



Introduction of the Euro in Cyprus

Presentation to the Changeover Conference

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Dr. Andreas Charalambous

Ministry of Finance of Cyprus





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Key Messages

- The changeover in Cyprus was successful, notwithstanding criticism (Commission, ECB) – opinion survey results at the initial stages
- Preparation of the public sector – key
- Priorities: SME's, vulnerable groups, people living in rural areas, focus also on Turkish Cypriots
- Main challenge: address widespread concerns for (perceived) price abuses
- Some lessons from previous experiences useful – but challenges for future entrants will not be the same





Milestones

- Establishment of the National Advisory Board - December 2004
- Entry in ERM II – May 2005
- Beginning of the Communication Campaign – May 2005
- Application for an assessment of compliance with the Maastricht convergence criteria – February 2007
- Irrevocable fixing of the exchange rate – July 2007
- Code of Fair Pricing – July 2007
- Dual Display of prices – September 2007
- Adoption of the euro – 1 January 2008
- Period of parallel circulation - 1-31 January 2008

▶ **early planning – timely preparations – but not too early**





Institutional Setting

- **National Advisory Committee**, chaired by the Minister of Finance (participation of all stakeholders, including the private sector)
- **Political Committee**, chaired by the Minister of Finance (participation of the political parties)
- **Coordinating Committee**, chaired by the Governor of the Central Bank of Cyprus
- **Joint Communication Committee**
- **Committee for the Preparation of the Business Sector**
- **Technical Committees** of the Ministry of Finance and the Central Bank of Cyprus





Institutional Setting (2)

- **Utilisation of existing structures** – no new structure – minimal addition of manpower – resource requirements covered through temporary staff
 - **Utilization of existing tripartite arrangements**
-
- Malta opted for a different model – new structures
 - Both models were successful

do it your way





Legal Framework

- **General Law for the adoption of the Euro**
- **Objectives**
To create transparency for the process of the changeover and assist the preparation of the public and private sectors
- **Main Contents**
 - Dual pricing
 - Euro-Observatories
 - details in cash changeover





Preparation of Public Sector

- **Network of Euro-coordinators** (at intermediate level)
- **Adaptation of legislations & regulations**
(replacement of references to Cyprus pound)
- **Adaptation of budgets & accounting systems**
- **Adaptation of IT systems** (identification phase – implementation phase (in-house, outsourcing) – final test end of September '07)
- **Pricing policy of public entities – best practices**
(no rounding up – no increase of fees prior to changeover)
- **Communication activities of public entities**
- **Check list & monthly meetings of Euro-coordinators**
to ensure that the public sector was ready on time





Business Sector

- **Distribution of information material - seminars to alert business**
- **Particular emphasis on SME's, rural areas**
- **Close co-operation with private sector essential**





Addressing Price Abuses

Surveys indicated persistent concerns
(perceptions in Greece shaped the perceptions in Cyprus)

Measures

- **Fair Pricing Code**
- **Dual display of prices**
- **Euro-Observatories**
- **Price Watch:** Price monitoring of sensitive items in cooperation with the Consumers Association





Fair Pricing Code

- **Commitments**
 - Avoid unjustified price increases due to the changeover
 - Consumer information and assistance
 - **Duration July 2007 – July 2008**
 - **Voluntary** – subscribers to this Code were allowed to display a logo
 - Considerable number of (big) business applied to receive the logo
 - Served as “advertisement” for Government and business (fair treatment of consumers)
- **Surveys showed that price behaviour of companies that had not participated in the Fair Pricing Code was no different**





Dual Display of Prices

- **Simultaneous display of selling prices both in Pounds and Euro**
- **Duration September 2007 - December 2008**
- Facilitated adaptation of households & (small) business – conformity by vast majority of enterprises
- Some problems due to wrong rounding, high priced items (high nominal price – perception)





Euro-observatories

- An institutional body responsible for :
 - the application of euro legislation
 - the Fair Pricing Code practices
 - dual display of prices
- Served also as vehicle for providing information and assistance
- Located within the provincial authorities –proximity to the public

... no attempt to police enterprises, but to engage business and gain their trust





Price Watch

- Focus on sensitive products (low priced frequently purchased)
- Important role of Consumer Associations
- Intensive monitoring during changeover
- Dilemma – increases prior and after





Communication Strategy

- The Communication Campaign was adjusted to the specific characteristics / realities in Cyprus
- It integrated the following:
 - EU guidelines
 - characteristics of the Cyprus economy
 - culture
 - available communication channels
 - available resources and possible constraints
 - public opinion





Concluding Remarks

- ➔ Change over is challenging ... but manageable
- ➔ Timely planning & preparations
- ➔ **Focus on perceptions**
- ➔ Current developments in the Euro zone need to be taken into consideration
- ➔ Adaptation of communication strategy
- ➔ **Its not just about introducing a new currency**, its about adaptation of macro-economic policies ... do we need to adopt German style policies?

