Procedure file

Basic information

CNS - Consultation procedure Decision	2008/0092(CNS)	Procedure completed
Adoption by Slovakia of the single currency on 1 January 2009 Subject 5.20.02 Single currency, euro, euro area Geographical area Slovakia		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		10/07/2007
		PPE-DE CASA David	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2882	08/07/2008
	Heads of State or Government	2880	19/06/2008
	Economic and Financial Affairs ECOFIN	2872	03/06/2008
European Commission	Commission DG	Commissioner	
	Economic and Financial Affairs	ALMUNIA Joaquín	

Key events

07/05/2008	Legislative proposal published	COM(2008)0249	Summary
22/05/2008	Committee referral announced in Parliament		
03/06/2008	Debate in Council	2872	
03/06/2008	Vote in committee		Summary
05/06/2008	Committee report tabled for plenary, 1st reading/single reading	A6-0231/2008	
17/06/2008	Results of vote in Parliament		
17/06/2008	Debate in Parliament		
17/06/2008	Decision by Parliament	T6-0287/2008	Summary
08/07/2008	Act adopted by Council after consultation of Parliament		

08/07/2008	End of procedure in Parliament		
24/07/2008	Final act published in Official Journal		

Technical information

Procedure reference	2008/0092(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/6/62598

Documentation gateway

Legislative proposal		COM(2008)0249	07/05/2008	EC	Summary
Non-legislative basic document		COM(2008)0238	07/05/2008	EC	
Document attached to the procedure		COM(2008)0248	07/05/2008	EC	Summary
Document attached to the procedure		COM(2008)0250	07/05/2008	EC	Summary
Document attached to the procedure		SEC(2008)0553	07/05/2008	EC	
Document attached to the procedure		SEC(2008)0567	07/05/2008	EC	
Committee draft report		PE406.112	14/05/2008	EP	
Amendments tabled in committee		PE407.645	26/05/2008	EP	
Committee report tabled for plenary, 1st reading/single reading		A6-0231/2008	05/06/2008	EP	
Text adopted by Parliament, 1st reading/single reading		T6-0287/2008	17/06/2008	EP	Summary
European Central Bank: opinion, guideline, report		CON/2008/0028 OJ C 180 17.07.2008, p. 0001	03/07/2008	ECB	
Commission response to text adopted in plenary		SP(2008)4439	16/07/2008	EC	
Follow-up document		COM(2009)0178	20/04/2009	EC	Summary

Additional information

European Commission	EUR-Lex

Final act

Decision 2008/608
OJ L 195 24.07.2008, p. 0024 Summary

Adoption by Slovakia of the single currency on 1 January 2009

PURPOSE: adoption by Slovakia of the single currency on 1 January 2009.

PROPOSED ACT: Council Decision.

CONTENT: the European Commission considers that Slovakia 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 periodic Convergence Report adopted on 7 May 2008, the Commission proposes to the Council that Slovakia adopt the Euro on 1 January 2009, assuming that the Council will follow the Commission's recommendation for the abrogation of the excessive deficit procedure. The final decision will be taken by EU finance ministers in July 2008 after consultation of the European Parliament, and following a discussion by the Heads of State or Government at their summit in June 2008.

The convergence report adopted by the Commission responds to a request for an assessment submitted by the Slovak authorities on 4 April 2008 to the Commission and the ECB. The main results of the Convergence report are as follows:

1. In Slovakia, national legislation, including the Statute of the national central bank, is compatible with Articles 108 and 109 of the Treaty and the Statute of the ESCB/ECB.

2. Concerning the fulfilment by Slovakia of the convergence criteria mentioned in the EU Treaty:

- the average inflation rate in Slovakia in the year ending March 2008 stood at 2.2%, which is well below the reference value, and it is likely to remain below the reference value in the months ahead, albeit with a narrowing margin;
- the budget deficit in Slovakia has seen a credible and sustainable reduction to below 3% of GDP. The Commission therefore recommends to the Council to abrogate the decision on the existence of an excessive deficit for Slovakia;
- Slovakia has been a member of ERM II since 28 November 2005. In the two-year period ending 18 April 2008, the Slovak koruna (SKK) has not been subject to severe tensions and Slovakia has not devalued, on its own initiative, the SKK bilateral central rate against the Euro;
- in the year ending March 2008, the long term interest rate in Slovakia was on average 4.5%, which is below the reference value.

The Council, acting on a recommendation from the Commission, abrogated the Council decision on the existence of an excessive deficit in Slovakia on 3 June 20 08.

In the light of the assessment of the legal compatibility of its national legislation and of the fulfilment of the convergence criteria, the Commission proposes that Slovakia adopt the Euro in 2009.

Adoption by Slovakia of the single currency on 1 January 2009

The Commission adopted its 2008 regular convergence report which assesses the progress made by the 10 EU countries with a ?derogation? in order to adopt the Euro.

The latest Commission and ECB regular Convergence Reports were adopted in December 2006. Denmark and the United Kingdom have not expressed their wish to adopt the single currency. Therefore, this convergence assessment covers the following ten Member States with a derogation: Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia and Sweden. Having joined the EU on 1 January 2007, Bulgaria and Romania are examined for the first time.

EU countries that do not meet the Maastricht convergence criteria for the Euro set out in Article 121(1) of the EU Treaty are said to have a 'derogation'. The criteria consist of four stability-oriented economic conditions regarding the government budgetary position, price stability, exchange rate stability and convergence of long-term interest rates. The national legislation on monetary affairs must also be in line with the EU Treaty.

According to the Treaty, the Commission reports every two years on the subject. Member States concerned can request that their readiness be assessed at any other moment. Slovakia recently made such a request although the Convergence Report was already being prepared.

In terms of Slovakia, the results of the assessment are as follows:

Inflation: the 12-month average inflation in March 2008 in Slovakia was 2.2%, well below the reference value calculated at 3.2% for the same month. This is considered a sufficient margin to allay concerns about rising inflation. However, Slovakia will need to remain vigilant to keep inflation at a low level, notably by maintaining wage discipline, adopting a more ambitious fiscal stance and further advancing structural reforms to improve the functioning of product markets.

Public finances: the deficit and debt are well within the acceptable limits for the convergence assessment: the deficit was 2.2% of GDP in 2007 and is expected to come down to 2.0% of GDP in 2008, in the Commission's spring forecasts. The general government debt stood at 29.4% of GDP in 2007. The Commission considers that the excessive deficit has been corrected in a credible and sustainable way and recommends that the ECOFIN Council closes the excessive deficit procedure for Slovakia. If this is done, Slovakia will fulfil the criterion on the government budgetary situation.

Interest rates: Slovakia?s average long-term interest rate over the year to February 2008 was 4.5%, below the reference value of 6.5%. It has been below the reference value since EU accession in 2004. The spreads vis-à-vis Euro area long-term benchmark bonds have also been declining markedly since 2002, which testifies to the low residual country risk priced in by the markets.

Exchange rate: As for the exchange rate criterion, the Slovak koruna has participated in ERM II since 28 November 2005. Although the exchange rate has risen quite strongly against the central rate, the Commission finds that the reasons for the appreciation are sound and that the koruna has not experienced severe tensions.

Finally, Slovakia?s legislation in the monetary field is also found to be compatible with the EU legislation.

Based on this assessment, and on the European Central Bank's own Convergence report, the Commission proposes that Slovakia adopts the Euro in 2009, assuming that the Council will follow the Commission's recommendation for the abrogation of the excessive deficit of this country.

The report concludes that none of the other nine countries assessed in the report is found to meet all the convergence criteria for adopting the Euro

Adoption by Slovakia of the single currency on 1 January 2009

PURPOSE: to amend Regulation (EC) No 974/98 as regards the introduction of the Euro in Slovakia.

PROPOSED ACT: Council Regulation.

CONTENT: The legal basis for the present proposal is Article 123(5) EC, which allows for the adoption of the other measures necessary for the introduction of the Euro in the Member State, the derogation of which has been abrogated under Article 122(2) EC.

The Council shall act with the unanimity of the Member States without a derogation and the Member State concerned, on a proposal from the Commission and after consulting the ECB.

Since Slovakia fulfils the necessary conditions for the adoption of the single currency, it is proposed that the derogation of Slovakia be abrogated with effect from 1 January 2009.

Slovakia's changeover plan specifies that Euro banknotes and coins should become legal tender in that Member State on the day of the introduction of the Euro as its currency. Consequently, the Euro adoption date and the cash changeover date shall be 1 January 2009. No ?phasing-out? period should apply.

Adoption by Slovakia of the single currency on 1 January 2009

The Committee on Economic and Monetary Affairs adopted a report by David CASA (EPP-ED, MT) approving the proposal for a Council decision on the adoption by Slovakia of the single currency on 1 January 2009.

The Committee notes that the ECB's 2008 Convergence Report identifies risks concerning the sustainability of the low inflation rate achieved. Expressing concern about the discrepancies between the convergence reports of the Commission and the ECB as regards the sustainability of inflation, it recommends that the Slovak Government set up an observatory to monitor the price of a selected number of basic goods on a weekly basis so as to fight false perceptions about price increases.

Members consider that ten years after the establishment of the Economic and Monetary Union, experience has shown that incentives to conduct structural reform decrease after joining the euro area, and that the issue of sustainability has increased in importance. Accordingly, the Slovak government is asked:

-to ensure the continuation of necessary structural reforms in labour, services and product markets, ensuring, in particular, increased labour mobility and investment in human capital;

-to ensure competition, particularly in sensitive sectors such as energy;

-to ensure, with the cooperation of the Slovak central bank, a stable low-inflation environment, which can be achieved through further fiscal consolidation, and a sufficiently tight fiscal policy with the aim of balancing the budget in the medium term. Social partners should keep wage growth in line with productivity growth in the foreseeable future;

-in view of the low support for the euro among Slovak citizens, to step up public information campaign aimed at explaining the benefits of the single currency and undertake all necessary steps in order to minimise price increases during the changeover period.

Members reiterate their strongly held opinion that the Council and the Commission should adopt the position that an excessive deficit procedure concerning a Member State must have been closed before compliance with the Maastricht criteria is assessed as prescribed in Article 2 of the Protocol on the convergence criteria. They regret that the Commission has, once again, failed correctly to apply the Treaty in this regard.

Lastly, MEPs call on the Commission and the ECB to consider all aspects when recommending the final exchange rate for the Slovak koruna.

Adoption by Slovakia of the single currency on 1 January 2009

The European Parliament adopted, by 579 votes to 17 and 86 abstentions, a legislative resolution approving, in the framework of the consultation procedure, the Commission's proposal. Parliament favours the adoption of the euro by Slovakia on 1 January 2009.

The report had been tabled for consideration in plenary by David CASA (EPP-ED, MT) on behalf of the Committee on Economic and Monetary Affairs.

It notes that the ECB's 2008 Convergence Report identifies risks concerning the sustainability of the low inflation rate achieved. Parliament states that it is concerned about the discrepancies between the convergence reports of the Commission and the ECB as regards the sustainability of inflation. It recommends that the Slovak Government set up an observatory to monitor the price of a selected number of basic goods on a weekly basis so as to fight false perceptions about price increases.

Members consider that ten years after the establishment of the Economic and Monetary Union, experience has shown that incentives to conduct structural reform decrease after joining the euro area, and that the issue of sustainability has increased in importance. Accordingly, the Slovak government is asked to do the following:

- to ensure the continuation of necessary structural reforms in labour, services and product markets, ensuring, in particular, increased labour mobility and investment in human capital;
- to ensure competition, particularly in sensitive sectors such as energy;
- to ensure, with the cooperation of the Slovak central bank, a stable low-inflation environment, which can be achieved through further fiscal consolidation, and a sufficiently tight fiscal policy with the aim of balancing the budget in the medium term. Social partners should keep wage growth in line with productivity growth in the foreseeable future;
- in view of the low support for the euro among Slovak citizens, to step up public information campaign aimed at explaining the benefits

of the single currency and undertake all necessary steps in order to minimise price increases during the changeover period.

Members reiterate their strongly held opinion that the Council and the Commission should adopt the position that an excessive deficit procedure concerning a Member State must have been closed before compliance with the Maastricht criteria is assessed as prescribed in Article 2 of the Protocol on the convergence criteria. They regret that the Commission has, once again, failed correctly to apply the Treaty in this regard.

MEPs call on the Commission and the ECB to consider all aspects when recommending the final exchange rate for the Slovak koruna

Lastly, Parliament takes note of the efforts undertaken by all parties to improve the conditions under which Parliament exercises its right of consultation under Articles 121 and 122 of the EC Treaty in terms of information and timing and welcomes the initiative of the Committee on Economic and Monetary Affairs to organise a study visit to Slovakia to make its own assessment of the situation.

Adoption by Slovakia of the single currency on 1 January 2009

PURPOSE: adoption by Slovakia of the single currency on 1 January 2009.

LEGISLATIVE ACT: Council Decision 2008/608/EC in accordance with Article 122(2) of the Treaty on the adoption by Slovakia of the single currency on 1 January 2009.

CONTENT: this Decision provides that Slovakia fulfils the necessary conditions for the adoption of the single currency. The derogation in favour of Slovakia referred to in Article 4 of the 2003 Act of Accession will be abrogated with effect from 1 January 2009.

The text notes that, on the basis of reports presented by the Commission and the ECB on the progress made in the fulfilment by Slovakia of its obligations regarding the achievement of economic and monetary union, the Commission concluded that:

a) in Slovakia, national legislation, including the Statute of the national central bank, is compatible with Articles 108 and 109 of the Treaty and the Statute of the ESCB,

b) regarding the fulfilment by Slovakia of the convergence criteria mentioned in the four indents of Article 121(1) of the Treaty:

- the average inflation rate in Slovakia in the year ending March 2008 stood at 2.2%, which is well below the reference value, and it is likely to remain below the reference value in the months ahead, albeit with a narrowing margin;
- the budget deficit in Slovakia has seen a credible and sustainable reduction to below 3% of GDP. The Commission therefore recommended that the Council abrogate Decision 2005/182/EC on the existence of an excessive deficit for Slovakia;
- Slovakia has been a member of ERM II since 28 November 2005. In the two-year period ending 18 April 2008, the Slovak koruna (SKK) has not been subject to severe tensions and Slovakia has not devalued, on its own initiative, the SKK bilateral central rate against the euro;
- in the year ending March 2008, the long-term interest rate in Slovakia was, on average, 4.5% which is below the reference value.

Adoption by Slovakia of the single currency on 1 January 2009

This communication concerns the introduction of the Euro in Slovakia.

Following the Council Decision of 8 July 2008 that Slovakia fulfils the necessary conditions for the adoption of the Euro, the Euro-area enlarged to 16 members on 1 January 2009, the day when the tenth anniversary of the Euro was celebrated.

Slovakia opted for a "Big Bang" changeover scenario, i.e. without a transitional period. As in Slovenia, the period of dual circulation, during which payments were accepted both in Euro and Slovak koruna, lasted for two weeks. The successful changeover confirmed that, if meticulously prepared, a short dual circulation period can be sufficient, even for a country with a high amount of cash in circulation. A large majority of Slovak citizens (91%) perceived the changeover as smooth and efficient.

This Communication covers the most important aspects of the changeover process, in particular the cash changeover, the measures taken to fight citizens' fears of price increases, the price developments in the changeover period, the information campaign and the citizens' opinion on the running of the changeover.

Cash changeover: the frontloading and sub-frontloading operations were well organised. The value of cash supplied to businesses before the changeover was significantly higher than during the three last changeovers.

High demand for Euro coins mini-kits in Slovakia confirmed that citizens are attracted by the first Euro coins with the national side of their country, even when they already hold Euro coins issued by other countries. It is important to prepare sufficient numbers of mini-kits for all citizens so that they can get familiar with their new currency ahead of the changeover. Since businesses need the Euro coins for giving the change as from the changeover day, special retailer starter kits should systematically be foreseen to meet their needs. The demand of businesses and various institutions that may use coins kits as presents should be also taken into account when planning the volumes of production.

In order to facilitate the access of small businesses to Euro cash, the new simplified ECB guideline for sub-frontloading should henceforward be used.

Citizens? opinion on the running of the changeover: the changeover in Slovakia was well prepared and smooth. Slovaks successfully managed to avoid many problems which occurred in the other countries introducing the Euro (e.g. long waiting line in banks) by learning from their experience. Although the cash changeover started a bit more slowly than in the other countries which used a ?big bang? changeover scenario, the results attained are overall very positive.

In order to speed up the changeover and thus reduce the burden put on retailers who have to handle two currencies simultaneously, the change should be given exclusively in Euro as of 1 January. It could be considered for future changeovers to introduce a legal prohibition on the use of the legacy currency for giving change (with an exception for cases where it is materially impossible to use the Euro). To avoid cash shortages in shops, the salaries and pensions - when paid in cash - should be distributed primarily in small denomination banknotes.

The retailers should plan carefully their Euro cash needs for the changeover period and the banks should consider adapting their fee policy to the exceptional circumstances due to the changeover.

Combating fears of price increases: Slovakia has implemented a comprehensive set of measures to prevent misperceptions of the evolution of prices and price abuses, in line with the recommendations of the Commission. The authorities should make sure that all complaints from the citizens are duly investigated and pay special attention to the price developments at the end of the dual display of prices period.

Information campaign: the well managed information campaign in Slovakia contributed to ensuring a smooth changeover to the Euro. The campaign was comprehensive: it paid attention to all target groups, including the minorities and people with special information needs. The authorities should address the population's persisting information needs: to provide additional information on the security features of Euro cash and to keep addressing the fair pricing issues and fears related to it.