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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK THE
EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE
OF THE REGIONS**

Ninth Report on the practical preparations for the future enlargement of the euro area

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1. INTRODUCTION

Following the latest enlargement of the euro area to Slovakia on 1 January 2009, nine European Union Member States are now bound to adopt the euro once they fulfil the criteria prescribed by the Treaty on the functioning of the EU.

Apart from fulfilling the Maastricht criteria, the countries preparing for the introduction of the euro have to undertake extensive practical preparations which involve all sectors of the countries' economies, the public sector and also the public at large. Some Member States have already fixed a national target date for the introduction of the euro, while the others do not yet have a deadline. Estonia has chosen the nearest national changeover target date, so its practical preparations for the introduction of the euro are currently the most intensive.

This report summarizes the progress in the practical preparations for introducing the euro in the Member States concerned and it also provides an overview of the citizens' opinions on some aspects of the euro in the new Member States which are not yet part of the euro area¹. The attached Commission Staff Working Document provides details of the practical preparations in the form of summary tables.

2. PROGRESS OF PREPARATIONS FOR THE INTRODUCTION OF THE EURO BY MEMBER STATE

2.1. Bulgaria

Bulgaria has not set a target date for the adoption of the euro. The practical preparations for the introduction of the euro have not yet started.

2.2. Czech Republic

The 'National Plan for the Introduction of the Euro' was adopted on 11 April 2007. The Plan does not set a changeover target date. It specifies the general principles of the introduction of the euro in the Czech Republic, lists the necessary preparatory steps and sets a timeline for their implementation.

The two Progress Reports on the fulfilment of the 'National Euro Changeover Plan' were approved by the Czech government on 9 April 2008 and 30 March 2009 respectively. The latest update assesses the progress achieved in 2008 in the practical preparations for the

¹ Countries which joined the EU in 2004 and 2007 and have not yet adopted the euro: Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland and Romania.

changeover. In this period, the National Coordination Group for Euro Adoption worked mainly on choosing the right methodology for the adaptation of the Czech Republic's legal texts to the euro. Based on the detailed analysis provided by the National Coordination Group, the Czech government decided to adopt an 'indirect' approach to prepare the necessary adjustments of legal texts to the euro (i.e. the monetary amounts in Czech koruna would be converted into euro by a general law on the introduction of the euro, in combination with individual adjustment of laws where necessary). In 2008, the National Coordination Group also elaborated the methodology for the preparations in the financial and banking sector and drafted recommendations for the dual display of prices.

The main priorities for 2009 that are listed in the second update of the National Plan are setting the methodology for the preparation of the public sector for the changeover and preparing the communication strategy.

The national changeover website (www.zavedenieura.cz) displays all euro-related government documents and the documents produced by the National Coordination Group for Euro Adoption and its Working Groups, and publishes invitations for various euro-related events (seminars, lectures etc.). It also explains euro-related vocabulary to the general public and provides the phone number of a free euro-info line.

2.3. Estonia

The Estonian government approved the first version of the 'Euro Adoption Plan' on 1 September 2005. The latest (i.e. seventh) update was adopted on 25 June 2009 with a view to introducing a target date of 1 January 2011 for the changeover. The practical preparations for the adoption of the euro in Estonia are coordinated by the National Changeover Committee, which is chaired by the Secretary General of the Ministry of Finance. The Committee has seven sub-committees, involving representatives of both the public and the private sectors.

A comprehensive 'Act on the Introduction of the Euro' providing an overview of the legislation to be amended with a view to adopting the euro (comprising more than 200 laws) was prepared by the Ministry of Finance and is currently being discussed with other Ministries. The Act provides for simple changes in the Estonian legislation (mostly the recalculation of monetary amount in kroons into the amounts in euro), while more comprehensive amendments of the legal texts will be made separately. The Act also lays down the procedures for exchanging kroons for euro, removing kroons from circulation and establishing the rules for the parallel circulation of the two currencies.

Frontloading of euro banknotes and coins to credit institutions should start 3-4 months before €day and sub-frontloading of commercial banks' major clients should start one month before €day. The objective is to spread euro cash supplies over a longer period of time and thus ensure a smooth changeover throughout the country. Credit institutions have already prepared the first cash forecasts for frontloading and sub-frontloading, which will be updated in the course of further preparations. Eesti Pank (the National Bank of Estonia) plans to make additional preparations for the storage of exceptionally high amounts of cash in its premises. The security plans for frontloading and sub-frontloading are also being elaborated.

The period of dual circulation of kroon and euro should last for 14 days. The design of the Estonian national sides of euro coins was selected by public vote. Since Estonia does not have its own mint, it organised a competition for the procurement of euro coins. Based on the results of the tender, the Estonian euro coins are to be produced by the Mint of Finland. The

Estonian authorities plan to launch an information campaign for the general public aimed at collecting hoarded cash before the changeover day. An exchange of kroon cash for euros at the conversion rate and without a service fee should be available in commercial banks as from one month before €day until six months after €day. Thereafter, Eesti Pank will change unlimited amounts of kroons into euro for an unlimited period of time. The Estonian authorities plan to produce euro coins mini-kits for citizens and bigger starter kits for retailers in order to supply them with the euro cash needed for the days immediately following €day. The automatic teller machines (ATMs), which are one of the most important channels for distributing cash, should distribute only euro banknotes within 48 hours following €day.

According to the 'Euro Adoption Plan', the period of dual display of prices during which citizens will have the opportunity to become accustomed to prices in euro should last six months before and six months after €day. The Estonian Consumer Protection Board will regularly monitor the prices of frequently purchased goods and services and publish the results in a newspaper with a view to providing an overview of the price trends in the changeover period. To set an example to the private sector, the Government will always round the euro amounts of taxes, fees, benefits and other amounts in a way which is more favourable to citizens.

The renewed 'National Communication Strategy' was endorsed by the National Changeover Committee on 31 August 2009. The national changeover website www.euro.eesti.ee launched in January 2006 is under reconstruction at present. The current Partnership Agreement between the Commission and Estonia as regards the communication on the introduction of the euro will expire in February 2010, but the Estonian authorities have expressed a wish to extend this agreement.

2.4. Latvia

Although Latvia dropped the reference to a specific target date for the introduction of the euro in the September 2007 update of the 'National Euro Changeover Plan'², the practical preparations for the changeover are actively continuing nevertheless.

On 24 September 2009, the government approved the '12th Report of the Euro Project Steering Committee' on the activities carried out between 1 February 2009 and 31 July 2009. During this period, the Cash and Payment Systems Working Group dealt with issues relating to the membership of Latvia in the Single European Payments Area (SEPA) with a view to developing the first version of the 'National SEPA Implementation Plan'. It also worked on a contingency plan and started preparing the inclusion of both issues in the 'National Euro Changeover Plan'.

The Public Awareness and Communication Working Group started updating the 'Euro Communication Strategy' and developing the corresponding communication plan. The two documents were discussed in the course of the twinning project with the National Bank of Belgium. The national changeover web site (www.eiro.lv), launched in December 2008, remains the main source of information for the general public. The information stand of the Bank of Latvia at the celebrations of the 5th anniversary of Latvia's accession to the EU attracted almost 10 000 visitors.

² The initial target date was 1 January 2008

2.5. Lithuania

The 'National Changeover Plan of Lithuania' was approved by the government in September 2005 and updated in April 2007. The National Committee for the Coordination of the Changeover was established in May 2005. The second version of the Plan does not set any specific target date for the adoption of the euro³.

The third update of the 'National Changeover Plan', which is currently under preparation, should incorporate the provisions of the 'Commission Recommendation of 10 January 2008 on measures to facilitate future changeovers to the euro'⁴ and take into account the recommendations of the Commission's 'Eighth report on the practical preparations for the future enlargement of the euro area'⁵. The third update of the 'National Changeover Plan' should be adopted by the government by the end of 2009.

The third update of the 'Public information and communication strategy on the adoption of the euro in Lithuania', based on the results of the recent public opinion polls and other latest developments, is under preparation. The national changeover website provides up-to-date information on the euro. Under the Partnership Agreement, the Commission and the Lithuanian authorities have further developed their cooperation and have prepared jointly a number of communication activities, such as a euro exhibition in the city of Kaunas in November 2009.

2.6. Hungary

The first version of the Hungarian 'National Changeover Plan' adopted in July 2008 was drawn up without specifying a target date for the actual changeover. The Plan is currently being updated by seven sub-committees of the National Coordination Committee for Changeover Preparations. The revised version of the Plan is due to be submitted to the government for approval by the end of 2009. Various public and private sector organisations (chambers of commerce, professional associations, consumer protection organisations, employers and employees organisations etc.) are involved in the work of the National Coordination Committee.

Hungary plans to adopt the euro under the 'big-bang' scenario with 1 January as €day. The dual circulation period should be less than one month. The dual display of prices period should start as soon as possible after the Council decides on the irrevocably fixed exchange rate between the euro and forint, and it should last until six months after €day. The necessary amendments to the national laws should be made via an 'umbrella law' supplemented by separate amendments to individual legal texts. The principle of the continuity of contracts shall be respected.

A large part of the 'National Changeover Plan' is devoted to consumer protection and prevention of undue price increases in the changeover period. Businesses will be offered the possibility to sign up to a voluntary 'fair pricing' code, which should be developed in

³ Lithuania planned to adopt the euro in January 2007. On 16 May 2006 the Commission concluded in its Convergence Report that Lithuania did not fulfil all convergence criteria. As a consequence, Lithuania's derogation was not lifted and the National Changeover Plan had to be amended.

⁴ 2008/78/EC

⁵ COM (2008) 843

cooperation with chambers of commerce, professional and interest groups and consumer protection organisations.

Hungary intends to launch a twinning programme on practical preparations with French and Slovak experts at the beginning of 2010. The communication campaign for the euro introduction should provide clear and simple messages and reach all sectors of population, including vulnerable groups.

2.7. Poland

In May 2007, the National Bank of Poland set up the Bureau for the Integration with the Euro Area with a view to preparing the 'Report on Full Membership of Poland in the Economic and Monetary Union' (EMU). The Report, published in February 2009, contains an analysis of the costs and benefits of Poland's membership in the euro area and provides recommendations for future decisions as regards the adoption of the euro in Poland. In December 2008, the National Bank of Poland (NBP) appointed its Plenipotentiary for the Introduction of the Euro, who is supposed to coordinate the NBP's activities related to the ERM II entry and the introduction of the euro.

The Government of Poland adopted the 'Roadmap for Euro Adoption' on 28 October 2008, and in January 2009 it appointed the Government Plenipotentiary for the euro, in charge of coordination of the practical preparations for the changeover. The Government Plenipotentiary is responsible for issuing guidelines and recommendations for all institutions involved in the changeover process. The Bureau of the Government Plenipotentiary was set up in the Ministry of Finance in March 2009. Other institutions, such as the National Coordination Committee for the Changeover, the Coordination Council, various working committees and task groups, which are due to participate on the changeover preparations, will be set up before the end of 2009. The Coordination Committee and the Coordination Council will be chaired by the Government Plenipotentiary and co-chaired by the euro Plenipotentiary of the NBP.

The 'Guidelines for the preparation of the National Changeover Plan' which are currently under preparation will list the tasks to be accomplished with a view to introducing the euro, set a basic timetable and specify the responsibilities of the bodies in charge of coordinating the preparations.

Within the framework of its communication strategy on the euro, the National Bank of Poland has been actively engaged in raising general awareness of the euro since 2001. The 'Guidelines for the preparation of the National Changeover Plan' should also include instructions for the national communication strategy on the euro. The NBP representatives take part in media debates and various information events for the general public and specific target groups.

2.8. Romania

Romania has set the year 2015 as its target date for the adoption of the euro. The practical preparations for changeover have not started yet.

2.9. Sweden

In Sweden, preparations were stalled in practice by the negative outcome of the referendum of 14 September 2003. Sweden has no target date for adopting the euro and there have been no noteworthy developments in the practical preparations for the changeover since the previous report.

3. STATE OF PUBLIC OPINION IN THE NEW MEMBER STATES

Since 2004, the European Commission has commissioned 'Eurobarometer' surveys in the new Member States (NMS) which have not yet adopted the euro in order to gauge citizens' attitudes towards and knowledge about the introduction of the euro. The autumn NMS-8⁶ survey (Flash EB n°280) is the ninth of its kind. The fieldwork for the survey was carried out between 21 and 25 September 2009.

For the purposes of this report, the results of the latest Eurobarometer survey were mostly compared with the results of the previous survey (in May 2009) conducted in the NMS (Flash EB n°270) and occasionally with the spring 2008 results. It should be noted that after the **exceptional increase in support for the euro recorded in May 2009 in the context of the booming economic and financial crisis, the results generally returned to the 2008 levels.**

3.1. Support for the euro

Between May and September 2009, the NMS-8 support for the euro and its introduction decreased by 3pp to 49%. In Poland and Hungary it fell by 6pp (to 45%) and 4pp (to 54%) respectively, compared to the 11pp increase recorded in May 2009. A very strong decrease was recorded in the Czech Republic, namely -12pp between May and September 2009 (from 49% to 37%), while support has increased significantly in Latvia (+11pp, from 37% to 48%) and in Bulgaria (+5pp, from 44% to 49%).

Some 39% of the NMS-8 citizens (as against 36% in May 2009) said that they were unhappy about the idea of replacing their national currency with the euro; this result is comparable to the one recorded in 2008.

3.2. Familiarity with euro cash

As in May 2009, and in line with previous surveys, respondents were relatively familiar with the design of euro banknotes and coins: 81% (-1pp compared to May 2009) have already seen *euro banknotes* and 76% (-2pp) have seen *euro coins*. Some 55% (no change) have already used *banknotes*, while 49% (+1pp) have used *euro coins*.

3.3. Level of information

Overall, a majority of citizens in the NMS-8 did *not consider themselves well informed* about the euro (59%, +2pp).

⁶ The Eurobarometer surveys always provide results for the NMS of the time. The latest survey covered Poland, the Czech Republic, Hungary, Bulgaria, Romania, Latvia, Estonia and Lithuania. Cyprus, Malta, Slovenia and, since 2009, Slovakia are not included anymore as they have already joined the euro area. In total, about 8000 randomly selected citizens have been interviewed.

In most of the countries surveyed, the share of citizens who considered themselves as uninformed about the euro has increased since May 2009. This tendency was the most pronounced in Romania, where, in September 2009, 6 out of 10 respondents said they were *not very well* or *not at all well* informed about the euro, compared to 52% who felt that way in May 2009 (+8 pp). The level of knowledge declared by respondents increased in Latvia (+7pp in the category 'well informed') and in Bulgaria (+6pp).

3.4. Speed of the introduction of the euro

Compared to May 2009, the NMS-8 citizens showed growing hesitation about the introduction of the euro. Fewer respondents wanted the euro to be introduced *as soon as possible* (25%, -3pp) and more said that they wanted to have their currency replaced *as late as possible* (33%, +4pp). As a consequence, the support for the euro changeover is now back to the level of May 2008.

The Czech Republic, Hungary and Poland saw increases in the number of citizens who wanted the changeover to happen *as late as possible* (+11, +6, +2pp, respectively). On the other hand, slightly more Romanians (+3pp), Latvians (+1pp) and Bulgarians (+1pp) now wanted accession to the euro area to happen *as soon as possible*. The Czech Republic had the highest share of respondents who wanted to adopt the euro *as late as possible* (+11pp to 47%), while Romanians were the most supportive of a rapid introduction of the euro (+3pp to 43%).

3.5. Impact of the euro on prices

Some 68% of the NMS-8 citizens (+3pp) feared that the euro *would cause price increases*, while 45% thought that one of the euro's main advantages would be *low inflation rates*. The proportion of citizens who believed in the long-term stabilising effect of the euro on prices had decreased sharply since the previous survey (-10pp).

Compared to May 2009, interviewees in almost all NMS-8 were more sceptical about the euro's impact on prices. The increase ranged from +2pp in Poland (to 78%) to +9pp in the Czech Republic (to 75%). The only exceptions were Latvia and Hungary, where the shares of citizens expecting price rises decreased by -1pp (to 59%) and -5pp (to 66%) respectively.

3.6. Positive practical consequences of the changeover to the euro

An overwhelming majority of the NMS-8 citizens agreed with several positive statements concerning the euro's practical effects: e.g. "*it will be more convenient for those who travel to other EU countries*" (92%, +2pp); *it will make it easier to shop in other countries that use the euro*" (87%, no change), etc. However, as in the previous surveys, the share of citizens who believe in the euro's ability to protect their country from crises remained low (41%, -3pp).

4. PROTECTION OF THE EURO AGAINST COUNTERFEITING

Concerning the protection of the euro, all countries have established the national authorities as required by article 2 of the Regulation 2001/1338/EC; their representatives participate in the meetings of the expert groups and they have received appropriate training in the field of the protection of the euro against counterfeiting.