as temporary if the forecasts provided by the Commission indicate that the deficit will fall below the reference value following the end of the unusual event or the severe economic downturn*

Section I, Part B.4: *The occurrence of unexpected adverse economic events with major unfavourable budgetary effects shall be assessed against the economic forecast underlying the Council recommendation or notice.*

Preventive part of SGP

Section II.2: *Stability and Convergence programmes should be based on realistic and cautious macroeconomic forecasts. The Commission forecasts can provide an important contribution for the coordination of economic and fiscal policies. Member States are free to base their Stability/Convergence Programmes on their own projections. However, significant divergences between the national and the Commission services' forecasts should be explained in some detail. This explanation will serve as a reference when forecast errors are assessed ex post.*

Convergence report

Art. 121 of the Treaty requires the Commission and the ECB to produce a report on the *progress made in the fulfilment by the Member States of their obligations regarding the achievement of economic and monetary union. [...] The reports shall also examine the achievement of high degree of sustainable convergence [...].*

The reference to *sustainable convergence* (i.e. also forward-looking), coupled with the provisions of the Protocol on the convergence criteria according to which *the statistical data used for the application of the Protocol shall be provided by the Commission*, provides a basis for the Commission forecast.