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Third report on the practical preparations for the future enlargement of the euro area

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Third report on the practical preparations for the future enlargement of euro area

1. INTRODUCTION

The euro area currently consists of twelve EU Member States. A Member State's entry into the euro area is conditional upon the Member State meeting the "Maastricht" convergence criteria laid down in the Treaty. The degree to which the different countries have met the formal requirements allowing them to adopt the euro are evaluated by the Commission and the European Central Bank in their regular Convergence Reports.¹ While Denmark and the United Kingdom have a special "opt-out" status, the remaining eleven countries are "Member States with a derogation"² which are expected to adopt the euro once the necessary conditions are fulfilled.

In addition to fulfilling the entry criteria, the introduction of the euro requires careful planning and extensive practical preparations, in which the public and the private sector as well as the public at large need to participate. The Commission has committed itself to report on a regular basis, and at least once a year or whenever justified by specific developments, on the state of these preparations. The reports on the practical preparations are not linked to the convergence reports. The first and the second report on the practical preparations for the future enlargement of the euro area³ were adopted in November 2004 and 2005, respectively.

In view of the likely enlargement of the euro area with Slovenia on 1 January 2007, the present report is issued at an earlier stage and pays special attention to the ongoing preparations in this Member State. More generally, the report focuses on the state of ongoing practical preparations at the national level. The preparations at Community level are summarised in Annex 1.

2. STATE OF PREPARATIONS AT NATIONAL LEVEL^{4 5}

2.1. Preparations in Slovenia

2.1.1. General framework

Slovenia plans to introduce the euro on 1 January 2007.

Slovenia's Masterplan for the Introduction of the Euro was approved by the Bank of Slovenia and the Slovenian Government in January 2005 and updated on 2 February 2006. It provides

¹ The latest Commission Convergence Reports were adopted on 16 May 2006 upon request of Lithuania (COM(2006) 223) and Slovenia (COM(2006) 224). The Commission will issue the next regular Convergence Report in autumn 2006. The ECB's Convergence Report was adopted on 15 May 2006 upon request of Lithuania and Slovenia.

² The ten countries which joined the European Union on 1 May 2004 were conferred the status of Member States with a derogation by virtue of Article 4 of the Accession Treaty. Sweden became a Member State with a derogation in May 1998.

³ COM(2004) 748 of 10 November 2004 and COM(2005) 357 of 4 November 2005.

⁴ Based on information collected up to 9 June 2006.

⁵ See also Annex 2 which summarises certain relevant changeover characteristics and Annex 3 which provides a synoptic overview of the state of preparations in the Member States concerned.

for a "big bang" scenario, whereby the dual circulation period is extended to 14 days, instead of 7 days as originally foreseen.

2.1.2. *Financial sector and enterprises*

As far as the cash changeover is concerned, retailers will give change in euro only as from €-day.⁶ Details of the frontloading⁷ arrangements have been defined, namely that frontloading of euro coins will start on 1 September 2006 and of euro banknotes on 11 December 2006. Sub-frontloading of euro coins and banknotes to businesses and retailers is envisaged as from 1 and 11 December 2006, respectively. Business and retailers will receive pre-packed coin kits containing a suitable structure of denominations for initial cash transactions. 150 000 coin starter kits will be made available to the general public via commercial banks as from 15 December 2006. This relatively small number of starter kits could usefully be increased to provide more households with euro coins before €-day.

In the second half of 2006, the banking sector will upgrade software and ATMs so that tolar banknotes can only be withdrawn until 31 December 2006, whereas only 10 and 20-euro banknotes will be dispensed as from 1 January 2007. Since it is currently foreseen that only 60 to 70% of ATMs will dispense euro banknotes as from 1 January 2007, further efforts are needed to achieve a full and timely conversion. In addition, it should be ensured that the bank opening hours are extended around €-day. Moreover, specific measures need to be implemented in order to cope with the massive backflow of national cash in the first days after the introduction of the euro.

As far as commercial banks are concerned, Friday 29 December 2006 will be the last working day in tolar. From 30 December 2006 to 2 January 2007 banks will not carry out transactions for customers, but will prepare the conversion of their systems in order to be ready to accept cash and non-cash euro payments as from the first working day of 2007. According to the Act on Dual Display of Prices in tolar and euro, which entered into force on 26 November 2005, the dual display of prices for goods and services is compulsory since 1 March 2006. Until the convergence rate has been irrevocably fixed, the ERM central rate is used as a substitute of the conversion rate. The act provides for a large number of exceptions to the requirement of dual price display, e.g. for petrol stations, small enterprises and farmers selling to end users, for catalogues, for the sale of meat, fish and bread, books and other published products, and for vending machines.

Regarding the changeover of capital markets, the update of the national changeover plan specifies the conversion of share capital, the redenomination of securities and the changes to the Companies Act which are currently under preparation.

⁶ €-day is the day on which euro banknotes and coins are introduced in a given Member State. Under the "big bang" scenario the introduction of euro cash coincides with the introduction of the euro as the currency.

⁷ Frontloading refers to the supply of euro banknotes and coins by the national central banks to credit institutions before €-day. Sub-frontloading implies the distribution by credit institutions of frontloaded euro banknotes and coins before €-day to retailers and other businesses and possibly even to the public at large.

2.1.3. Public administration

The draft Introduction of the Euro Act was sent to the ECB for consultation on 3 May 2006. This act will, inter alia, provide rules on the changeover to the euro, specify the dual circulation period and the period for exchanging tolar banknotes and tolar coins into euro, and regulate the conversion of public debt. Amendments to the Salary Tax Act have been adopted in December 2005, while amendments to the Bank of Slovenia Act, to the Payment Transactions Act, to the Misdemeanours Act and to the Companies Act have been adopted in April 2006. A draft amendment to the Collateralisation Act has been submitted to the parliament in April 2006. A special implementing regulation will deal with tax issues. It will, inter alia, determine the currency in which taxpayers must submit tax declarations after €-day for periods prior to that date. It should be ensured that tax amounts as well as other monetary amounts (e.g. in social security rules) which are adapted to convenient amounts in euro are adjusted to the benefit of the citizen, thus providing a good example to enterprises with a view to price stability.

In order to avoid a significant supply of national cash immediately before €-day, the payment date for pensions, which are usually paid in cash, will be advanced from 29 December to 22 December 2006.

The eight designs for the national sides of the euro coins have been selected. As Slovenia does not have a national mint, the euro coins will be produced abroad. The Mint of Finland has been chosen as the producer. In February 2006, the Slovenian Minister of Finance signed a Memorandum of Understanding with the Member States of the euro area and the European Commission on the start of euro coin production and on the preparatory tasks prior to the start of production.

2.1.4. Consumers and the general public

In order to avoid price increases at the occasion of the introduction of the euro, Slovenia's Consumer Association is monitoring price developments in the retail sector for specific goods and services in co-operation with the Statistical Office of the Republic of Slovenia. The Association has announced that it will publish in the mass media the names of retailers who increase prices excessively during the changeover period.

In order to be fully effective, such measures need to be accompanied by an agreement between retailers and consumers in which retailers commit themselves to fair practices concerning dual display of prices and undertake not to use the introduction of the euro as an opportunity for excessive price increases. Such an agreement could possibly be supplemented by a "fair-trader" campaign under which retailers abiding by the agreement receive labels or stickers allowing them to signal their commitment to transparent and fair pricing.

On 8 November 2005, Slovenia and the European Commission concluded a Partnership Agreement concerning Slovenia's information and communication activities on the euro. In the first stage (June 2005 - March 2006) some major activities have been launched, for example a special national website on the euro changeover was set up on 15 February 2006, a toll free phone line is operational for the public at large, the first informational publication ("Euro is coming") has been prepared and is to be sent to all households, a corporate identity has been chosen under the slogan "The euro – for all of us". In co-operation with the European Commission, a seminar for journalists and a conference have been organised in March 2006. On 12 June 2006, the "euro coin genesis exhibition" was displayed in Ljubljana.

Slovenia is participating in a twinning programme with the Netherlands in order to benefit from the Dutch experience in terms of communication on the euro.

According to the Eurobarometer survey of April 2006, the Slovenian public is one of the most enthusiastic about the introduction of the euro in the recently acceded Member States.

Table 1

Share of respondents ...	in Slovenia	in the recently acceded Member States (average)
... expecting positive consequences of the introduction of the euro for their country	58%	52%
... who are personally happy that the euro will/could replace the national currency	64%	48 %
... who feel well informed about the euro	80%	37%
... who think that the introduction of the euro will increase inflation	65%	46%
... who are afraid of abuses on prices during the changeover	70%	74%

2.1.5. Conclusion

Slovenia's practical preparations for the introduction of the euro appear to be in an advanced stage and to cover most of the relevant changeover features. Further steps are necessary in the field of consumer confidence building measures where an agreement between retailers and consumers on stable prices should be concluded as soon as possible. In order to ensure a quick and smooth supply of euro cash to citizens as from €-day, the proportion of ATMs converted to dispensing euro banknotes should be higher than currently envisaged and come close to 100%. Moreover, the number of starter kits for the general public could be increased. Bank opening hours should be extended around €-day.

2.2. The preparations in the other Member States

2.2.1. National target dates for the adoption of the euro

According to Estonia's original planning, 1 January 2007 was the target date for the introduction of the euro. It however became apparent in the course of the 2006 that Estonia would not be able to comply with the Maastricht convergence criteria in time. The Estonian government therefore decided on 27 April 2006 to postpone its target date to 1 January 2008.

Lithuania also planned to adopt the euro on 1 January 2007 and requested a convergence assessment on 16 March 2006. The Commission's Convergence Report, which was adopted on 16 May 2006, concluded, however, that the country does not at the present stage fulfil the necessary conditions for adopting the euro. Lithuania will thus not be in a position to introduce the euro on the date which was originally aimed at by the government.

Cyprus and Malta aspire to adopt the euro on 1 January 2008. Latvia originally had the same target date, but the Latvian authorities have recently announced that they will need to postpone their target date. Slovakia is aiming to adopt the euro on 1 January 2009, and the Czech Republic and Hungary on 1 January 2010. Poland and Sweden have not put forward any target date. In Sweden, preparations are stalled in practice since the negative outcome of the referendum of 14 September 2003. The current situation concerning the national target dates is summarised in Table 2.

Table 2

Target date	Member States
1 January 2007	Slovenia
1 January 2008	Estonia, Cyprus, Malta
1 January 2009	Slovakia
1 January 2010	Czech Republic, Hungary
To be (re-)defined	Latvia, Lithuania, Poland, Sweden

The uncertainty over the precise date at which the single currency will be introduced in any particular Member State is inherent to the rules-based framework laid down in the Maastricht Treaty, which requires a positive assessment of a number of convergence criteria before countries are allowed to adopt the euro, and is therefore unavoidable. It also applied to the countries which joined the euro area in the past.

The consequences of a deferral of the introduction of the euro should not be overstated. Despite the uncertainties involved, the setting (and possible re-setting) of a credible target date remains a very important instrument to foster the convergence process. It notably provides incentives to all actors and sectors involved and helps to build up momentum for completing practical preparations on a timely basis. The extension of the original time frame should thus be used to enhance and complete ongoing preparations.

With a view to the low levels of public support registered by the recent opinion poll it seems appropriate to invest more time and resources in communication on the euro changeover. During the discussions with the Member States about their communication strategy, the Commission recommended to take into account the possible postponement of the target date by elaborating a "plan B". In this framework, Estonia adopted an update of its communication strategy on 18 May 2006. Lithuania has started to update and revise its communication strategy.

Some countries have so far refrained from setting a target date for euro adoption, notably because they consider that it will take them several more years before they will be able to meet the Maastricht convergence criteria. Even in those countries, public and private operators have a clear interest in already starting to prepare themselves. They might first have to inform themselves on the modalities and the consequences of the introduction of the euro for their activities. Moreover, the necessary preparatory work for the introduction of the euro requires early planning. Finally, the implementation of the changeover preparations which are

economically justified should start as early as possible. For instance, whenever new financial or accounting system need to be developed or acquired, it would be reasonable to ensure that all such systems are fully euro-compatible, and do not need any further upgrading at a later stage. Similarly, major revisions of existing systems may constitute an opportunity to immediately ensure euro-compatibility at low cost.

2.2.2. Overall framework for the practical preparations

Four countries (Estonia, Lithuania, Slovenia and Slovakia) already adopted their national changeover plans in 2005. Both Estonia and Slovenia have updated their plan in the beginning of 2006. In February 2006, the Latvian government approved its National Euro Changeover Plan. Cyprus and Malta, which set 1 January 2008 as their target date, definitely need to step up their preparations. In Cyprus, the National Advisory Committee has approved a draft national changeover plan which has, however, not yet been adopted by the Council of Ministers. The adoption of the plan is urgently required in order to provide specific and timely orientations to public and private operators. In Malta, the first comprehensive national changeover plan was adopted by the government only on 12 June 2006 and therefore needs to be implemented at a rapid pace.

Practical preparations in the Czech Republic are still at preliminary stage. The government adopted the Institutional Arrangements for the Introduction of the Euro in the Czech Republic on 23 November 2005. The document describes the institutional framework of the euro changeover and is meant to be the basis for the development of a national changeover plan. There are no new developments to report concerning practical preparations in Hungary and Poland.

As regards the establishment of a changeover board in charge of preparing and co-ordinating the national changeover, seven Member States had already established a co-ordinating body prior to the adoption of the previous Report last year. On 23 November last year, the Czech Minister of Finance has been appointed as the National Coordinator of the Euro Introduction, while the National Co-ordinating Group on Euro Introduction was established on 20 February 2006.

2.2.3. Preparations involving the financial sector or related to the cash changeover

Experience has shown⁸ that frontloading and sub-frontloading arrangements⁹ play a crucial role in considerably speeding up the cash changeover, and reducing the length of the period of dual circulation, by making sure that euro banknotes and coins can be immediately used as from day one. In this context it should be noted that the instantaneous switchover of all ATMs from the national currency to dispensing euro on €-day is essential. Moreover, mainly low-denomination banknotes (5- and 10-euro) should be supplied in the early stages of the cash changeover. This practice is essential in order to reduce the amount of cash retailers need for giving change to their customers.

While it is true that euro cash is already widely available in the Member States preparing for the adoption of the euro, the proportion of enterprises and citizens already owning significant amounts of euro banknotes and coins is probably rather small. Thus, a systematic sub-

⁸ Frontloading and sub-frontloading formed part of the preparations of the 2002 cash changeover in all euro-area Member States, see Communication from the Commission to the European Council, Review of the introduction of euro notes and coins, 6.3.2002, COM(2002) 124 final.

⁹ See footnote 7 for the definition of frontloading and sub-frontloading.

frontloading campaign to retailers and other relevant businesses remains a necessity for a successful cash changeover. Retailers in particular should be in a position to give back change in euro only as from €-day, thus contributing to an immediate withdrawal of legacy cash and providing the public with meaningful quantities of euro banknotes and coins.

The first-wave experience shows that important benefits can be gained from sub-frontloading the general public as well. It alleviates the pressure on retailers and banks during the early days of the cash changeover, and thus allows for keeping the period of dual circulation short. It is moreover well received by the general public, whose interest and curiosity in the euro coins with the country's national side is stimulated. Citizens generally feel more closely associated with their new currency.

Some sub-frontloading to the general public of low-denomination banknotes could also be envisaged for the same reasons. In any event, consumers should be strongly discouraged from using their euro cash for payment purposes before €-day. Sub-frontloading the general public only shortly, e.g. 10 to 14 days, before €-day, should also limit the risk of an early circulation of sub-frontloaded cash.

It should be noted that suitable frontloading and sub-frontloading arrangements are envisaged in most countries. The frontloading period ranges from three months (in Lithuania, but only for coins) to one month before €-day (e.g. in Latvia). However, sub-frontloading to the general public is usually not foreseen (apart from the coin starter kits to be distributed in Slovenia). However, in Estonia, banks will offer to change kroons into euro banknotes at the conversion rate and without a service fee at least one month prior to €-day.

2.2.4. Preparations affecting enterprises in general

Dual displays of prices and other monetary amounts, i.e. the simultaneous display of an amount in the national currency unit and in the euro unit, have demonstrated their usefulness in facilitating the introduction of the euro. They notably assist consumers in their mental changeover process and, in addition, allow them to monitor possible price changes before and after the introduction of the euro. Dual displays are useful not only in shops (price displays), but also on bank account statements, pay slips, invoices, in catalogues etc.

While dual displays were voluntary in most first-wave countries (only Greece, Austria and Portugal imposed dual displays by law), they were widely applied in practice. At present, six countries plan to implement (or already apply in the case of Slovenia) mandatory dual displays required by national law. While the modalities differ from country to country, such dual displays usually not only cover prices in shops and retail stores, but also financial amounts displayed on invoices, financial statements and related items. The total duration of this obligation (both before and after €-day) varies considerably from one country to another, ranging from 8 months in Lithuania to 18 months in Slovakia.

At the same time, they should be applied according to rigorous standards, as they might otherwise become counterproductive or confusing. In particular, only the conversion rate should be used and the rounding rules should be strictly adhered to. Dual displays should be unambiguous, easily identifiable and clearly legible¹⁰. The implementation of this pattern will

¹⁰ See also Commission Recommendation of 23 April 1998 concerning dual display of prices and other monetary amounts (OJ L 130, 1.5.1998, p. 26).

depend on the nature of the retail business, on the type of product being sold, on the technical implications and on the cost of modifying existing price and financial display systems.

It follows from the requirement of using the conversion rate that an obligation under national law to provide for dual displays of prices should preferably only start after the irrevocable conversion rate has been fixed by the Council according to Article 123 (5) EC. Starting dual displays before this time is problematic since this not only prejudices the Council's future decision on the lifting of the Member State's derogation, but also the actual the conversion rate. Using a proxy rate differing from the irrevocably fixed conversion rate is counterproductive as doubts and confusion may arise in consumers' minds.

Once the conversion rate has been fixed, the dual display of prices should start as soon as possible in order to start familiarising consumers with the new currency. It should ideally continue for a period of six to twelve months after €-day, after which it should be ended so as not to become counterproductive by delaying the mental changeover. Ideally, the end of the dual display period should thus be programmed and announced in advance.

2.2.5. Need for agreements between retailers and consumers on stable prices

The fear of possible price increases or abuses constitutes one of the main reasons underlying the lack of enthusiasm or even the apprehension in some of the new Member States towards the introduction of the euro. Even if statistical data clearly demonstrate that the impact on prices was marginal in the first-wave countries¹¹, public opinion in many countries is still holding the opposite view and a clear gap exists between perception and reality. Besides explaining this situation to their citizens, the public authorities in the Member States preparing for the adoption of the euro should definitely take all the necessary steps to strengthen consumers' confidence. For example, several countries have already announced that they will actively monitor prices during the changeover and make the results public.

The conclusion of formal agreements between retailers and consumers on the respect of price stability in the course of the changeover to the euro, e.g. in the form of codes of conduct, constitutes an essential requirement in this respect. They should be negotiated either at national or sectoral level and relevant consumer associations should be involved. Such agreements proved extremely useful during the first-wave changeover. For example, representatives of retailers and enterprises agreed at EU level in April 2001 on rules of conduct during the changeover period. The retailers committed themselves to strictly comply with the conversion and rounding rules in all their dual displays and they undertook not to use the changeover for hidden price increases. In the context of the first-wave changeover several such agreements have also been concluded at national level. It should be noted that Latvia is currently planning a "fair trader" campaign in the framework of several measures to ensure fair conversion of prices as well as accurate rounding and display of prices in euro. Lithuanian business organisations will be encouraged to adopt the Code of Good Business Practice, whereby they undertake not to profit from the adoption of the euro by increasing prices. In Slovakia a voluntary ethical code is under preparation as part of other consumer-confidence building measures.

¹¹ According to Eurostat (June 2003) the total impact is estimated to fall within the range of 0.09% to 0.28%, http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/2-18062003-AP/EN/2-18062003-AP-EN.HTML.

2.2.6. *Public administrations*

The main part of the public sector preparations consists of two elements: firstly, the implementation of the necessary steps for the adoption of legislation on the introduction of the euro, and secondly the amendment of existing legislation with a view to the single currency. Cyprus, Estonia, Latvia, Lithuania, Malta and Slovakia are currently in the process of preparing respective draft legislative provisions. When converting monetary amounts in existing legal provisions, for example in tax provisions, social security laws, provisions on administrative fines, levies and grants, it is good practice to adapt the amount in euro to the benefit of the citizen, if a smoothing is deemed necessary. This will contribute to avoid that the changeover has an impact on inflation and set a good example to the private sector with a view to ensure stable prices.

The switchover of the public administrations' accounting and IT systems to the euro needs to be prepared carefully. Most countries have prepared timetables in order to monitor progress of the conversion of their critical systems. Alike enterprises, the public administration should provide dual displays of prices and other monetary amounts, for example on civil servants' pay slips, on invoice and notices of public enterprises, in the field of social security payments etc.

All Member States concerned should ensure that the necessary budgetary and human resources are allocated for the planning and the implementation of the changeover to the euro, including for communication activities.

The process for the selection of the design for the national sides of the future euro coins has been completed in Estonia, Lithuania and Slovenia already in 2005, and Slovakia has now also finalised the selection of the designs (see Annex 4).

While the changeover is the responsibility of the individual Member States, the exchange of information and experience considerably helps Member States in their preparations. For this purpose the Commission has established a public administrations network which provides a forum for the national officials in charge of the changeover in their respective countries. This network also builds on the experience gathered during the first-wave changeover.

2.2.7. *Communication activities*

Estonia, Lithuania and Slovenia adopted their euro communication strategies in 2005 and signed Partnership Agreements with the Commission on 8 November 2005. Their communication campaigns have started afterwards, with activities such as dedicated euro websites, publications, visual identities, free phone lines, etc. Cyprus and Malta completed their communication strategies in April 2006 and concluded Partnership Agreements with the Commission on 5 May 2006. Latvia and Slovakia produced first draft communication strategies. Poland, the Czech Republic and Hungary have not yet started planning any information and communication activities.

In the framework of these partnerships, the Commission supports a variety of activities developed by the national authorities, such as publications, media campaigns, promotional material, conferences and seminars, opinion polls, etc. National communication campaigns should start well before the introduction of the euro and continue a few months after the end of the dual circulation period. Next to the partnerships, the Commission continues to support twinning programmes in the framework of which euro-area Member States share experience

with Member States preparing themselves to adopt the euro. Seven separate twinning projects between recently acceded Member States and euro area countries are currently under way.

Various public events were organised, such as conferences (e.g. Ljubljana on 17 March 2006) and exhibitions on the euro coins' genesis (Lithuania and Austria); similar exhibitions in Slovenia, Latvia and Cyprus are to follow later in the year. Seminars for journalists were held in Brussels and Frankfurt and in the capitals of Slovenia, Estonia and Lithuania.

2.2.8. Conclusion

In general, the countries aspiring to adopt the euro in 2008 need to step up their preparations urgently, in particular Cyprus, which has not yet officially adopted its national changeover plan, and Malta, which has done so only very recently. Moreover, most national changeover plans should be strengthened in several respects. In particular, agreements should be concluded at an early stage between retailers and consumers in order to avoid price rises during the changeover. Such codes of conduct should notably provide for fair pricing and dual display. With respect to the latter, all dual displays should strictly comply with certain standards (in particular use of the conversion rate; unambiguous, easily identifiable and clearly legible display).

3. STATE OF PUBLIC OPINION IN THE RECENTLY ACCEDED MEMBER STATES

The results of the Eurobarometer survey on the public opinion in the recently acceded Member States conducted in April 2006¹² show a relative improvement of the public's perception of the euro. At the same time they confirm that most citizens still feel ill-informed about the euro, which is furthermore confirmed by the fact that almost half of the citizens in the new Member States fear that the euro will increase inflation in their country.¹³ The number of respondents fearing price increases during the changeover also remains high. Table 3 provides an overview on the development of public opinion on the euro in the countries concerned since the first Eurobarometer opinion poll in September 2004. Annex 5 presents the main results of the latest opinion poll.

Table 3

Average share of respondents in the recently acceded Member States ...	Eurobarometer April 2006	Eurobarometer September 2005	Eurobarometer September 2004
... expecting positive consequences of the introduction of the euro for their country	52%	38%	44%
... who are personally happy that the euro will/could replace the national currency	48%	36%	42%
... who feel well informed about the euro	37%	32%	34%
... who think that the introduction of the euro will increase inflation	46%	48%	48%
... who are afraid of abuses on prices during the changeover	74%	75%	71%

¹² http://ec.europa.eu/public_opinion/flash/fl183_en.pdf.

¹³ This fear is contradicted by statistical data on annual inflation rates in the euro area, which have never exceeded 2.4% since the introduction of the euro in 1999.

ANNEX 1 - Preparations at Community level

1. Community legal framework

Having regard to the Commission's proposal¹⁴ for amending Council Regulation (EC) No 974/98 on the introduction of the euro¹⁵, the Council has adopted Regulation (EC) No 2169/2005 on 21 December 2005.¹⁶ The amended Regulation now includes the rules for the introduction and the use of the euro in Member States adopting the euro after 2006.

Building on the provisions governing the initial establishment of the euro area, the revised rules allow for two new changeover scenarios in addition to the transitional period scenario¹⁷ applicable for the first-wave euro-area Member States: Member States can now also opt for a “big bang” scenario or a “big bang” scenario combined with a “phasing-out” period. Under the “big bang” scenario the introduction of the euro as the currency and the introduction of euro banknotes and coins coincide. This scenario allows for a more expeditious changeover to the euro now that euro banknotes and coins are widely available. Yet, this approach imposes rigorous timing requirements which might not in all cases be met by the economic actors. The “big bang” scenario combined with a “phasing-out” period thus offers a more gradual phasing out of the national currency by providing some scope for continuing to refer during a limited period to the national currency units in newly created legal instruments.¹⁸

In addition, the amended Regulation introduces binding rules on the exchange free of charge of national banknotes and coins during the changeover period by credit institutions in Member States which will adopt the euro. The rules for the adoption of the euro by the first-wave euro-area Member States and Greece did not contain a comparable obligation, although such practice was recommended by the Commission.¹⁹

2. Euro banknotes and coins

Euro-area entrants can start producing euro banknotes and coins as soon as the Council lifts the Member State's derogation. However, as far as euro banknotes are concerned, the ECB has decided that these countries will be able to borrow the necessary volumes of euro banknotes from the Eurosystem and, as part of the pooling arrangement, pay them back after the changeover with euro banknotes produced by their own supply arrangements.

Regarding the preparations for the start of the coin production by future euro area entrants, meaningful progress has been made since November 2005. While a future euro area Member States may only start producing euro coins once its derogation has been lifted, a number of preparatory tasks – including the production of limited quantities of test coins – may be

¹⁴ COM(2005) 357.

¹⁵ OJ L 139, 11.5.1998, p. 1. This Regulation was amended in order to allow Greece to join the euro area in 2001 by Regulation (EC) No 2596/2000 (OJ L 300, 29.11.2000, p. 2).

¹⁶ Council Regulation (EC) No 2169/2005 of 21 December 2005 amending Regulation (EC) No 974/98 on the introduction of the euro (OJ L 346, 29.12.2005, p. 1).

¹⁷ The transitional period is a period of three years at most beginning on the euro adoption date and ending on the date on which euro banknotes and coins acquire the status of legal tender in a given Member State.

¹⁸ For further details see Torsten Schäfer, Occasional Paper "The Legal Framework for the Enlargement of the Euro Area", http://www.ec.europa.eu/economy_finance/publications/occasionalpapers_en.htm.

¹⁹ Cf. Commission Recommendation of 11 October 2000 on measures to facilitate the preparation of economic operators for the changeover to the euro (OJ C 303, 24.10.2000, p. 6).

carried out before this time. In the framework of their preparations for future euro coin production, Estonia, Lithuania and Slovenia have signed Memoranda of Understanding with the Member States of the euro area and the European Commission in January and February 2006, respectively. The Commission subsequently transferred the required copyrights, and the national mints transferred the available minting tools for the common sides of the euro coins, to the three Member States concerned. Cyprus has recently requested the signing of such a Memorandum of Understanding.

On 7 June 2005, at the initiative of the Commission, the Ecofin Council had decided that the common sides of the 1- and 2-euro and the 10-, 20- and 50-cent coins, which currently depict the EU before it was enlarged from 15 to 25 Member States, should be modified in order to represent Europe as a whole. Following this decision, the necessary design and technical work is currently being finalised so that new euro area entrants can strike and issue euro coins with the new common side already from 2007.

New common sides of the 1- and 2-euro coins and of the 10-, 20- and 50-cent coins





3. Communication activities

The European Commission continued to implement its communication activities on the euro and EMU in close cooperation with Member States and other Community institutions. Helping the new Member States intending to introduce the euro in 2007 or 2008 in their communication campaigns still constitutes the main priority.

The Commission also developed during the last 6 months a number of activities linked to the enlargement of the euro area, such as opinion polls, surveys and studies.²⁰ Moreover, brochures and posters for the general public²¹, a website dedicated to the euro²² and promotional material were made available.

To ensure an easy recognition of its information products, a visual identity has been developed for all communication products and activities on the euro and EMU financed under the PRINCE programme and developed by the Commission or a Member State under a partnership agreement with the Commission.



²⁰ http://europa.eu.int/comm/public_opinion/index_en.htm.

²¹ http://europa.eu.int/comm/economy_finance/publications/general/general_en.htm.

²² http://europa.eu.int/comm/economy_finance/euro/our_currency_en.htm.

ANNEX 2 – List of relevant changeover characteristics

The table below provides an overview of certain relevant changeover characteristics in each Member State concerned. It is solely based on officially approved and publicly available information and does therefore not reflect preparations which are still under way. It should be noted that the state and degree of progress of preparations should be assessed in the context of the target date, as preparations tend to step up with the proximity of the changeover.

X: Officially approved/ established and published
(in particular in the national changeover plan)

	CZ	EE	CY	LV	LT	HU	MT	PL	SI	SK	SE
Changeover plan											
National target date	X	X	X	[X]	[X]	X	X		X	X	
National Changeover Plan		X		X	X		X		X	X	
National Changeover Committee	X	X	X	X	X		X		X	X	
Cash Changeover details											
Type of scenario		X	X	X	X		X		X	X	
Length of dual circulation period		X	X	X	X		X		X	X	
Exchange at commercial banks after dual circulation period		X	X	X	X		X		X	X	
Exchange at central bank after dual circulation period		X	X	X	X		X		X	X	
Frontloading of financial institutions		X		X	X		X		X	X	
Sub-frontloading of retailers		X		X	X		X		X	X	
Sub-frontloading of the general public		X ²³									
Deferred debiting					X						
Piggy coin operations ²⁴		X			X						
Arrangements for extended bank opening hours around €-day											
ATMs dispensing euro only as from €-day		X		X	X		X		X	X	
Denominations of notes in ATMs specified		X							X		
Transport and storage for euro cash		X									
Transport and storage for legacy cash		X		X							
Change only given in euro by retailers as from €-day		X	X		X				X	X	
Euro coins kits for retailers							X		X		
Euro coins kits for the general public							X		X		
Design of national side of the euro coins		X	X		X				X	X	
Supply arrangements for euro coins		X							X		

²³ Exchange at banks at the conversion rate without service fees.

²⁴ This term refers to campaigns encouraging citizens to deposit hoarded cash with banks well in advance of the changeover to the euro.

	CZ	EE	CY	LV	LT	HU	MT	PL	SI	SK	SE
Further changeover details											
Necessary adaptations of national law identified		X		X	X				X	X	
Dual display of prices before €-day		X		X	X				X	X	
Dual display of prices after €-day		X		X	X				X	X	
Dual display of utility bills		X							X	X	
Dual display of civil servants' wages											
Voluntary dual display of prices		X			X		X			X	
Agreements on price stability or fair pricing				X	X						
Price monitoring projects		X		X	X		X			X	
Training for cash handlers		X		X			X			X	
Accounting adaptations		X		X						X	
Share capital conversion		X					X			X	
Rounding rules in legislation		X							X	X	
Evaluation of the costs involved for the public sector											
Twinning agreement			X		X	X	X	X	X	X	
Communication activities											
Communication strategy		X	X	X	X		X		X	X	
Partnership agreement		X	X		X		X		X		

ANNEX 3 – Table: State of practical preparations (June 2006)

	Czech Republic	Estonia
Changeover plan		
National target date for euro adoption	1 January 2010 ^(*) (* Preliminary date)	1 January 2008
National co-ordinating institution	On 23 November 2005 the Deputy Minister of Finance has been appointed as the National Coordinator of the Euro Introduction. The National Co-ordination Group on Euro Introduction was established and had its first meeting on 20 February 2006. Consequently six Working Groups were established for particular areas of the euro preparatory activities.	The National Changeover Committee, chaired by the Secretary General of the Ministry of Finance, was created on 27 January 2005.
(Approved) National Changeover Plan	The Czech Republic's Euro Accession Strategy was approved by the Government in October 2003: http://www.cnb.cz/euro_index.php The Institutional Arrangements for Introduction of the Euro in the Czech Republic were approved by Government on 23 November 2005. The National Changeover Plan will be submitted to the government by the end of December 2006.	First draft of euro adoption plan was approved by the government on 1 September 2005: http://www.fin.ee/index.php?id=13324 4 th version of Estonia's National Changeover Plan, approved by the National Changeover Committee on 18 May 2006 http://euro.eesti.ee/EU/Prod/Euroveeb/Main_Page/left_menu_content4748/Changeover_to_the_euro_in_Estonia/europlan_en.jsp
Changeover details		
Type of scenario	Under consideration – proposal to be submitted to the government by the end of August 2006.	"Big bang"
Dual circulation period		2 weeks
Exchange of national banknotes and coins		Banknotes and coins: Commercial banks at least 6 months after €-day free of charge, some branches 12 months. Central Bank indefinitely, free of charge.
Campaign for rapid withdrawal of national banknotes and coins		Campaign for collection of coins before €-day planned; credit institutions are recommended to launch early cash deposit campaigns.
Frontloading and sub-frontloading		Frontloading 2 months before €-day; sub-frontloading by credit institutions to major clients 1 month before €-day (precondition: no distribution to general public before €-day). Banks will offer to change kroons into euro banknotes at the conversion rate and without a service fee at least one month prior to €-day.
ATMs issuing euro only		All ATMs will dispense euro only within 48h as of €-day.

Change in euro only		In general, change will be given in euro, but the possibility of giving change in kroons remains for the dual circulation period
Dual display of prices		Compulsory: 6 months before and after €-day.
Consumer confidence building measures (e.g. agreements with retailers)		Monitoring of the prices of certain frequently consumed goods and services under the supervision of the Ministry of Economic Affairs and Communications.
Adaptation of national law	Methodology and legislative analysis for national law adaptation is being prepared in the framework of the Working Group for Legislation of the National Co-ordination Group on the Euro Introduction.	Act on the Introduction of the Euro ("umbrella law") and amendments to the Business Code are expected to be passed to the parliament by September 2006.
Euro banknotes and coins		
Design of the national side	Competition under consideration.	Design selected and published in December 2004.
Nr of different coin designs		1 design.
Coin supplier	Not decided yet. The current coin supplier, the Czech Mint, is an independent division of Jablonex Group a.s.; the Czech Mint is connected with the National Bank by business contracts based on tender procedures.	Coins to be minted abroad; following an international tender euro coins will be minted by the Mint of Finland.
Estimation on the need for banknotes and coins	230 million banknotes and 950 million coins.	150-200 million coins.
Communication activities		
Communication strategy	Under preparation within the framework of the Working Group for Communication.	Endorsed by the National Changeover Committee on 21 June 2005 and updated on 18 May 2006.
Addresses of websites on euro changeover, activation date: Government/Ministry of Finance; Central Bank		www.euro.eesti.ee , launched in January 2006.
Partnership agreement		Signed 8 November 2005.
Other issues		
ERM II entry		28 June 2004
Twinning agreement		

STATE OF PRACTICAL PREPARATIONS (June 2006)

	Cyprus	Latvia
Changeover plan		
National target date for euro adoption	1 January 2008	1 January 2008 (under revision)
National co-ordinating institution	Joint coordination by the Minister of Finance and the Central Bank of Cyprus, established on 29 December 2004.	The Steering Committee for the preparation and coordination of the euro changeover was established on 18 July 2005.
(Approved) National Changeover Plan	The National Changeover Plan has been approved by the National Advisory Committee on 29 March 2006. Still to be approved by the Council of Ministers.	The Cabinet of Ministers of the Republic of Latvia has approved the Action Plan for Implementation of the Single European Currency of the on 1 November 2005, and the first draft of Latvia's National Euro Changeover Plan on 28 February 2006 (Government order No.148, 6 March 2006).
Changeover details		
Type of scenario	"Big bang" envisaged	"Big bang"
Dual circulation period	1 month envisaged	1 month
Exchange of national banknotes and coins	It is envisaged that the Central Bank will exchange banknotes for 10 years and coins for 2 years. Banks will exchange national banknotes and coins for euro, free of charge, at least for the amount of € 1.000 for banknotes and € 50 for coins, for a period of 6 months after €-day.	Commercial banks, currency exchange offices and post offices for 6 months after €-day free of charge; the Bank of Latvia will exchange without time limit free of charge.
Campaign for rapid withdrawal of national banknotes and coins	Campaign envisaged around September 2007 encouraging people to use hoarded cash or deposit it with banks.	Not envisaged due to the high nominal value of coins in Latvia and their intensive use in day-to-day payments.
Frontloading and sub-frontloading	Envisaged from November to December 2007.	Frontloading to banks starts on 1 December 2007, sub-frontloading on 15 December 2007 (precondition: euro banknotes and coins may not be publicly circulated before €-day).
ATMs issuing euro only	Arrangements with banks on this issue are currently being worked out with the aim to have all ATMs dispensing small denominations (10€ and 20€) from €-day	As of 1 January 2008 ATMs will dispense euro banknotes only.
Change in euro only	It is planned that the retail sector will be frontloaded with euro coins so as to give change in euro only as from €-day, to the extent possible.	After the end of the dual circulation period.
Dual display of prices	Starting one month after the abrogation of the derogation, until six months after the adoption of the euro (preliminary period).	Compulsory three months before and one year after €-day.
Consumer confidence building measures (e.g. agreements with		Monitoring of price developments in retail trade, verification procedure on the accuracy of price displays

retailers)		and "fair trader" campaign envisaged.
Adaptation of national law	A draft "umbrella law" for the adoption of the euro in Cyprus is currently being prepared; the law is planned to be adopted at the end of 2006.	"Umbrella law" on basic provisions for the introduction of the euro in Latvia is currently being prepared. All ministries are involved in the review of national legislation to identify the necessary amendments and required new legislative acts.
Euro banknotes and coins		
Design of the national side	Will be submitted to the Council of Ministers for final approval shortly.	In process.
Nr of different coin designs	3 designs.	4 designs.
Coin supplier	Coins to be minted abroad at approved national and/or private mints, through tender procedures.	Coins to be minted abroad. Tender for production of coins will be organised after design finalisation.
Estimation on the need for banknotes and coins	79 million banknotes (value € 1730m), 545 million coins (value € 147,4m).	87 million banknotes and 300 million coins.
Communication activities		
Communication strategy	A Comprehensive Strategic Communication Plan for the Adoption of the Euro in the Republic of Cyprus, approved by the Council of Ministers on 5 April 2006.	"Communication strategy for the euro changeover in Latvia" approved by the Steering Committee of Latvia's euro implementation project on 12 April 2006.
Addresses of websites on euro changeover, activation date: Ministry of Finance/Government; Central Bank	www.euro.cy , activated on 31 May 2006 as part of the communication campaign official kick-off event.	Planned euro changeover website: www.euro.lv . Updated information on the euro changeover process is available on the website of the Ministry of Finance: http://www.fm.gov.lv/page.php?id=105 .
Partnership agreement	Signed on 5 May 2006.	Planned to be signed in 2006.
Other issues		
ERM II entry	2 May 2005	2 May 2005
Twinning agreement	Between IE – MT – CY: communication and information strategy (finalised); between GR – CY: technical issues related to the changeover.	

STATE OF PRACTICAL PREPARATIONS (June 2006)

	Lithuania	Hungary
Changeover plan		
National target date for euro adoption	1 January 2007 (under revision)	1 January 2010
National co-ordinating institution	Commission for the Coordination of the Adoption of the Euro in Lithuania, established on 30 May 2005.	Preparatory work is ongoing in the Ministry of Finance and Magyar Nemzeti Bank (central bank of Hungary).
(Approved) National Changeover Plan	The first version of the National Changeover Plan was approved by the government on 29 September 2005. The draft second version of the National Changeover Plan, dated April 2006, was published: http://www.finmin.lt/notes_images/web/stotis_inf.nsf/0/80C39F584F795D97C22570AD0054C826/\$File/LT%20Changeover%20plan_en.pdf	
Changeover details		
Type of scenario	"Big bang".	"Big bang" with possible phasing out features.
Dual circulation period	15 days.	1 month.
Exchange of national banknotes and coins	Commercial banks: free of charge during 60 days after €-day. Central bank: free of charge for an unlimited period.	Credit institutions and post offices: at least during dual circulation period. Magyar Nemzeti Bank: in case of banknotes for 20 years and in case of coins for 5 years after the end of dual circulation period.
Campaign for rapid withdrawal of national banknotes and coins	Consumers will be encouraged to deposit cash with banks as early as possible.	
Frontloading and sub-frontloading	Frontloading of euro banknotes to commercial banks one month before €-day at the latest and of euro coins three months before €-day at the latest. Sub-frontloading of euro banknotes and coins to retailers in December 2006.	
ATMs issuing euro only	As from €-day ATMs will dispense euro banknotes.	
Change in euro only	Recommendation to give change in euro only.	
Dual display of prices	Compulsory: 120 calendar days before €-day until 120 days after €-day; voluntary: recommendation to use dual display as early as possible after the adoption of the conversion rate.	
Consumer confidence building measures (e.g. agreements with retailers)	Business organisations will be encouraged to adopt a Code of Good Business Practice (on correct conversion, no price increases etc.); enterprises committing themselves will be	

	authorised to use the special logo of the Code.	
Adaptation of national law	<p>Draft Law on the Adoption of the Euro has been prepared (rules on conversion and exchange of the litas to the euro, withdrawal of litas from circulation, publication of the images of notes and coins, redenomination of securities, dual display of prices etc.). The law will be adopted after decision on the abrogation of the derogation.</p> <p>All existing legal acts that need to be adapted with a view to the euro have been identified by December 2005. The necessary amendments will be adopted by 1 December 2006. This does not include replacing references to the litas with references to the euro, which will be carried out after the adoption of the euro in Lithuania.</p>	
Euro banknotes and coins		
Design of the national side	Approved.	
Nr of different coin designs	3 designs.	
Coin supplier	Lithuanian Mint.	National Mint.
Estimation on the need for banknotes and coins	Estimation of 118 million banknotes and 290 million coins has been made on the condition that the euro will be introduced on 1 January 2007.	0,5 billion banknotes and 1 billion coins.
Communication activities		
Communication strategy	"Public information and communication strategy on the adoption of the euro of Lithuania" was approved by the government on 29 September 2005.	
Addresses of websites on euro changeover, activation date: Ministry of Finance/Government; Central Bank	Websites of the Bank of Lithuania (www.lb.lt) and of the Ministry of Finance (www.finmin.lt). National website planned as from EU Council decision on the abrogation of the derogation.	
Partnership agreement	Signed on 8 November 2005.	
Other issues		
ERM II entry	28 June 2004	
Twinning agreement	<p>Between NL – SI – LT: communication and information strategy;</p> <p>between BE – LT on tax-related question;</p> <p>between BE – LT on departmental management related to the changeover.</p>	Between AU – HU: communication and information strategy (finalised).

STATE OF PRACTICAL PREPARATIONS (June 2006)

	Malta	Poland
Changeover plan		
National target date for euro adoption	1 January 2008	
National co-ordinating institution	Two Committees appointed on 13 June 2005: a Steering Committee and a National Euro Changeover Committee (NECC) reporting to it.	Inter-institutional working group Ministry of Finance – national central bank.
(Approved) National Changeover Plan	The Second Updated Master Plan for the Euro Changeover in Malta was adopted by the government on 12 June 2006 http://mfin.gov.mt/image.aspx?site=NECC&ref=Master%20Plan%20	
Changeover details		
Type of scenario	"Big bang" with a phasing out period.	
Dual circulation period	January 2008.	
Exchange of national banknotes and coins	It is planned that, as from 2 January 2008, credit institutions will start accepting the exchange of Maltese lira notes into euro notes and coins, free of charge for their clients and up to a 'household amount' of Lm 250 for non-bank clients. In both cases free exchange is planned to be provided until the end of March 2008. The Central Bank of Malta will continue to exchange all Maltese lira coins and notes, subject to anti-money laundering regulations, for two years and ten years respectively after the end of the dual circulation period.	
Campaign for rapid withdrawal of national banknotes and coins	A de-hoarding campaign will be initiated at national level as from September 2006.	
Frontloading and sub-frontloading	Frontloading to banks is planned to start from late October/early November 2007 and sub-frontloading by credit institutions is planned to start from 17 th December 2007.	
ATMs issuing euro only	Planned as from 1 January 2008.	
Change in euro only	Planned as from 1 January 2008.	
Dual display of prices	Voluntary dual display of prices is planned to start between January 2007 and June 2007 and to end on 30 June 2008.	
Consumer confidence building measures (e.g. agreements with retailers)	Presently in consultation within the NECC for the establishment of a Retailers Euro Changeover Best Practice Initiative (RECBPI). The RECBPI provides for the conclusion of formal agreements in which retailers voluntarily commit themselves towards best practices that	

	ensure price fairness, transparency and stability and that assist the consumers to become familiar with the new currency. The needs of vulnerable persons are taken into account. A Euro Observatory on the basis of EC Recommendation 98/288/EC is in the process of being set up.	
Adaptation of national law	The draft Euro Adoption Bill 2006 ("umbrella law") is currently being debated in Parliament.	
Euro banknotes and coins		
Design of the national side	Public consultation process for the selection of the designs for the national side of the euro coins launched on 14 January 2006; its initial phase lasted until 29 January 2006. The second and final phase of the process was completed by 9 June 2006.	Public survey.
Nr of different coin designs	3 designs.	
Coin supplier	Coins to be minted abroad by national mints.	National Mint.
Estimation on the need for banknotes and coins	Estimated 43 million euro notes. Estimated 108 million euro coins.	Between 4 and 5 billion coins.
Communication activities		
Communication strategy	"Multi-annual communication strategy in preparation for the adoption of the euro (2006-2008)" adopted by the Steering committee for the adoption of the euro on 19 April 2006. The NECC has prepared a detailed action plan for 2006 and 2007 including a significant information campaign reaching specific target groups including consumers, the business community, children, the elderly and vulnerable groups. It has recruited a team of information officers to assist the general public and has also launched a national helpline to assist the different target groups.	
Addresses of websites on euro changeover, activation date: Government/Ministry of Finance; Central Bank	http://www.euro.gov.mt	
Partnership agreement	Signed on 5 May 2006.	
Other issues		
ERM II entry	2 May 2005	
Twinning agreement	Between IE – MT – CY: communication and information strategy (finalised).	Between DE – PL: communication and information strategy and practical issues.

STATE OF PRACTICAL PREPARATIONS (June 2006)

	Slovenia	Slovakia	Sweden
Changeover plan			
National target date for euro adoption	1 January 2007	1 January 2009	Not yet decided.
National co-ordinating institution	The Coordinating Committee for Technical Preparations to Introduce the Euro was created in July 2004.	Ministry of Finance	
(Approved) National Changeover Plan	A Masterplan for the Euro Changeover was approved in January 2005. First update adopted by the government on 2 February 2006. Both documents are available on: http://www.bsi.si/en/publications.asp?MaId=717 .	The National Changeover Plan was approved on 6 July 2005: http://www.nbs.sk/ZAKLNBS/PUBLIK/BROZURY/NARPLAN.PDF (Slovak) http://www.nbs.sk/ZAKLNBS/PUBLIK/BROZURY/NARPLANA.PDF (English).	
Changeover details			
Type of scenario	"Big bang".	"Big bang".	
Dual circulation period	1 January to 14 January 2007.	16 days.	
Exchange of national banknotes and coins	Commercial banks will exchange banknotes and coins free of charge until 1 March 2007; Banka Slovenije will exchange tolar banknotes without time limit free of charge, and tolar coins until 31 December 2016.	Commercial banks exchange banknotes until end 2009 and coins until June 2009 (free of charge). The Central Bank exchanges banknotes without time limit and coins for 5 years.	
Campaign for rapid withdrawal of national banknotes and coins	A campaign of the banking sector is planned for the rapid withdrawal of national banknotes and coins.		
Frontloading and sub-frontloading	Frontloading of coins to banks as of 1 September 2006, of banknotes as of 11 December 2006; sub-frontloading of coins as of 1 December 2006, of banknotes as of 11 December 2006; coin starter kits for the general public as of 15 December 2006.	One to four months prior to €-day.	
ATMs issuing euro only	ATMs will only dispense € 10 and € 20 banknotes as of €-day.	As of €-day ATMs will issue euro only.	
Change in euro only	Change will be given in euro only as of €-day.	Change will be given in euro only.	
Dual display of prices	Compulsory from 1 March 2006 till 30 June 2007.	Compulsory: from one month after fixing of conversion rate till one year after euro adoption. Voluntary: for further 6 months.	
Consumer confidence building measures (e.g. agreements with retailers)	Price Watch Project: The Consumer Association of Slovenia is monitoring price developments in the retail sector for specific goods and services in co-operation with the Statistical Office of	Evolution of prices in 2008 and 2009 will be closely monitored; consumers will be informed of the results; consumers can raise complaints to supervisory bodies or apply to the courts; voluntary ethical code is prepared	

	the Republic of Slovenia and will publish the names of retailers who increase prices excessively.	with retailers and entrepreneurs.	
Adaptation of national law	The draft Introduction of the Euro Act has been sent to the ECB for consultation on 3 May 2006. Amendments to the Salary Tax Act have been adopted in December 2005; amendments to the Bank of Slovenia Act, to the Payment Transactions Act, to the Misdemeanours Act and to the Companies Act have been adopted in April 2006. A draft amendment to the Collateralisation Act has been submitted to the parliament in April 2006.	"Umbrella law" planned to be adopted by 1 January 2008. The necessary amendments to existing legislation have been identified by January 2006 and are envisaged to be adopted in 2008 at the latest.	
Euro banknotes and coins			
Design of the national side	Approved.	Final design of the national side for the euro coins was chosen by public tender followed by an opinion poll and announced in December 2005.	
Nr of different coin designs	8 designs.	3 designs.	
Coin supplier	Coins to be minted by national mints abroad; the Mint of Finland has been chosen as producer of euro coins.	National Mint.	
Estimation on the need for banknotes and coins	94 million banknotes and 234 million coins.	400 million coins.	
Communication activities			
Communication strategy	Endorsed by Bank of Slovenia on 19 May 2005 and by the government on 2 June 2005.	Communication strategy on the euro introduction in the Slovak Republic is part of the National Changeover Plan.	
Addresses of websites on euro changeover, activation date: Government/Ministry of Finance; Central Bank	National website on euro changeover: http://www.evro.si , activated on 15 February 2006. Special section on the euro on the webpage of Bank of Slovenija: http://www.bsi.si Toll-free phone line: 080 2002 (Evrophon).	http://euro.vlada.gov.sk ; http://www.euromena.sk .	
Partnership agreement	Signed on 8 November 2005		
Other issues			
ERM II entry	28 June 2004	28 November 2005	
Twinning agreement	Between NL – SI – LT: communication and information strategy.	Between AU – SK: communication and information strategy; Between BE – SK: technical issues related to the changeover.	

ANNEX 4 - Euro coins designs of the future national sides of Slovakia



2-euro coins



1-euro coin



50-cent coin



20-cent coin



10-cent coin



**Copper plated coins
(1-,2- and 5-cent coins)**

ANNEX 5 - State of public opinion in the recently acceded Member States

The European Commission recently commissioned a new Eurobarometer survey on the public opinion in the recently acceded Member States concerning citizens' attitudes to and knowledge on the introduction of the euro. Gallup Europe conducted this survey in April 2006. This was the third such Eurobarometer survey after September 2004 and 2005, again polling over 10,000 citizens.

1. The perception and support for the single currency improved

The overall perception and support for the euro has markedly improved, even exceeding the more favourable levels of September 2004, thus probably reflecting the improved general climate in Europe over the last months. The consequences of the introduction of the euro for the country and on personal level are deemed much more positive: 52% think that the euro would be rather or very positive for the country and 46% on personal level, with the support being highest in Slovenia (58% and 53% respectively). In the perception of people, the overall environment has become more in favour of their country joining the euro area. However, the level of support varies widely among countries. The population in the three Baltic States are the least happy about the forthcoming replacement of their national currency.

2. The knowledge about the euro remains mixed

Respondents in the recently acceded Member States are relatively familiar with the common currency: most people have seen euro banknotes (80%) or euro coins (75%), although much less used them already (45% and 41% respectively). This level of information is essentially unchanged relative to last year. As in the past, Slovenes are most familiar with the euro banknotes and coins. The usage of the euro has slightly increased but varies widely between countries. However, only a minority (46% for banknotes and 41% for coins) is able to correctly identify whether or not the designs differ between countries.

The knowledge among the general public about the framework conditions for euro adoption has not improved. Only 38% (unchanged since September 2005) are able to indicate the correct number of euro-area Member States. While all new Member States are expected to join the euro area in due time, a significant majority (69% compared with 58% in the previous survey) believes that their country can choose whether or not to introduce the euro. Opinions on the expected date of euro introduction seem to converge with a realistic assessment of the national target dates.

3. Citizens want to be informed early on

According to the survey, more people feel well-informed than in the previous survey (37% relative to 32%), most notably in Slovenia, suggesting that the communication efforts on European and national level are starting to bear fruit. However, the majority of citizens (60%) still consider themselves not very or not at all informed. The perceived level of information is disappointingly low in some countries with more imminent national target dates for euro introduction such as Latvia, Malta, Estonia and Cyprus. Respondents confirmed previous results that early information on the introduction of the euro is appreciated.

As regards the source of information on the euro, the current survey confirms that people trust above all National Central Banks (77%), followed by the European Institutions (70%). As regards the channels, strongest preference is expressed for traditional media (TV, papers,

radio) but also internet, and banks even though the use of bank services is still relatively low in some of these countries. Most citizens identify practical information as the preferred topics for the national campaigns e.g. the conversion rate (93%) and the changeover scenario (90%). 92% seek information on how to avoid price abuses. The current survey confirms that the dual display of prices (86%) and amounts on bills and invoices (76%) is judged the most essential tool for preparing the population for the new scale of values.

4. People's expectations and fears regarding the adoption of the euro are subdued

The picture in this respect is somewhat mixed and contradictory. Expectations towards the euro as an international currency and towards the role of Europe in the world are increasingly positive. Concerns about the loss of control over economic policy or the loss of national identity are lowering. A broad and increasing majority expects tangible benefits for daily life like for travelling and price transparency.

Since the introduction of the euro in 1999, prices have been stable and inflation rates in the euro area did not exceed 2.4% p.a. Surprisingly, most citizens in the new Member States (46%) fear that the introduction of the euro will increase inflation in their country. Albeit rising, the share of those who believe that the euro might help to maintain price stability remains low at 29%.