



Rahandusministeerium

Estonia: latest experiences

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**Euro changeover – what should or shouldn't be done?
Conference on Euro Changeover Preparations**

Warsaw, March 11, 2011

Euro adoption in Estonia

- Economic background
- Organization
- Technical preparations
- Communication



Economic assessment in convergence report

- Fiscal deficit 1.7 per cent of GDP as of 2009, well below the Maastricht reference value of 3 per cent.
- Public debt at 7 per cent of GDP as of 2009, the EU average around 80 per cent.
- 12-month average inflation rate -0,7% (March 2010) and to remain at moderate levels in the years ahead
- Fixed rate of exchange for 18 years (no problems with the ERM)
- On June 8, ECOFIN ministers recommended to accept Estonia to the euro area; formal decision by ECOFIN on July 13



Organization

Similar organization to other countries that recently adopted the euro

- Essentials of organizational structure in place since 2005; but the preparations had to be compressed into the relatively short and extremely dynamic time span
 - On September 1st, 2005 the Government approved the first draft of the national changeover plan
 - Between summer 2006 and autumn 2008 only minor updates
- National Changeover Committee and 7 working groups
- Chaired by Secretary-General of the MoF
- Includes central bank and ministries of economy and communications, justice, home affairs, foreign affairs, and state chancellery/prime minister's office



Organization

Was there a plan for Maastricht criteria? No, but ...

- Various options to meet inflation criteria were discussed in 2006, but led to no concrete steps
- Maastricht criteria were met in 2009, as
 - fiscal assets prior to the crisis amounted to 10% of GDP; fiscal adjustment remained within 3% limits
 - cumulative budget consolidation in 2008 and 2009 amounted to 13% of GDP
 - prices and wages adjusted in 2008 and 2009



Organization

Government discussed euro changeover once in a quarter

- Changeover Committee met once a month; working groups met once or twice in a month
- Changeover Committee discussed amendments to the changeover plan
- The final - 9th - version of the changeover plan was approved in October 2010
- Changeover Committee reports to government on a quarterly basis
- Government approved changeover plan updates



Practical preparations

Legal issues

- General compliance with *acquis* already in 2006
- Euro changeover “umbrella law” was adopted in April 2010
- Some changes were introduced to the central bank act and statutes to specify, eg. tasks of the Supervisory Board
- Government’s “umbrella euro-regulation” was adopted in July to change all governmental regulations and legal acts
- Ministerial “euro-regulations” were adopted in September
- The main issue of public concern– do employment contracts need to be changed?



Practical preparations

Cash changeover and credit institutions

- Similar to other recent cases – big-bang approach + two weeks dual cash circulation
- Frontloading agreements with 10 commercial banks signed in September
- Frontloading and sub-frontloading of coins from September 15
- Frontloading of banknotes from October and sub-frontloading of banknotes since December 1
- Commercial banks sub-frontloaded 5300 companies with 31 million € (14.4 % of the value of frontloaded cash was distributed to businesses before €-day)
- Respectively, 52 % of and 8,7% of frontloaded coins and notes (value) were sub-frontloaded



Practical preparations

Cash changeover and credit institutions

Cash changeover – notes and coins

- Central bank responsible for both banknotes and coins
- ECB decision 9.9.2010 on the initial volume of banknotes to be lent to Eesti Pank; agreement with Bank of Finland for 44,89 million pieces
- Agreement with Mint of Finland since 2005 for production of 194 million coins
- Preparations and production in accordance to the Memorandum of Understanding with European Commission
- Production began in July 2010 after the final decision
- National side decided by popular e-vote back in 2006



Practical preparations

- Estonian euro coin design



Practical preparations

Cash changeover and credit institutions

- Cash changeover issues of interest:
 - December exchange – commission free exchange of kroon notes to euros starting from December 1
 - Starting from January 1, notes and coins exchange 6 (in all bank offices) plus 6 months (in selected offices) commission free
 - Cash exchange in 178 post offices during the dual circulation period; covered nearly all Estonian municipalities



Practical preparations

Cash changeover and credit institutions

- Cash changeover issues of interest (cont'd):
 - No end date, as central bank will exchange kroon notes and coins indefinitely
 - Kroon coin withdrawal campaign from October 1 (commission free option to deposit coins to own account)
 - Starter kits of euro coins on sale from December 1
 - Special changeover sets for micro-SMEs



Practical preparations

- 700 000 starter kits with Estonian euro coins
 - Sold in December 2010
 - Contains 42 Estonian euro coins
 - Value 12.79 € (price 200 kroons)



Practical preparations

- Company starter kits
- Banks in co-operation with G4S made and distributed starter kits for retailers
- Small kit 111€ (one roll of every denomination), large kit 189€ (1-3 rolls/denomination)
- 85 863 retailer kits were ordered
- Total value 13 030 281 euros



Practical preparations

Cash changeover and credit institutions

- Credit institutions issues of interest:
 - All 867 ATMs had to give euros within 48 hours at the latest (in reality within minutes in most cases)
 - Availability of smaller denomination (5 and 10 euros) banknotes during the dual circulation and thereafter; most banks make available 5 euro notes
 - Coin handling fees as coin circulation increased: banks voluntarily reduced from 5% to *ca* 1% as of 2011



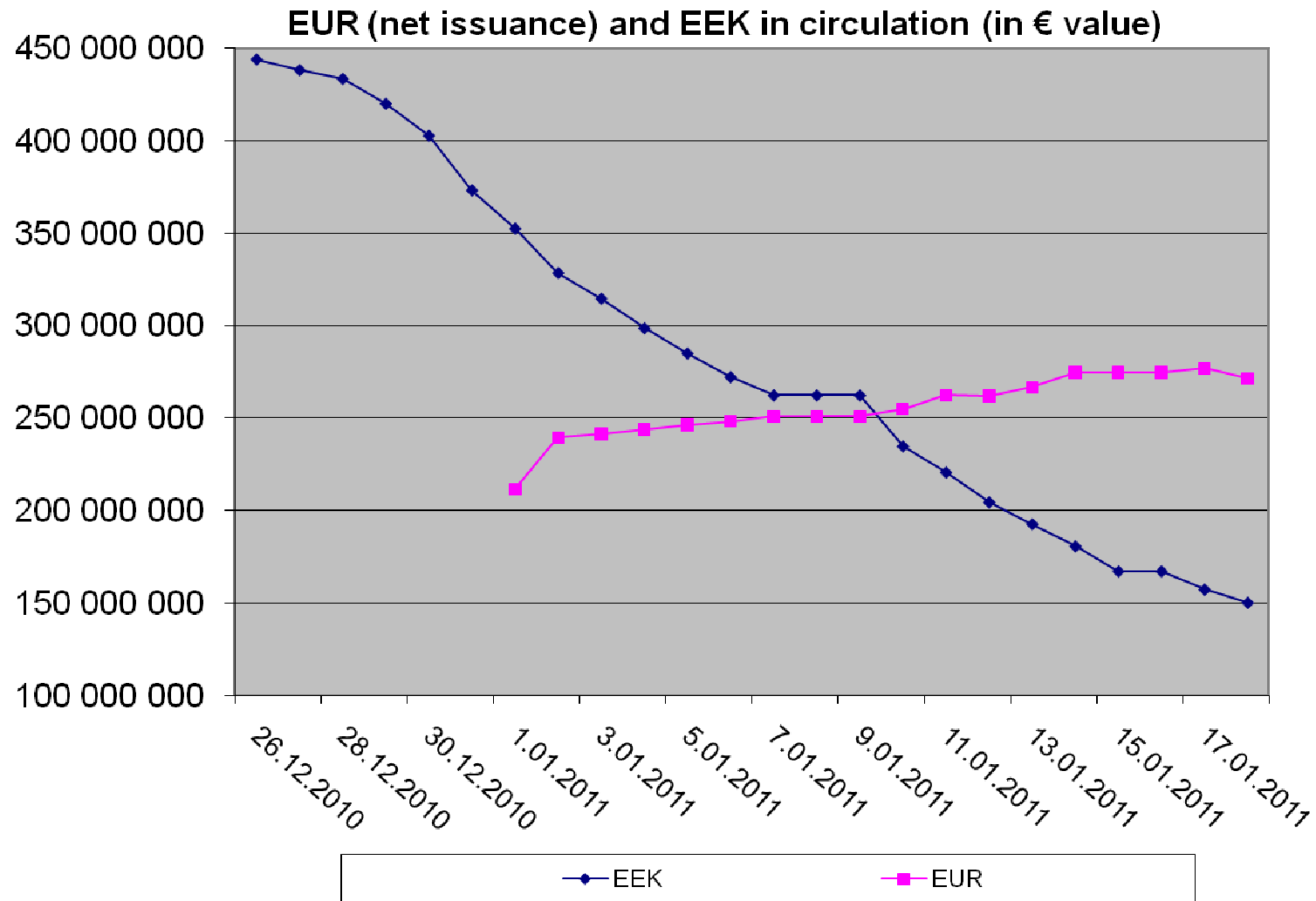
Practical preparations

Cash changeover and credit institutions

- Credit institutions – summary of customer service issues around the €-day:
 - ATMs operational in kroons until Dec 30 or Dec 31
 - ATMs operational in euros starting from Jan 1
 - Card payments in euros immediately after midnight Jan 1
 - Bank electronic transfers in kroons until Dec 31; interbank transfers in euros effective from Jan 2
 - Full internet banking available in euros starting from Jan 3 but main services already available on January 1
- Many bank offices (and post offices for currency exchange) open in Jan 1 and Jan 2



Cash in circulation



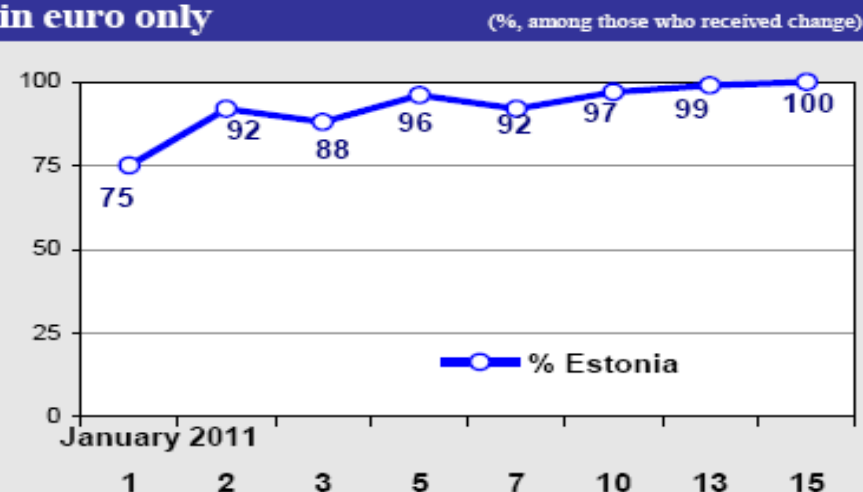
Cash payments in shops in kroon (only)



Cash payments in shops in euro (only)



Cash transactions with change given in euro only



Cash transactions with change given in kroon only



Source: Flash Eurobarometer 308 – The Gallup Organization



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Practical preparations

Businesses – mostly self-sufficient approach by private sector

- Monthly roundtables with business associations at the MoF
- Targeted contacts with business associations by the ministry of economy and communications
- The key issues related the euro introduction – government concerns
 - IT systems
 - Electronic card POS
 - Cash sub-frontloading
 - Parallel circulation in retail sector
 - Contracts



Practical preparations

Businesses – information needs from the public sector

- Issues of particular interest viz the state:
 - Legal clarity – need for binding and final set of rules for implementing changeover plans in private sector
 - Euro umbrella law – taxes, levies etc.
 - Governmental and ministerial regulations
 - Other laws – accounting, denomination of capital, values of units of investment and pension funds etc.
 - Dual display of prices
 - For how long?
 - Rounding
 - What price should be larger?
 - Dual pricing on cashier checks?



Practical preparations

Businesses – information needs from the public sector

- Issues of particular interest viz the state (cont'd):
 - Financial accounting – Q&A posted on euro internet site
 - Specific issues related to parallel circulation –
 - large denomination banknotes – do I need to accept 500 euro notes?
 - parking meters – do they need to accept both currencies?
 - mass transportation – do drivers need to accept both currencies?



Practical preparations

Businesses – information needs from the public sector

- Issues of particular interest viz the state:
 - Legal clarity
 - Dual display of prices
 - Financial accounting – Q&A posted on euro internet site
 - Specific issues related to parallel circulation – large denomination banknotes, parking meters and mass transportation
- Key communication channels
 - Euro internet site – special page
 - Mass eMailing – euro changeover brochure eMailed to every Estonian business in May
 - Direct contacts & seminars on demand
 - Banks and private consulting business



Practical preparations

Consumer protection – focus on prices

- Compulsory dual display from July 1, 2010 until June 30, 2011
- Fair pricing campaign:
 - Developed by Chamber of Commerce in cooperation with MoF and ministry of economy/consumer protection board
 - Voluntary participation – members commit not to use euro changeover to increase prices
 - Companies representing 70% market share of food and other primary goods have joined
 - Lower participation rate (10-15%) among SMEs
 - Key PR-contribution was the slogan “€ hinda ei tõsta” which is prominently displayed by participating companies



Practical preparations

Consumer protection – focus on prices

- Consumer protection board publishes monthly updates:
- on compliance with dual display requirements; less than 50% companies complied fully in July, over 83% complied in December
- on regular price monitoring: changes in prices of various consumer items across the country (in 2010, wider coverage of regions/retailers and consumer items)
- Impact of consumer protection activities and the euro introduction on prices becomes increasingly difficult to estimate in the context of higher prices of food and commodities



Practical preparations

Ministries and municipalities

- Central government IT preparedness by July 1, 2010
- Ministry of Social Affairs, Ministry of Interior and Tax and Customs Board by November 1, 2010
- Detailed reporting by all ministries on a monthly basis to NCC and central monitoring and presence embedded in ministerial IT project teams
- Timely information for retirees and receivers of social benefits – information letter by Ministry of Social Affairs



Practical preparations

- Over 220 autonomous municipalities – responsibility for changeover preparations on local level
- Information exchange:
 - state and district level seminars
 - Structured formal dialogue using existing structures of cooperation
 - regular information eMails
- Recommendation to change municipal legal acts “in a timely manner” (3 months prior to changeover), incl. tickets and prices of municipal services
- MoF Guidelines on adjustments of IT-systems and legal acts
- Ministry of Social Affairs – seminars for social workers of municipalities



Communication

Organisation

- Working group lead by MoF
- Communication strategy endorsed by the EC and approved by the Cabinet
- 4 main partners and funding sources – MoF, central bank, EC and the ECB
- Small designated team in the MoF and central bank + private sector partners for strategy development, media campaign, exhibitions etc.



Communication

- Focus on practical aspects of the changeover
- Targeting that at least 90% feel “adequately informed” and 65% support euro adoption
- Mostly similar public concerns with previous changeover campaigns
 - Prices/inflation
 - Loss of national currency
- New concern – stability of the euro area



Communication target groups

- **The public in general is the most important target group**
 - Most of euro communication materials were designed for the general public
- **Specific information to target groups**
 - State agencies, business, trading and service sector; media, children and students, pensioners, people with special needs, bank customers, consumers, etc.



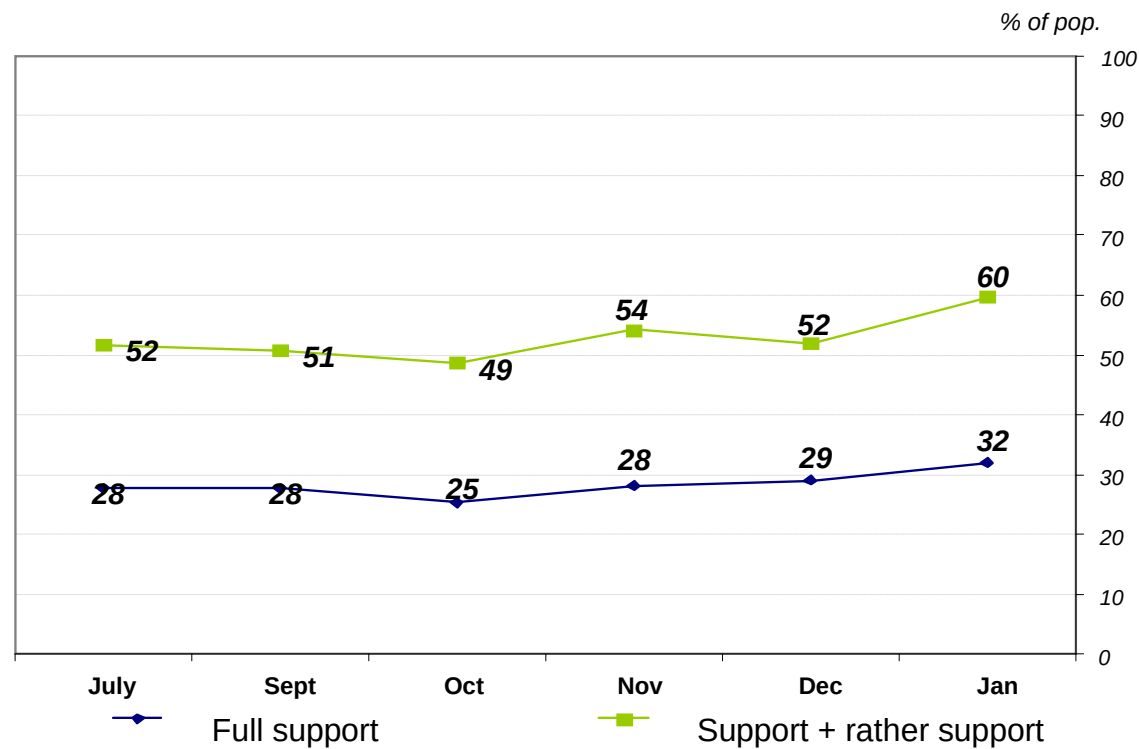
Main channels for the communication

- **Media campaign**
 - I part: fair pricing campaign
 - II part: general practical aspects
 - III part: euro banknotes and security features
- TV, radio, internet, outdoor media, newspapers
- 2 direct mailings to all households
- Regular media briefings and interviews
- Distribution network of publications
- Seminars and direct communication
- Special events



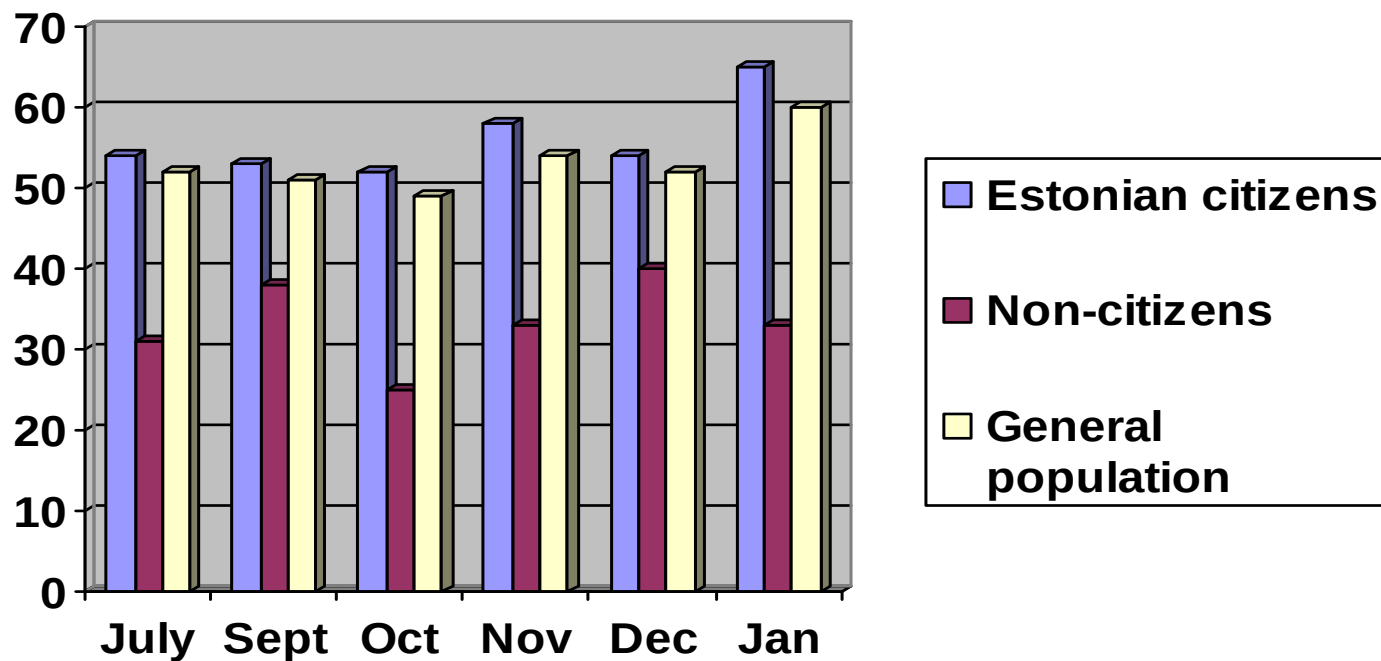
General support to the euro changeover

- Survey by Faktum & Ariko July 2010-January 2011

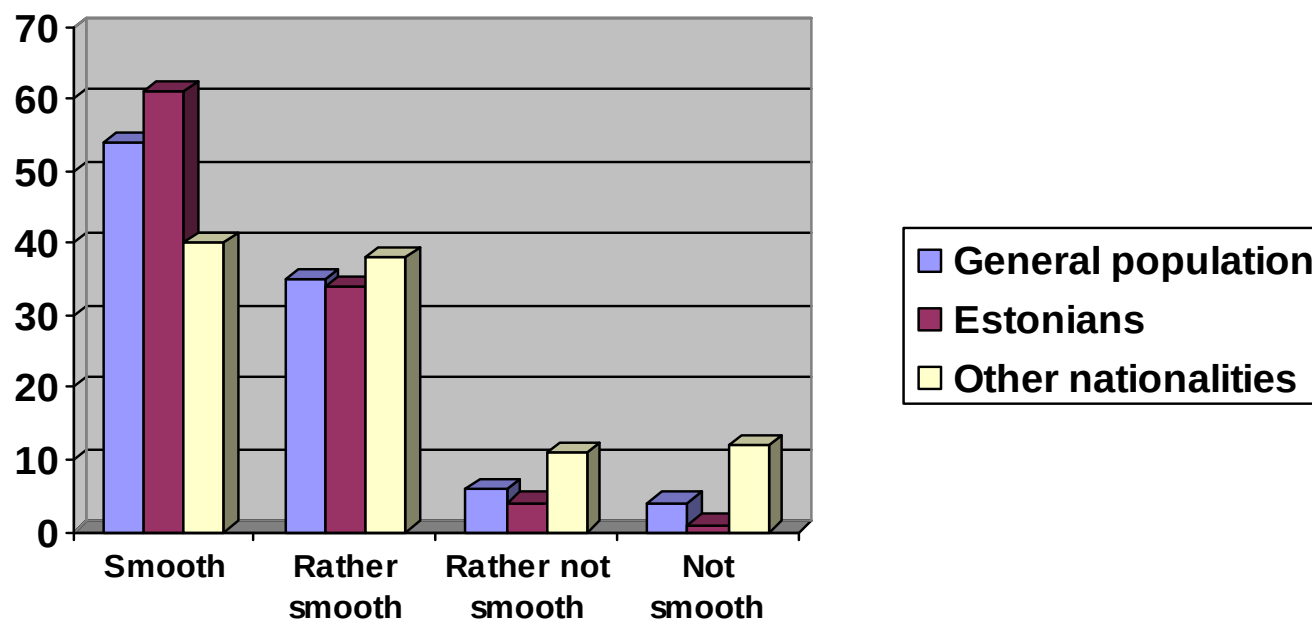


Support to the euro changeover

- Difference between the citizens and non-citizens



Smoothness of the changeover - public opinion



Thank you!



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