


Procedure file

Basic information		
CNS - Consultation procedure Decision	2006/0077(CNS)	Procedure completed
Euro: adoption by Slovenia of the single currency on 1 January 2007 (Article 122(2), Treaty TEC)		
Subject 5.10.01 Convergence of economic policies, public deficit, interest rates 5.20.02 Single currency, euro, euro area		
Geographical area Slovenia		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs	PPE-DE LANGEN Werner	15/05/2006
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2741	11/07/2006
	Heads of State or Government	2738	16/06/2006
	Economic and Financial Affairs ECOFIN	2734	07/06/2006
European Commission	Commission DG Economic and Financial Affairs	Commissioner	

Key events			
16/05/2006	Legislative proposal published	COM(2006)0225	Summary
30/05/2006	Vote in committee		Summary
01/06/2006	Committee report tabled for plenary, 1st reading/single reading	A6-0200/2006	
07/06/2006	Debate in Council	2734	Summary
13/06/2006	Committee referral announced in Parliament		
15/06/2006	Results of vote in Parliament		
15/06/2006	Decision by Parliament	T6-0268/2006	Summary
11/07/2006	Act adopted by Council after consultation of Parliament		
	End of procedure in Parliament		

11/07/2006			
15/07/2006	Final act published in Official Journal		

Technical information	
Procedure reference	2006/0077(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
Legal basis	EC Treaty (after Amsterdam) EC 122-p2
Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/36755

Documentation gateway					
Legislative proposal		COM(2006)0225	16/05/2006	EC	Summary
Committee report tabled for plenary, 1st reading/single reading		A6-0200/2006	01/06/2006	EP	
Text adopted by Parliament, 1st reading/single reading		T6-0268/2006	15/06/2006	EP	Summary

Additional information	
National parliaments	IPEX
European Commission	EUR-Lex

Final act
Decision 2006/495 OJ L 195 15.07.2006, p. 0025-0027 Summary

Euro: adoption by Slovenia of the single currency on 1 January 2007 (Article 122(2), Treaty TEC)

PURPOSE : [to enable](#) Slovenia to adopt the euro on 1 January 2007.

PROPOSED ACT : Council Decision.

CONTENT : the Commission concluded that Slovenia has achieved a high degree of sustainable economic convergence with the other Member States and that it fulfils the necessary conditions to adopt the euro. On the basis of its Convergence Report, the Commission is proposing to the Council that Slovenia adopts the euro on 1 January 2007. The final decision will be taken by EU finance ministers in July, after consultation of the European Parliament, and following a discussion by the Heads of State or Government at their summit in June.

On 2 March, Slovenia submitted a request for an early convergence assessment, in order to have sufficient time for the final preparations to introduce the euro on 1 January 2007 in case the derogation were to be abrogated. As a response to this request, the Commission and the ECB prepared convergence reports for Slovenia.

The main results of the Convergence report are as follows:

Inflation : the average inflation rate in Slovenia during the 12 months to March 2006 was 2.3%, below the reference value of 2.6%. Slovenia has respected the reference value since November 2005 and, based on the present outlook, is likely to continue to do so in the coming months.

Government budgetary situation : since EU accession, Slovenia has never been subject to an Excessive Deficit Procedure. Its general government deficit declined in 2004 and 2005 due to a combination of cyclical factors and policy measures, reaching 1.8% of GDP last year. General government debt remains well below the Treaty threshold at slightly below 30% of GDP. According to the Convergence Programme of December 2005, the budgetary strategy is to gradually reduce the government deficit to 1% of GDP in 2008.

Exchange rate : the Slovenian tolar has participated in ERM II since 28 June 2004. During the two years before the convergence examination, the tolar has remained close to its ERM II central rate.

Long-term interest rates : since ERM II entry in June 2004, the spread of long-term government bond yields vis-à-vis the euro area remained contained between 10 and 70 basis points, reflecting the credibility of Slovenia's convergence process. The 12-month average of long-term interest rates showed a steady decline over the whole assessment period. In the year to March 2006, the average long-term interest rate in Slovenia stood at 3.8%, well below the reference value of 5.9%.

Legal convergence : Slovenia is now compatible with the requirements of the Treaty and the ESCB/ECB Statute.

Euro: adoption by Slovenia of the single currency on 1 January 2007 (Article 122(2), Treaty TEC)

The committee adopted the report by Werner LANGEN (EPP-ED, DE) approving - under the consultation procedure - the proposal on the adoption by Slovenia of the single currency on 1 January 2007. In its legislative resolution, the committee called on the Member States "to allow the Commission to assess compliance with the Maastricht criteria on the basis of definite, current, reliable and high-quality data".

Euro: adoption by Slovenia of the single currency on 1 January 2007 (Article 122(2), Treaty TEC)

The Council held a debate on:

- reports by the Commission and the European Central Bank on fulfillment by Slovenia and Lithuania of convergence criteria and their obligations regarding economic and monetary union;
- a proposal aimed at allowing Slovenia to join the euro area as from 1 January 2007.

The presidency will report on the outcome of the Council's discussion to Heads of State/Government at a meeting in the margins of the European Council on 15 and 16 June.

In its reports, the Commission finds that:

- Slovenia has achieved a high degree of sustainable convergence. The proposal for a Council decision would allow Slovenia to adopt the euro as its currency by abrogating what is considered as a derogation as from 1 January 2007;
- Lithuania has made significant progress towards reaching a high degree of sustainable convergence by meeting the criteria on public finances, exchange rate stability and long-term interest rates, but does not, as yet, meet the criterion on price stability. The Commission finds that the 12-month inflation average in Lithuania has been above the reference value since April 2005 and is likely to stay above it in the months ahead.

The Commission and the ECB are due to present in October their two-yearly convergence reports, as required by Article 122(2) of the Treaty. The requests by Slovenia and Lithuania for an earlier assessment are intended to allow sufficient time for preparations for introduction of the euro on 1 January 2007, should a decision be taken allowing them to do so.

The proposal aimed at allowing Slovenia to join the euro area, also based on Article 122(2), will require a decision by the Council, by qualified majority if necessary, after consulting the European Parliament and discussion at a Council meeting in the composition of Heads of State/Government.

Twelve out of the EU's 25 Member States currently use the euro as their currency: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Austria and Finland. Euro notes and coins were introduced in all twelve countries on 1 January 2002.

Under the Commission's proposal, Slovenia would be the first to join the euro area out of the ten member states that joined the EU on 1 May 2004.

Euro: adoption by Slovenia of the single currency on 1 January 2007 (Article 122(2), Treaty TEC)

The European Parliament adopted a resolution drafted by Werner LANGEN (EPP-ED, DE) approving the proposal on the adoption by Slovenia of the single currency on 1 January 2007. (Please see the summary of 30/05/2006.) The report was adopted by 490 votes in favour to 13 against with 63 abstentions

Euro: adoption by Slovenia of the single currency on 1 January 2007 (Article 122(2), Treaty TEC)

PURPOSE : to enable Slovenia to adopt the euro on 1 January 2007.

LEGISLATIVE ACT : Council Decision 2006/495/EC in accordance with Article 122(2) of the Treaty on the adoption by Slovenia of the single currency on 1 January 2007.

CONTENT : the Council adopted this decision allowing Slovenia to adopt the euro as its currency as from 1 January 2007. Admission of Slovenia will make it the first to join the euro area out of the ten Member States that joined the EU on 1 May 2004, with six months to prepare for the changeover.

Regarding the fulfilment by Slovenia of the convergence criteria :

- the average inflation rate in Slovenia in the year ending March 2006 stood at 2.3%, which is below the reference value and is likely to continue to do so in the months ahead;
- Slovenia is not the subject of a Council Decision on the existence of an excessive government deficit;

- Slovenia has been a member of ERM II since 28 June 2004; in the two-year period ending April 2006 the Slovenian tolar (SIT) has not been subject to severe tensions and Slovenia has not devalued, on its own initiative, the SIT bilateral central rate against the euro;

- in the year ending March 2006 the long-term interest rate in Slovenia was, on average, 3.8% which is below the reference value.

Slovenia has achieved a high degree of sustainable convergence by reference to these criteria. Consequently, Slovenia fulfils the necessary conditions for the adoption of the single currency.

Adoption of the euro as Slovenia's currency will occur at the same time as the issuing of euro notes and coins. The conversion rate is set at 239.64 Slovenian tolar to the euro, which corresponds to the current central rate of the tolar within the EU's ERM II exchange rate mechanism.

The Council encouraged Slovenia to continue with appropriate policies to ensure that it can make the most of the benefits of joining the euro, in particular as regards budgetary rigour, structural reform and maintaining the competitiveness of its economy.